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How to...?

Tips and tools for South African tourism companies on local procurement, products and partnerships.

Brief 3: Building local partnerships

Produced by
Overseas Development Institute
Business Linkages in Tourism



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the dti
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PREFACE

The purpose of the 'How To...?' series is to assist tourism companies to take advantage of opportunities to contribute more to the local economy. The intended audience is tourism businesses of various sizes and operational types. Other guidelines already describe what to do, and why, for more responsible, sustainable or empowered tourism. This How To series focuses on *how* to do it. It provides practical tips drawing from the experiences of successes and failures.

In addition to an executive summary, there are four briefs in the series. These are:

1. Boosting procurement from local businesses
2. Stimulating local cultural and heritage products
3. Building local partnerships
4. Setting corporate priorities and managing internal change.

The first three focus on different types of local linkages and thus may be used by different operational staff (chefs, buyers, guest relations officers, lodge managers etc). The fourth brief gives tips on how to manage corporate change in order for any of the first three to be effective in the long-term.

Tips 📌, Warnings ⚠️, Examples 📌, Government and Institutional issues 🏛️, Useful tools 🛠️, Quotes are marked throughout.

There are several issues that are only touched upon in this brief, but expanded upon in one of the others.

Additional copies can be downloaded from www.odi.org.uk/rpeg/research/pro-poor_tourism/howto.html
Hard copies are available, free of charge, from Business Linkages in Tourism. Contact Adrienne Harris, bizlink@tbcsa.org.za.

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Many tourism operators gave up time to be interviewed and provided information on their experience:

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The drafts were reviewed by Steering Committee members and a Review Group comprising Wolfgang Thomas (Centre for Responsible Tourism Research at Cape Peninsula University), Clifford Ross (City Lodges), David Rattray (Fugitives' Drift Lodge), Justin Pooley and Irene Visser (IFC), Alan Louw (Lesedi African Lodge / Tourvest), Ted Stilwell (National Accommodation Association South Africa), Michael Warner (ODI), Harold Goodwin (Responsible Tourism Partnership), Wayne Duvenage (SAVRALA) and Morne Bosch (Spier). Participants at a Pro Poor Tourism (PPT) Pilots workshop also provided comments on summary drafts.

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ACRONYMS AND KEY TERMS

Acronyms	Definitions
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
(C)PPP	(Community) Public Private Partnerships
DEAT	Department of Environmental Affairs and Tourism
DFI	Development Finance Institution
EIA	Environmental Impact Assessment
GSLWPA	Greater St Lucia Wetland Parks Authority
IDC	Industrial Development Corporation
IFC	International Finance Corporation
MOU	Memorandum of Understanding
PDI	Previously Disadvantaged Individual
SANParks	South African National Parks
SMME	Small Medium and Micro Enterprise
the dti	Department of Trade and Industry
ZAR	South African Rand

Key terms	Definitions
Local linkages	Linkages between a tourism company and the local economy include: procurement of goods and services from local businesses, recruiting local staff, using local excursions and tourism services, or encouraging guests to use them, joint venture partnerships with community trusts or local employees, and a range of operational agreements with local residents and neighbours. Some linkages involve partnerships, some are contracts.
Partnerships	A term that can be widely applied, but this brief focuses on: <ul style="list-style-type: none"> • joint venture partnerships, which entail shared risk and investment in a business • collaboration and operational agreements with local residents or a community Tips also apply to arrangements with local entrepreneurs, staff, or contractors, that go beyond just a conventional contract (such as by involving mentoring)
Local partnerships	Partnerships with local communities, poor black neighbours, or small black local enterprises.
BEE partnerships	Partnerships with black-owned companies, whether local or not, small or not.

Creating Local Partnerships in Tourism

Partnerships at the local level are about tourism companies delivering local economic and social benefits faster, to a higher quality, to a broader number of people or more sustainably, than could be achieved by acting alone or through conventional contractual or consultative relationships. Innovative partnerships between tourism business and local communities can link the 'first' and 'second' economies to benefit both parties.

Partnership is a vague and much abused term. A strict and business-oriented definition of partnership is 'an association of two or more people formed for the purpose of carrying on a business with a view to profit' (Oxford Dictionary of Law, 1997). An increasing number of tourism companies are adopting this kind of partnership, or joint venture, with local communities. Usually both partners hold equity, but there is a range of options. There are many other types of collaboration with local partners – with neighbours, residents, emerging suppliers or tourism providers, contractors or land-owners. Such collaboration may include elements of business partnership, along with other operational agreements.

The tips here generally relate to both joint venture partnerships and other looser forms of collaboration. The focus is on local partnerships, with communities or poor black neighbours, rather than partnerships with conventional business partners, suppliers, or well-established BEE investors.

A defining feature of partnerships is that both partners share risks and benefits. In this way it is different to conventional stakeholder consultation or local charity.

Warning: This is not a step-by-step technical guide to the complex process of negotiating, contracting and managing a community equity partnership. It is a collection of wisdom gleaned from successful – and not-so-successful – partnerships.



Staff of the Old Gaol Coffee Shop, and partners of Jan Harmsgat Country House (Michelle Dyantyi, Nelda Aucamp, Monika Dyantyi and Charlene Mfundise).



BENEFITS OF LOCAL PARTNERSHIPS

Access to resources

Local partnerships can help acquire access to new sites or financial investment. Concessions are increasingly being granted by government through competitive bidding that emphasises the need for local community benefit ^ even more so in the case of public-private partnerships, in which state assets are involved. A partnership with the local community can also include agreements to ensure exclusivity of use.

Partnerships can be instrumental in attracting financially responsible or BEE investment. The Halcyon Group's involvement in local partnership and linkages was a feature that attracted their new owner, Akani Leisure Investments, and both Wilderness Safaris and Spier are clients of IFC (International Finance Corporation), which emphasises responsible business behaviour in their deals.



Increased credibility and licence to operate

Local partnerships can create jobs and new opportunities, and reduce poverty. This, in turn, builds local support which can reduce local risk, build social license to operate, help in acquiring licences or permissions, reduce crime, and enable guests to experience new products.

Calabash Trust, which invests in local projects, underpins the business side of Calabash Tours and, by increasing local support, enables Calabash customers to walk safely in informal settlements, visit preschools, and chat directly to many township residents.

New products and improved customer experience

Partnerships can assist in developing new tourism products, based on local skills and resources, thus enhancing the product offering for guests. A community tour that is proving popular with Rocktail Bay guests is a new output from the long-established community partnership. According to Wilderness Safaris CEO Malcolm McCulloch, possibly fewer than 15% guests care about local development before they arrive. But the aim is that, by the time they leave, they do.



"The Imvelo [Responsible Tourism] Award sitting in our bar scores big points." (Pete Christodoulou, Mbotyi River Lodge)

Staff morale and customer satisfaction

Partnerships with the local community boosts staff morale, which results in improved customer service and customer satisfaction. For example, at Mbotyi River Lodge, the positive attitude of local staff translates directly into improved service and customer satisfaction. Guests are interested in the campsite partnership and other local linkages, and ask how it all came about.



Brand enhancement

Partnerships win awards, and awards bring bookings.

Benefits for communities

Partnerships are a way for communities to make productive use of their land and resources, by bringing in the capital and tourism know-how that they often lack. Partnerships also bring training, expertise, exposure, and the potential to enrich the destination. Partnership lodges benefit the community more than conventional lodges.

Damaraland Camp, a partnership between Wilderness Safaris and the Torra Conservancy in northwest Namibia, won a 2005 WTTC (World Tourism and Travel Council) Tourism for Tomorrow Award. Wilderness' Rocktail Bay Lodge won an award for best community practice at the WSSD (World Summit on Sustainable Development) in 2002. Jan Harmsgat Country House and Old Gaol Coffee Shop, their partner, jointly won the Western Cape Award for Entrepreneur of the Year in 2003 and, in 2005, were still getting bookings as a result.

Lekgophung Lodge in Madikwe Game Reserve is owned by the community and sub-leased to a private company. The flow of cash benefits into the community from the lodge is predicted to be ZAR1.7 million per year – almost as much as the ZAR2.2 million of benefits generated by the four other conventional lodges in Madikwe combined.

CONSTRAINTS

Lack of acceptable local suppliers and products

Partnerships can run into problems – at least for a while. This may be due to the wrong people working together, mismatched expectations, competition over resources, problems in the business, or miscommunication. As with many new business ideas, some simply don't work, some need to be redesigned, and others thrive.

Some reasons for failed partnerships

Partnerships can struggle for many reasons:

- a collaborative partnership is attempted where a more simple operating agreement or contract would work better. The partnership is based on agreements that are unnecessarily complex or burdensome
- local administrative institutions, such as municipalities and government agencies, may prescribe forms of partnership that don't have a chance of working in a business environment
- a company seeks a particular type of partnership because it looks or sounds good, and not because it fulfils the needs of the community or the business
- a partnership is rushed. The community signs without exploring their options, and later believes they have been "had"
- an agreement is made but is not clear or written down. Expectations differ
- responsibility is not divided equitably or clearly, and responsibilities are not fulfilled. If one partner is a drain not a driver, it leads to business failure and recriminations, and the partnership ends
- the community doesn't understand the industry and what is required to operate in a competitive environment, or the company doesn't understand what the community needs, and what is required to operate effectively as a partner
- expectations of what the partners can deliver are too high, e.g. that the community can control crime and environmental change, and the company can control the supply of tourists
- partnerships start well but, without any review or adjustment, they falter
- communication is inadequate, or does not involve all role-players.



"Sometimes you can just see failure unfolding before your eyes!" (Malcolm McCulloch; CEO Wilderness Safaris)



Children at Mqobela School, KwaZulu-Natal



DIFFERENT APPROACHES TO COLLABORATION AND PARTNERSHIP

Think long and hard about what type of partnership can work, as many failures are due to inadequate pre-planning.

Operational agreements

Operational agreements with communities or local entrepreneurs are broader than a conventional sub-contract, which is just direct payment for a commodity or service. For example, agreements with residents can cover local access rights, training, expertise, security measures, or enterprise development. Agreements with local entrepreneurs may assist them to become commercial suppliers, *Brief 1*, or independent cultural tourism operators, *Brief 2*. Operational agreements also go beyond a pure one-off philanthropic donation in a local project. They involve some expectation of return input from the community and mutual benefit over time. But these kinds of agreements differ from a joint venture partnership in the degree of shared inputs and risk – though they may be complementary to such a partnership.

Joint ventures

A joint venture, as the term is used here, is a partnership where an established company and a local partner, e.g. a trust or entrepreneur, jointly invest in, manage, and profit from one particular business. It is in the nature of a joint venture that the different partners share risk and profit, but how much depends on exactly how the partnership is structured.

Core operation vs. spin-off operation

Some joint ventures bring the community into the core operation – such as a lodge. In other cases, an established lodge enters into a local joint venture for a new spin-off business. Mbotyi River Lodge did this with the Mbotyi Campsite and Jan Harmsgat with the Old Gaol Coffee Shop. When it is a spin-off joint venture, the enterprise is usually smaller-scale, the potential risk to the company's core product lower, and direct community participation in business operation considerably higher.

Shared equity vs. contractual partnership

Some joint ventures divide equity between the partners, in which case the community shares the financial risk of the business – and the benefits. In other models, the community enters into lease agreements with a company that operates the business.

For example, in the case of the Wilderness Safaris' lodges in Maputaland, the community holds equity in the lodge operating company and the lodge owning company. Wilderness Safaris' Damaraland Camp in Namibia was set up in partnership with Torra Conservancy on the basis of a lease fee (percentage of turnover) for use of the site with equity transfer only in the last five years. Lekgophung lodge in Madikwe is owned by the community, and the company partnership is via a management contract. In all these models the partners co-invest in a business, but the distribution of risk is somewhat different.

eg.

Mbotyi River Lodge, on the Wild Coast, entered into a joint venture with the community for a campsite adjacent to the lodge. The lodge and the community co-own the camp which is managed by local staff. The partnership extends to many aspects of lodge and camp development, not just the shared ownership. This partnership wasn't originally planned as part of the development, yet it has become a core part of the product.

Jan Harmsgat Country House is a small lodge in Swellendam, where all staff is recruited from the surrounding deprived rural areas. The lodge established a partnership with staff to run the Old Gaol Coffee Shop, which Jan Harmsgat owned initially, employing four local women. Having gained skills and confidence, the women took a 30% equity in the coffee shop in 2004. This partnership and other aspects of Jan Harmsgat local linkages have been based on a substantial investment in training.

Bi-partite vs. tri-partite partnerships

Another key distinction is between company-community bi-partite partnerships and tri-partite partnerships in which the public sector is also a partner. In tri-partite partnerships, as in the Greater St Lucia Wetland Park (GSLWPA) and Kruger National Park, a government agency is usually the lead partner in initiating the development, and setting the terms. Thus the company's partnership with government strongly influences its partnership with the community.

That is not to say government has no part in bi-partite company-community partnerships. Most initiatives with a community will involve a government institution in some way – in confirming their land or lease, in providing training, grants or loans, or in agreeing on the use of forests, water or wildlife. Nevertheless, this is qualitatively different to partnerships where the contract is signed with government.

Public Private Partnerships and Community Public Private Partnerships (CPPP)

Many tri-partite partnerships stem from Public Private Partnerships (PPPs). Under the Public Finance Act, when a state asset is used or created by the private sector, this involves a PPP – a contract between a public sector institution and a private party – in which the private party assumes substantial financial, technical and operational risk in the design, financing and operation of a project. The contract must follow the treasury's PPP rules.

In the tourism sector, PPPs most commonly involve the private sector being granted concession rights to use state land, e.g. a conservation area. Leading tourism PPPs include:

- SANParks' commercialisation programme has led to a network of lodges in Kruger National Park and other national parks, totalling over ZAR250 million of investment
- GSLWPA has signed three deals and is currently concluding negotiations with preferred bidders
- Madikwe Game Reserve has been developed through PPPs between North West Parks Board, the private sector and local communities, resulting in 25 active lodges worth ZAR250 million.

PPPs in the tourism sector have been subject to many delays and legal problems. The National Treasury is currently producing a toolkit for PPPs in the tourism sector, so as to better facilitate the process (www.ppp.gov.za).

A PPP is foremost a partnership between government and a company, but it often involves neighbouring communities, usually by specifying that the private partner must establish linkages. The local linkage may be via employment and procurement or, more formally, a joint venture partnership involving shared equity.

The dti has initiated a Community Public Private Partnership (CPPP) programme aimed at reviving rural economies through PPPs in a variety of sectors including tourism. It has developed guidelines on CPPPs, instituted a loan finance scheme to assist communities in preparing business plans and other material to attract investment, and is actively promoting joint venture partnerships for tourism.



Wilderness Safaris management and PPT facilitator meeting representatives of a partner community.



Getting Going

TIP 1: IDENTIFY YOUR OPTIONS AND WHAT TYPE OF PARTNERSHIP YOU WANT

Define your objectives

Sometimes the company identifies an opportunity and sets out to establish a partnership for strategic reasons. Sometimes the community or government markets an opportunity for companies. In other cases, partnerships are identified when a problem needs to be dealt with, or a new opportunity arises, as was the case with Mbotyi River Lodge, when they serendipitously found a fabulous spot for a campsite when scouting for a water tank, *Brief 4, Tip 6*.

Developing a partnership that is part of core business – for example shared equity in a new lodge – requires considerable investment. The type of partnership needed, the investment of company resources, the negotiation, and the expectations of your partners will be quite different to a partnership aiming to use company skills to support local enterprise.

Clarify your objectives in developing a partnership, and then decide what type of partnership will serve those objectives, or indeed, whether a partnership is the right approach at all.

There are many ways to stimulate local enterprises, ranging from a joint venture in which you provide capital and direction, to a mentoring & support agreement or a supply contract. The choice depends on the entrepreneur’s capacity and situation, and on your company’s objectives.

In a CPPP, the state plays a leading role in defining the type of company-community partnerships that should be developed, and in defining who the community partner is. This is quite different from other kinds of partnerships. The state’s role varies from

prescribing a specific mandatory partner to requiring the bidding companies to plan their own partnerships, and scoring them accordingly.

Local partners vs. BEE partners

It may be easier to secure a BEE investor than to work with a community group, but the purposes and impacts are very different. A partnership with a Gauteng company is much less likely to influence local staff morale, neighbours’ attitudes, opportunities for local product development, and the local economy in the regions outside of Gauteng.

PPP Provisions concerning local partners

Early PPPs had no specific provision for empowerment, e.g. there were none in the concessions leased in Madikwe in the early nineties. Current PPPs follow the dti’s Code of Good Practice for BEE in PPPs (www.thedti.gov.za/bee/CODESOFGOODPRACTICE.htm). This is designed to fit within the balanced scorecard approach, emphasising BEE in a range of areas (ownership, procurement etc). The strong focus on black economic empowerment has often related mainly to empowerment deals with BEE investors, but in some cases there is a focus on local communities, for example in the Kruger and GSLWPA PPPs).

The new draft PPP Toolkit (<http://www.ppp.gov.za/Toolkits/Draft/Toolkit.htm>) takes this further by explicitly differentiating two kinds of partners – black people and local community trusts (termed mandatory community trusts) in relation to ownership issues. Scores relating to strategic management, employment equity, and preferential procurement also have points allocated specifically for local people or local companies.

‘Mandatory community trust ownership referred to in this toolkit is equity in the private party which has been set aside by the institution to be acquired by a named, organised and registered non-profit community trust formed to benefit communicates ordinarily resident in villages, town or settlements adjacent to or within a certain radius of the state property identified for the PPP project. Where this is viable, the private party to the PPP agreement will be obliged (in a manner specified in the request for proposals) to accept the designated community trust as a mandatory equity partner.’ (Draft Tourism PPPs Toolkit, Volume 1, page 33).



TIP 2: TAKE THE TIME TO FIND THE RIGHT PARTNER

Partners can each want something quite different out of their partnership. They do not have to share each others' objectives for the partnership; but they do have to understand them, accept them, and work to deliver them. A shared vision is important.

"There needs to be a common and immediate end in mind. If not, there is nothing." (Malcolm McCulloch; CEO Wilderness Safaris)



Expectations

Expectations of the benefits of a partnership may be completely different at the start, which can create problems later. In the early discussions, be clear on what can be expected.

Getting to know your partner

In a joint venture partnership, the local partner is often a community trust, or may be specific individuals, such as employees. For example, within Kruger, 12% of Singita Lebombo (Pty) Ltd is held by Kruger to Canyon Biosphere Trust, a community empowerment trust. A further 15% is held by an employee's incentive trust and an eco-tourism empowerment entity. In contrast, at Lukimbi Safari Lodge, the empowerment stake of 19% is entirely held by PDI staff of Lukimbi, Idube and Lumal, not by other community members. The Mbotyi campsite is a partnership with the Mbotyi Trust, whereas in Jan Harmsgat's partnership with the Old Gaol Coffee Shop, it is the four staff members who have become individual shareholders.



Both Akani Leisure Investments, which owns the Halcyon Group properties, and Wilderness Safaris have preferred bidder status for developing new lodges in GSLWP in partnership with local communities. However, three years since concept development, they had still not been allowed to talk to their mandatory partners. The reason was to ensure transparency and due diligence, but it means that Wilderness Safaris and Akani have had to develop plans without discussions with their future partners. The community leaders, who have not been consulted on their plans, meanwhile get frustrated at the lack of lodge construction.

A problem in some PPPs has been that the government authority has chosen the local partner and prohibited any interaction with bidders, leaving no room for the company to negotiate a partnership. For example, the GSLWPA has identified local communities adjacent to the concession sites as mandatory partners. The winning company has to enter an equity or lease agreement with them but is not allowed to meet them until late in the process.

Outside institutions need to find ways to combine due process for companies bidding for concessions with procedures that enable future partners to work out the terms of their partnership.

Spend time together making sure you both understand what the other party wants, and that all objectives can be met by the joint project.



Leaders

Working with local leaders is usually essential. If the chief is not on board, problems are likely. Understanding which leaders to involve, and how, is a critical but difficult step. Problems often arise when a company has an agreement with a local leader, but then discovers that he is not representative of the community, and thus they do not have an agreement with 'the community'.

Understand where local power lies. Use a local facilitator.

There are the formal leaders, and there are usually other informal leaders who are essential to getting things done. Experience of Open Africa, a company working on tourism routes across southern Africa, and of CoMart, working with choirs in impoverished communities in Elsie's River, near Cape Town, leads both to highlight the important role of older women in the community. They are often the 'social entrepreneurs', who get stuff done and get others on board.





Even strong and representative leaders need time to consult up or down the hierarchy. One company has spent years negotiating a partnership with a community near Kruger. One reason for delays is that when decisions are made at the board (with community representatives), they assumed the decision was agreed. But the company then found the decisions had to be ratified by the tribal authority.

Mbotyi River Lodge has had both good and bad experiences in finding community representatives to work with. A strong local leader, who was part of the casual labour force, emerged as a community trustee, and built up an effective working relationship with the lodge. However, the campsite partnership ran into problems with one of the leading community members of the Mbotyi Trust, which led to the temporary loss of support from DEAT, and the project got bogged down in griping and battles. In the end, the community got rid of the trustee, who then took legal action against the company – a costly and time-consuming process.

Where leadership problems arise, the community will need to sort them out, but this can take time.



Community associations

Working with a producer association or local chamber or community group has pros and cons. It can be an effective way to bring in leaders and a wide number of stakeholders. But it can complicate and slow down the process by adding another layer of institutional objectives.



Location and community size

Location can make or break a tourism product, and can be a key factor in determining with whom to partner. If the aim is to support immediate neighbours, location is virtually a given. If the aim is to develop a new lodge or other core product, the choice of location will drive the choice of partner.

When Southern Sun joined the PPT Pilots programme, a core aim was for the properties of the Sandton Precinct in Johannesburg to develop business links with nearby Alexandra Township. The primary focus was development of township tours. Despite the reputation of Alex for insecurity, the aim was to concentrate on its political history, live music and shebeens while building a strong partnership with community leaders, as well as the police, to ensure security. This would give Southern Sun business guests something to do in their evenings and, in the long term, could attract guests at weekends, when occupancy is low. A regular inflow of Southern Sun guests would provide the critical mass needed for Alex tourism entrepreneurs to establish themselves.

However, despite several meetings between the Alex Chamber of Commerce, shebeen owners and Southern Sun, the partnership did not flourish. There were competing agendas and priorities, and no momentum had been established by the time the key Southern Sun director left the organisation. The lessons learned are a useful reminder that more ideas are conceived than delivered, and that there is a need for careful business and partnership analysis at the start.

It is often easier to work with a small community than a large community – though much depends on the leadership. The tribal authority partner at Ndumo Lodge represents 21,000 people, whereas the authority at Rocktail Bay has just 1,566 people. At Ndumo, the tribal authority is some distance from the lodge, and employment at the lodge accounts for only 0.1% of the community. Whereas at Rocktail Bay, the community partner is the immediate neighbour, and all staff, except management and

A local facilitator and translator can help with the process of finding the right partner.

one guide (from elsewhere in Maputaland) are local. Two percent of the local households have an employee at the lodge. WS Management perceives that the community has made more of the partnership at Rocktail than at Ndumo.



TIP 3: SORT OUT THE LEGALITIES – WITH PATIENCE

Many partnerships have been stalled or delayed because of legal uncertainties – sometimes after months of negotiation. On the point of signing, it is discovered that one party does not have the ownership, lease, finances, or other legal authority to sign. It is better to sort out the legalities at the start.

Land tenure uncertainty

Often there are competing claims to community land, and overlapping jurisdiction among government departments or tiers. If the community's contribution is their land, their tenure needs to be legalised and documented in order for investment to proceed.

Umngazi River Bungalows is developing a new lodge on 2ha of land which it was awarded in a land claim restitution, on condition it is developed in partnership with the community. The project has been put on hold since 2001 because the allocation of a further 40ha of land to the community has been held up. The Department of Land Affairs proposes to give the land to the community on a secure lease for 50 years. However, the traditional authorities argue that only a PTO (permission to occupy) should suffice. The company's investment of ZAR20-25 million would be too tenuous on a PTO.

Assess the land tenure situation in the feasibility phase. Limit your investment until clarity is obtained.

"Understand zoning carefully. Check before you invest." (Chris Bertie, Former MD of Halcyon)



Financial commitments

Several companies have negotiated community partnerships only to find, at the last minute, that the local partner either does not have the capital required, or the funding application is delayed.

One of the greatest contributions government can make to supporting company-community partnerships is to resolve land tenure uncertainty, and clarify processes.



Sourcing finance for local joint venture partners

There are many development finance institutions (DFIs) with funds to support BEE equity stakes, and various mechanisms have been used to fund BEE equity in PPPs, for example, poverty alleviation grants, soft loan facilities or government institutions ceding a part of their concession fee to fund BEE entry into PPPs. However, communities will still be required to put up some contribution themselves, so most will require grants to fund their equity.

"...in many cases, the BEE participants are not able to raise their portion of the equity necessary to close the funding gap causing long delays in the closing of these financings." (Tourism PPP Toolkit task team, 2005: Report 1: 51)



Tackle financial issues early on. Check that partners have their financial contribution, or are likely to meet the criteria required by funding institutions, and help them access funding sources.

Ndllovu Consortium, which won the Mutlumuvi site (now Rhino Outpost) in Kruger, tried to obtain funding for BEE partners' equity from IDC, but terms were so onerous that the private partners stepped in. Ultimately the BEE shareholding was reduced from 26% to 17% because of the difficulties in raising the required finance.

Business regulations

An attempt by Stormsriver Adventures to help their gardening crew (four local black people, of whom one is disabled) to set up an independent business was shelved as too much of a challenge because of the 18 different acts with which they would need to comply.

In setting up partnerships with local SMMEs, ensure that compliance with legal requirements will be feasible. Assist them to achieve compliance or, if necessary, rethink.





Partnership Negotiation

TIP 4: WHEN STRUCTURING THE FINANCIAL DEAL, EXPLORE A RANGE OF OPTIONS

Financing arrangements in Joint Ventures

Assist potential partners in exploring a range of financing options.

Equity shares vs. lease fees

In a joint venture partnership, the community usually – but not always – has an equity share. Other options, such as a lease fee, may generate high returns more quickly with less risk. In this case the community will miss out on the advantages and disadvantages of ownership in return for guaranteed income, although they would still have a management say as landlord. For example, at Kwedi in northern Okavango, Wilderness Safaris owns the lodge and pays the community for use of the site. At some lodges, the community receives a lease fee as landlord, and has an equity share in the lodge operation.



Structuring equity deals – balancing risk and profit

A problem with equity is that the community can find itself waiting years for any income, or worse – having to pay off losses and debts. This is no help to the community and no help to the private partner either. You need your partner to see an immediate and meaningful return, otherwise the partnership simply builds up resentment. Consider different ways of balancing risk with income security, and short-term vs. long-term income.

The local community owns a 14.5% equity stake in the lodge owning company and a 12.5% stake in the lodge operating company of Wilderness Safaris' Maputaland lodges. Lodge operation is a long term investment. Currently the ownership shares give a better return than the operating shares.

The land on which the Lekgophung Lodge in Madikwe is built, is owned by North West Parks and Tourism Board, with a 45-year concession held by the Balete BaLekgophung Development Trust. The lodge is 100% owned by the trust, and sub-leased for 10 years to an operating company. In this model, the community owns the lodge so projected cash income is high. At the same time, it has reduced its exposure to risk of operating losses from management.

Equity in the lodge development company usually brings more immediate and more stable returns to the community than equity in the lodge operating company. However, the latter has greater profit potential long-term. Consider the pros and cons of different financing arrangements. A combination of equity, lease fees, and other measures may be best.

Equity shares expose the community to risk and debt, and if loan-financed will take a long time to generate cash. Community partners need to be very clear on this.



The importance of grant funding

If community equity is financed via a grant, dividends will translate into cash income much more quickly.

If necessary, consult experts for advice on innovative mechanisms for providing guaranteed income for the community.

Assist community partners to secure grant financing.



Duration

In joint venture partnerships, duration is a key issue affecting the financial deal. This is often where communities and companies start with radically different needs. Communities who are just entering the tourism sector do not want to commit themselves and their members for decades to come, while companies want plenty of time to reap returns on investment. This issue may need considerable discussion, negotiation and compromise.

Loans will delay any cash flow into the community.



Looking beyond equity and leases: a range of cash benefits for partners

An equity stake or lease fee is just one small part of the cash income that can be earned by the community. In general, staff wages are by far the biggest component of cash flowing into local households, accounting for over 70% of local income¹. SMME contracts and donations from tourists also have considerable potential. Each type of income reaches different people, which spreads the benefits of the partnership more widely.

Thonga Beach Lodge is owned by Mabibi Development Company, which is two thirds owned by the Mabibi community. The community's share is, in turn, financed half by loan, and half by grant. An innovative structure has been used to ensure that income from the grant-financed share is ring-fenced, and so provides a guaranteed income for the community. Ithala Bank, provider of the loan component, agreed that the grant can't be used to pay off debt obligations of the development company, so as to ensure immediate local income flow¹.

The Mbotyi campsite business is owned 50% by the Mbotyi Community Trust and 50% by Mbotyi River Lodge. The moveables are owned by the business and the immovables by the community. Because the trust's stake was financed with a R920,720 grant from the Poverty Alleviation Program, there is no debt to pay and profit is already being generated. The lodge also provided working capital, but this has been repaid by the business. The profit is split 50:50 and the cash-flow into the community is immediate. In fact, due to low-gearing, this small business has to pay tax! If the community had taken a loan not a grant, there would be no profit yet. In addition to the share of profits the community earns a rental calculated at 10% of turnover from accommodation only.

e.g.

When Pete Christodoulou, one of the owners of Mbotyi Lodge, was negotiating with the community over the Mbotyi Campsite, initially the community wanted three years and the company wanted 99. They agreed on 15.

Do not just focus on equity. Consider different ways of generating cash flow – wages, SMME earnings, and a channel for donations.



Figure 1: Types of community income, their advantages and disadvantages

Potential Community Income stream	Advantages	Disadvantages
Land → Lease fee/ rental	Stable, immediate income	No management role in operations
Development Company → Equity dividend	Can be structured for lower risk and immediate returns	Limited long run potential profit
Operating Company → Equity dividend	Major profit potential in the long term	High risk
Staff → Wages	Reaches individual HHs. A major HH injection	Earned by a minority of HH
Supplies → Sales revenue, contractor income HH:households	Reaches individual HHs. Potential for increase	Usually very small. Earned by a minority of HH

¹ Koch, E. & Massyn, P. J. forthcoming. The African Safari Lodge and Sustainable Rural Development: Lessons learnt from six case studies in Southern Africa and proposals about how to extend these to other ASLs.



TIP 5: NEGOTIATE AND DEVELOP NON-FINANCIAL BENEFITS

Negotiations often revolve around financial percentages, and yet both company and community will have a variety of objectives for the partnership. It is important to explore how different benefits can be maximised.

For the community, there may be great value in benefits such as training, development of spin-off enterprises and SMME suppliers, co-management of natural resources, traversing rights over land, and a secure stake in long term decision making.

The company may see significant benefits from, for example, measures to boost local security, improved environmental management and cleanliness, ensuring the broader community is aware of the partnership, and cultural events being made accessible to tourists.

The community will have its own priorities for which elements to maximise. For example when Torra Conservancy negotiated with Wilderness Safaris for Damaraland Camp, they were more concerned about the agreements over training and employment of local people than they were about haggling for an extra percentage of the turnover lease fee. An alternative joint venture with another company was rejected, despite potential high value returns; partly because it would have limited community access to a spring used in drought, and entailed higher risk.



Be sure to explore a full range of non-financial benefits that are of value to the company and community. These are often of great value to one partner and little cost to the other.

Issues for a Social contract	
Potential Issues	Examples for discussion
Safety and security	Community policing measures to benefit the community and company.
Resource rights	Access to forest, plants, water and other resources by tourists, the tourist company, and local people.
Resettlement	Any suggestion of resettlement must be openly negotiated with those who may be resettled.
Traditional activities	Access to traditional or sacred sites. Privacy (from tourists) for cultural events.
Tourist donations	How to ensure donations are managed in a transparent manner
Relations between staff and community members	Football matches, community service and other ways of bringing staff and community together.
Exploitation	Establish mechanisms for reporting exploitation (e.g. of women, or children), inside as well as outside of the enterprise.
Traditional livelihoods traditional rural livelihoods.	Look at how tourism can support, and not displace
Staff religious and cultural practices	Provision to wear certain items of clothing, time off to participate in religious ceremonies and cultural events.
Intellectual property	All parties should stipulate how indigenous knowledge and resources shall and shall not be used, by whom, etc.
Cultural Integrity	Assist host communities to preserve their heritage by writing down oral traditions, protecting historical artefacts and integrating local heritage into the formal school curriculum.

Source: Adapted from Spenceley, A., Relly, P., Keyser, H., Warneant, P., McKenzie, M., Mataboje, A., Norton, P., Mahlangu, S., and Seif, J. (2002). Responsible Tourism Handbook for South Africa. Department for Environmental Affairs and Tourism.

TIP 6: RECOGNISE THAT THE COMMUNITY NEEDS INDEPENDENT ADVICE

There are plenty of cases where an outside investor has taken advantage of a community's lack of business experience to secure a one-sided deal. And no doubt more opportunities remain. However, a long term and sustainable partnership depends on the community knowing that it has made the right choice, and has a good deal. Community leaders need time to consult with all stakeholders in the community.

This means they will need some time to consider options, assess opportunities with other investors,

to negotiate terms, and bring in outside expertise. This will slow down the process and change the terms, but is more sustainable in the long run.

"The case for increasing the capacity of BEE partners of preferred bidders during the bidding and negotiations is of key importance to ensure a balance in the negotiating positions of the parties. The provision of technical assistance via a dedicated fund or through the DFIs is a possibility." (Tourism PPP Toolkit task team, 2005: Executive summary: 10)

It is better for them to choose you than just accept you as the first who came along!



An outside facilitator brought in to advise the community should not be seen as a challenge to the company. The facilitator is an invaluable tool for the community and should help build a better partnership long-term.



For example, at a Kruger site, an investor had been struggling for some years to establish a safari lodge in partnership with a community. Contracts and documents had been signed, but then were ignored by the community, and the case ended up in court. On reflection, more assistance for the community at the start about what contracts and financial statements mean might have helped them understand the significance of legally binding commitments.

Don't rush away just because the community explores its options with another investor.

Expect the community to take time to commit.



Guest tent at the award-winning Damaraland Camp

TIP 7: AGREE ON ROLES, DELIVERABLES AND CONTINGENCIES – AND DOCUMENT THEM

Understanding the other party's expectations, roles and responsibilities is critical. This can be difficult if a company that operates within the first economy is linking with a community structure in a remote rural area, but building communication is essential. Without these basic understandings, the partnership will always be shaky.

There are many issues to get clear at the start, including what happens when things go wrong. Most contracts contain formal dispute resolution procedures. Of more value may be a role for an external facilitator who is independent and proactive, and can help keep things on track. This role can be seen as problem prevention rather than dispute resolution. However, it will need to be funded.

"Avoid raising expectations, because if you fall short, you'll be a liar. These guys have been lied to too often." (Pete Christodoulou, Mbotyi River Lodge)

Whatever the type of partnership, it is important to put the essentials in writing. This may be a contract, a service level agreement, or a memorandum of understanding. It may never be looked at but, if it is needed, the details will be invaluable.

Contracts get ignored. Make sure the community knows the full significance of a contract.



Draw up a written agreement and ensure both sides have the same understanding of it.



Discussing the Southern Sun/Alex partnership.

Street life in Alex township.



Service level agreement between Spier and Klein Begin laundry.



Partnership Management



TIP 8: COMMUNICATE, COMMUNICATE, COMMUNICATE

Setting up a partnership is just the beginning, not the end. A partnership is not a formal agreement, but a living collaboration. To maximise benefits to both parties, it should be used as the basis for developing new ideas and actions.

The more partners communicate, the more they will understand of each others' needs. Without communication, suspicions multiply. Do not underestimate how little some community members know of your business.

In Namibia, facilitating communication has been a major role of NACOBTA (Namibian Community Based Tourism Association). This has highlighted the challenges of linking three cultures: the traditional/community culture which is sometimes slow and prolonged; the corporate culture which has little time and wants to strike deals with the lowest costs and highest returns; and the NGO/development culture, which focuses on benefits to poor people rather than the bottom line.

Discussing future plans and options together is important. But community members may be less aware of the obstacles or delays that lie ahead, and may be in more urgent need of benefits.



Recognise that communities and business leaders may have different working cultures and communication styles, particularly in rural areas.

Work out mechanisms for regular communication – both formal and informal.

Invest in developing new ideas, look for spin-off opportunities, and build change into the process.



*"Understand their view is their view. Whether it is true or not."
(Paul Miedema, Calabash Tours)*

"You have to have regular interaction between the company, the community and the authorities. Regular meetings. The potential for misunderstanding and misdirecting within unsophisticated processes is very high!" (Malcolm McCulloch; CEO Wilderness Safaris)

"Deliver then promise." (Tim Foggin, advisor to Mbotyi River Lodge)

*"If the acquiring of the investment is challenging, then the downstream management is even more difficult. ... As with any relationship, simple and effective communication is critical. This needs to happen at a senior level."
(Tourism PPP Toolkit task team, 2005: Report 1: 21)*



Ker & Downey representative and PPT facilitator visiting neighbouring villages in Tanzania.



TIP 9: RECOGNISE THE SIGNIFICANCE OF RELATIONSHIPS WITH GOVERNMENT AUTHORITIES

In a public private partnership, the relationship with government is obviously the lead partnership on which the community link depends. But even in other partnerships, relations with conservation bodies, municipal and provincial government departments, and various government business support schemes will be important. Some companies have had very productive relationships with government authorities, which have strengthened their local partnerships. Others have not.

Spier Leisure and Sun City Resort do not have formal partnership relations with government. But, for both, the support of government helps to strengthen their community partnerships – for example when Sun City and government collaborate on building and staffing new local schools together. Conversely, the reputation the companies have for investing in local development has a positive effect on how they are perceived by government.

Many partnerships with communities have been assisted with business support, training, or financing from government authorities. This ranges from DEAT’s training of River Rangers, with whom Mbotyi River Lodge and Umngazi River Bungalows have links, to major investments and loans from financing institutions such as the IDC, to enable community partners to participate in PPP lodges. The leading company in the Cradle of Humankind PPP, Thikile

Stocks, notes that their concessions process, BEE partnership, and speedy progress had been well supported by the government’s allocation of both capital investment and strategic priority to the deal.

“Just get on with it. Don’t loose too much sleep over the lack of delivery by government.” (Pat Goss, Umngazi River Bungalows)



Invest in securing the relationship with government authorities, as well as with local partners.

Use the community partnership to strengthen links with government, and vice versa.

Delays in getting PPPs going

For Wilderness Safaris, which has been involved in bidding for and negotiating several concession sites that fall under the PPP programme, the delays involved

in working with government have imposed high costs. The first site visit to Kosi Bay in KwaZulu-Natal was in February 2003 but, as of May 2005, there was still no contract between Wilderness Safaris and GSLWPA.

The company estimates that the time from the first site visit to opening the doors will be a minimum of 5 years. GSLWPA reports that delays are due either to treasury or EIA issues, and so are not in their mandate. At Mkambati, in the Eastern Cape, two years from the start of discussions, there was still no agreement. In contrast, the process of building the partnership at Makuleke, in the Kruger National Park, was relatively quick – only 2 years until it opened in June 2005.

Likewise, Chris Bertie, Former MD of Halcyon, also developing a number of PPPs, estimates it takes 4 to 5 years from conception to welcoming the first guests.

“Since Wilderness started their South African footprint in 2002, and the first visit to Mkambati in July 2002, they have refurbished and built on nine sites outside of South Africa before a brick was laid in SA! As a result, the planned investment of ZAR150 million has been scaled down to ZAR60-70 million, with the rest going outside South Africa. Meanwhile, at Mkambati, three out of one hundred healthy babies are retarded by age 10 due to malnutrition.” (Malcolm McCulloch, CEO of Wilderness Safaris)



Anticipate delays and manage the risk associated with them.

Do not raise community expectations if delays are likely.

Ensure that you are in discussion with all relevant government departments at all relevant levels.

Delays to partnerships due to government procedures are a major constraint. The current initiative to reduce delays in PPPs through a new toolkit is essential.



Difficulties of working with conservation authorities and field staff

During the operation phase of a partnership, several companies have found problems in working with conservation authorities. A review of PPPs in the Kruger National Park noted that investors report that head office staff are often helpful and supportive, but “many or most reserve level staff are inappropriately trained and inexperienced in terms of the commercial aspects of these transactions, and often are hostile to private parties and the commercialisation process.... The process continues to be dominated and obstructed at an official (functionary) level by conservation-oriented individuals

e.g.

By contrast, a positive conservation partnership is noted at Stormsriver Adventures (SRA). SRA adventure activities all take place in the Tsitsikamma National Park. SRA has many community links, but owner Ashley Wentworth also emphasises the strength of their partnership with the park. This is not just based on the payment of fees, but on a symbiotic relationship that the two have in managing their operations, and consulting with each other over the development of new products. Government links extend to other activities such as collaboration with the Department of Water Affairs and Forestry in development of a workshop to be run for local artisans. On the wider challenge of local infrastructure, Stormsriver Adventures notes lack of delivery on, for example, sewage – just as many other operators do.

who demonstrate very little understanding of the needs of private investors”. (PPP Toolkit report pp 45). As this has been flagged very clearly within a government initiative (PPP Toolkit), measures may be taken to address it. Meanwhile, if working in a conservation area, do what you can to help officials to understand business needs. Expect problems, and relate back to head office and policy priorities when necessary.

“There was no meeting of minds between the community, operator and conservation authority at Ndumo. The community was indifferent, Wilderness was trying to build a business, and the authority wanted us out. And it was an arguable location from a business perspective...” In contrast at expanding Rocktail Bay, “the community wanted us there; the authority didn’t have proper control over the coastal forest reserve so needed us, and it was an excellent location.” (Malcolm McCulloch; CEO Wilderness Safaris)

Conservation officials need to understand the policy objectives of the conservation agencies in relation to commercialisation. This, in turn, requires them to better understand the needs of businesses so as to be able to work with them.



Treetop Canopy Tour in Tsitsikamma National Park.

TIP 10: RECOGNISE YOUR LIMITS WHEN DEALING WITH INTERNAL COMMUNITY MATTERS

If the community falls into dispute, or if the money disappears, or if they develop a partner enterprise in ways that you think doesn't make commercial sense, what do you do? When do you interfere and when not?

There are no firm rules. Much depends on whether the partnership is a joint venture, or support to an independently run community venture. And whether the product is part of your core business, or is an addition which will not affect the core product if it flounders.

On the one hand it is important to make use of your business experience and views on what works, and not just ignore problems. On the other, a lesson identified by Noel de Villiers, founder of Open Africa, is that lessons need to be solved internally. Experience of community partnership work in developing 56 tourism routes in Southern Africa, leads him to recommend: 'let them learn from their mistakes and take ownership of the solutions'. Don't let the lessons be learnt from outsiders who pass on instructions and then leave.

If you want to be able to hold the community to account for – for example, spending its partnership profit locally – this needs to be agreed in the contract. Some joint venture contracts (such as for Damaraland Camp in Namibia) specify that one responsibility of the community is to use income for the benefit of all. If it is in the contract, then it is an issue on which the company can liaise. But if it isn't, it's an internal matter.

At Rocktail Bay, there were problems over use of the partnership money by the community trust. Wilderness helped by bringing in a PPT facilitator who worked with the trust to restructure portfolios and responsibilities. The community itself chose in elections in 2004 to replace the trustees. The facilitators then helped the new trustees to get going.



Leave space for the community to make mistakes and learn from experience.

At the same time, use your business skills and ideas to see what solutions can be found, and how the community could be helped to pursue solutions themselves.

Use an outside facilitator who can provide independent input, and help staff members work through a resolution.

There will be some aspects of the partnership that are non-negotiable because they affect core business. Be upfront about what these are.

"If the result is bad tomatoes, it's not a problem. If it is unqualified guides taking guests out – that's not possible." (Malcolm McCulloch; CEO Wilderness Safaris)



Calabash Trust supports local schools.

TIP 11: PLAN PROPERLY FOR THE TASK OF CHANNELLING GUEST DONATIONS

Many accommodation establishments, particularly in rural areas, collect donations from tourists who want to help the schools, townships, or projects that they have seen. Travellers' philanthropy is increasingly recognised as having enormous potential for injecting funds into local development. It is an additional way to benefit partners, and to reach those that have least chance of benefiting from jobs and SMME linkages.

Make sure your staff and procedures can cope with channelling donations or, if the volumes are too big, set up a charity, but ensure that funds are available to cover the running costs. Get tourists to donate for a type of project, rather than being tied specifically to one project. Otherwise you can't cover the administration costs, and are tied in when good sense, or other constraints, suggest moving funds to another project. Tap in with other organisations to utilise a range of skills and experience.

Lessons from Calabash Tours on setting up Calabash Trust

Calabash Tours, in Port Elizabeth, takes tourists through townships, informal settlements and to schools. Tourists started giving donations, which Calabash passed on. The volume became more than they could handle in an ad hoc way, given the reporting and accountability that was needed, so they set up the Calabash Trust in partnership with community members. The trust has expanded and become a major local initiative in its own right. It has delivered 46 containers of equipment worth several million rand to 30 different schools, and it feeds 60 to 100 children per day. It has three employees and seven trustees, as well as dedicated volunteers. One hundred and sixty regular sponsors are giving about ZAR170,000 per year, and international exchanges are being developed.

The establishment of the trust has been a business success in some respects, a headache in others. As a success, it has massively strengthened the company's links with the community, enriched the product for tourists, and further increased the safety of guests in very deprived areas. However, the challenges have been:

- the amount of work involved when also running a new business
- the need to find funds to pay staff to administer the charity. Tourist donations were all for specific projects, so separate funding was raised from Saga (UK tour operator) and a Dutch guest for the administration
- a dispute with one pre-school that misused funds. This raised the dilemma of what to do with the donations that had been given specifically for that school.

"The trust is a critical success factor. We would never be where we are now if we hadn't set up the trust. It creates credibility in the community and industry, and created a way that we could, without limit, increase the yield to the community." (Paul Miedema, Calabash Owner)



"Bring in local trustees. Calabash trustees have been very helpful and supportive throughout."

"It's a big mistake not to tap in more with other people. A lot of what is obvious to NGOs isn't to us. So we are reinventing wheels".



"Projects become vehicles for people who started them to access resources. Resources become contested very quickly. Once you start putting money in, watch out for competition and disagreements "Don't be naive. You need to find people you can work with."

"Be careful of getting too involved with the grassroots, where failure rate is high and capacity is low."

"The biggest risk is if you integrate a local project into your product, for example, having tea at school. Because then your business is affected if the project and partnership go wrong." (Paul Miedema, Calabash Owner).



TIP 12: DON'T NEGLECT THE BUSINESS IN FAVOUR OF THE PARTNERSHIP

A great partnership deal is of no use to the community if the core tourism business on which it depends is a flop. And if the core business is struggling, the tourism company will have little spare resources to invest in partnerships. See *Brief 4, Tip 5*, for practical advice on how to combine innovation and risk taking. All partners need to remember that the success of the core business needs to be protected.



Check that communities understand the risks involved in the business, and how these can be reduced – but not removed.

Accept short term costs of partnerships but do not let the demands undermine the core business in the long-term – it will be in no partners' interest if the business fails.

Communities need partners that are serious about business. There are many lifestyle entrepreneurs or 'weekenders' in tourism. They are unlikely to make the best partner.

At times there may be trade-offs between what is good for the partnership and what is good for business. If it is short-term financial costs vs. long term gains, the costs may be worth it. But there will be limits to the pressure that can be put on the business. Know where yours are.

At the same time, do not isolate the partnership from the business. Partnerships cannot be pursued in total isolation from operations. They relate to the goals of the company, management approach, the way staff behave, the product on offer, and how it is marketed. Management and staff therefore need to be able to incorporate a partnership approach into their work. This will require careful management of internal change, to ensure all players understand the approach and are equipped to fulfil their roles, *Brief 4*.

In Ndumo Game Reserve, the community had an equity stake in, and employment at, the Wilderness Safaris lodge. But the lodge closed after 10 years – partly due to constraints on how the product could be developed locally and marketed internationally, and limitations imposed by conservation – leaving the local partners with an asset of little or unknown value.

In Kruger National Park, the new concessionaires have been struggling with lower occupancies than expected, which affected their ability to invest in partnerships and meet their BEE commitments. Also, because they were a less attractive investment, it reduced their appeal to potential BEE partners.



Mbotyi River Lodge and the Imvelo Award, won partly due to the campsite partnership





SUMMARY, CONCLUSION AND CHECKLIST

There are myriad ways in which tourism companies can build local partnerships – shared equity with neighbours in a business venture, or a looser operational agreement for collaboration on local products or use of resources. Partnerships can involve a lot of effort, and even those that flourish have their shaky moments. But they can also bring substantial rewards in terms of local support, government recognition and a more distinctive brand.

Principles

- combine innovation and protection of the core business. No community needs a business partnership that flops
- think laterally. What kind of partnership or operational agreement is really needed?
- get practical but also be patient. Invest for the long-term, and adapt as circumstances change
- look beyond financials to create a range of non-financial gains for both partners
- be ready to adapt your working style to build trust and effective collaboration with local communities, but stick to key business principles – like the need for legalities
- communicate, communicate, communicate. Don't underestimate the potential for misunderstanding based on incomplete information.

How Government can make a difference

This brief focuses on what companies can do, but supportive actions by government include:

- giving recognition not only to any BEE partnership, but specifically to local community partnerships, and their extra need for support
- ensuring financing, particularly grant financing, is available to local community business partners
- looking at innovative ways for local communities to come in as concessionaires, lodge owners, and equity holders in tourism
- ensuring partners have time to work out their own partnership together without compromising due diligence in awarding concessions
- supporting communities with technical advice to build partnerships, and providing an independent monitor for proactive support during partnership implementation.

Checklist

Before committing your company to investing in local procurement, ask:

- ✓ What are the partnership options and the alternatives to partnership? What type of partnership or operational agreement meets corporate objectives?
- ✓ Who will spend time identifying and getting to know the right partner(s)? What are the main forms of communication, and are new or more frequent mechanisms needed?
- ✓ What sources of technical advice are available, particularly on financial and legal details? Who could provide advice on local networks, politics, language, opportunities etc?
- ✓ What are the expectations of partners on the pace of negotiation, the scale of benefits, and duration of partnership? Are your expectations compatible?
- ✓ How can the financial deal be structured to ensure the community gets some immediate cash flow and a manageable share of risk? What non-financial benefits can both parties gain?
- ✓ How will government affect the partnership? How can governmental support be enhanced, or bureaucratic obstacles be minimised? Are you dealing with all the relevant departments?
- ✓ What are the boundaries of the partnership? What is their business and what is ours?



RESOURCES AND FURTHER INFORMATION

1) National Business Support Schemes

Organisation	Details	Contact information
Financial support:		
Black Business Suppliers Development Programme (BBSDP), the dti	Provides eligible black enterprises with a cost sharing grant to acquire training in management, enterprise specific skills (accreditation, enterprise specific skills (accreditation, software development, etc) and marketing.	Gabriel Makhonxa 012 394 1438 gabrielm@thedti.gov.za
Small Medium Enterprise Development Programme (SMEDP), the dti	Grant incentive scheme for qualifying capital assets.	Justice Ngwenya 012 394 1271 justicem@thedti.org.za
Industrial Development Corporation's (IDC) Tourism Business Unit	Finances loans larger than ZAR1 million. Requires owner's contribution of 40% or more total project value, although this is reduced to 20% for empowerment projects.	Katinka Schumann-Bester www.idc.co.za 011 269 3509 katinkas@idc.co.za
Khula Enterprise Finance	Banks can apply for a guarantee that acts as collateral for 80% of the total loan amount to an SMME (loans of ZAR50,000-ZAR1million). Plus gives information on Retail Finance Intermediaries.	Mr Martin Theron 012 324 8236 khulapretor@iafrica.com
National Empowerment Fund (NEF)	Provides equity and quasi-equity finance for economic empowerment transactions involving Historically Disadvantaged Individuals.	Ms Maud Khumalo 011 772 8014

Training/Technical Support:

Small Enterprise Development Agency (SEDA), the dti	Agency for small business development; incorporating the previous Ntsika Enterprise Promotion Agency and Namac Trust. Entrepreneurs get help with business plans; technical advice; marketing; information on export support, tenders, incentives.	0860 103 703 seda@seda.org.za
Community Public Private Partnership (CPPP), SEDA	Provides support to various community based enterprise development.	Thuli Fakude 0860 103 703 tfakude@seda.org.za
Tourism Enterprise Programme (TEP) (Head Office Gauteng)	Provides services for growth and expansion of tourism-related SMMEs.	Nomsa Ngwenya 011 804 5750 Nomsa.Ngwenya@eciafrica.com
Foundation of African Business & Consumer Services (FABCOS)	Provides business courses to FABCOS Small Business Members; plus access to cheaper trading stock.	011 333 3701
Tourism, Hospitality, Education and Sport Training Authority (THETA)	Tourism Learnership Project to boost skills in the tourism and hospitality sector.	011 803 6010 info@theta.org.za

2) Tourism Organisations

Organisation	Details	Contact information
Tourism Business Council of South Africa (TBCSA)	Engages with all stakeholders to create an enabling environment for tourism development. Publications include: How to Start and Grow your Tourism Business (with DEAT); South African Tourism Industry Empowerment & Transformation Annual Reviews 2002 & 2003.	012 654 7525 tourism@tbcsa.org.za www.tbcsa.org.za
the dti : Tourism unit	Leads tourism investment programme; supports niche export markets; implements projects to improve sector competitiveness; a first point of contact for tourism businesses to access the dti offerings.	Kate Rivett-Carnac 012 394 1185 katec@thedti.gov.za Sifiso Mthembu - Deputy Director 012 394 1184 sifisom@thedti.gov.za
DEAT: Chief Directorate Tourism Development	Aims to: support transformation of tourism industry, particularly by providing opportunities for black business participation; facilitate implementation of tourism investment programmes; undertake focused research promoting tourism development and transformation.	Chief Director: Mahandra Naidoo 012 310 3846 mnaidoo@deat.gov.za Directorate Tourism Business Development Director: Lisa-Ann Hosking 012 310 3746 lhosking@deat.gov.za
Business Linkages in Tourism	Provides services to industry and government to facilitate pro-poor approaches in the tourism industry.	www.tbcsa.org.za/blt bizlink@tbcsa.org.za
Fair Trade in Tourism South Africa (FTTSA)	Encourages fair and responsible business practice; provides independent accreditation of establishments.	012 342 8037/8 info@fairtourismsa.org.za
Open Africa	Assists tourism enterprises in the development of new tourism routes that are displayed on the internet with details on what tourists can see/do	(021) 683 9639 admin@openafrica.org www.openafrica.org

3) Web Resources

Web resource	Web address
Tourism PPP Toolkits (National Treasury PPP Unit), 2005;	http://www.ppp.gov.za/Toolkits/Draft/Toolkit.htm
Draft Tourism PPP Toolkit	
Tourism PPP Toolkit Task Team, 2005; Overview of Tourism PPPs	http://www.ppp.gov.za/Toolkits/Tourism/Tourismreports.htm
Tourism BEE Scorecard (DEAT)	www.environment.gov.za or www.tbcsa.org.za
Broad-Based BEE Bill. the dti	http://www.thedti.gov.za/bee/beebill.pdf
Codes of Good Practice for BEE in PPPs	http://www.thedti.gov.za/bee/CODESOFGOODPRACTICE.htm
Fair Trade in Tourism South Africa Resource Centre	http://www.fairtourismsa.org.za/resourcecentre/index.html
Guidelines for Responsible Tourism. DEAT. 2002.	http://www.icrtourism.org/International%20Initiatives/Responsible%20Tourism%20Guidelines.doc
Small and medium enterprise (SME) Toolkit (IFC) - toolkit for SMMEs to learn sustainable business management practices	http://www.ifc.org/iftext/sme.nsf/Content/SME_Toolkit
Pro Poor Tourism Pilots in Southern Africa - pilot site reports and tools used	http://www.pptpilot.org.za
Pro Poor Tourism Partnerships – international research and programmes on PPT	www.propoortourism.org.uk
The Tourism Industry and Poverty Reduction: A Business Primer. Roe, D. et al, 2002. Briefing Paper 2	www.propoortourism.org.uk/final%20business%20brief.pdf
ResponsibleTravel.com - website promoting holidays that benefit local people and the environment	www.responsibletravel.com
Investing in People: Sustaining Communities through Improved Business Practice. A Community Development resource Guide for Companies. IFC, 2000	http://www.ifc.org/iftext/enviro.nsf/Content/Publications (available to order)
African Institute of Corporate Citizenship (AICC)	http://www.aiccafrica.com/
A Practical Guide to Good Practice: Managing Environmental and Social Issues in the Accommodations Sector. Tour Operators Initiative: Center for Environmental Leadership in Business (USA)	http://www.toinitiative.org/supply_chain/HotelGuideEnglish.pdf
Global competitiveness project: Summary of key findings of phase 1. NTC. Jo'burg. Oct 2004. DEAT	www.southafrica.net/satourism/research/viewResearchDetail.cfm?ReportTypeCategoryID=35
Report on African Lodges and rural benefits by Mafisa	http://www.mafisa.co.za/project_page.php

4) Paper Publications

How to Start and Grow your Tourism Business. TBCSA and DEAT
South African Tourism Industry Empowerment & Transformation Annual Reviews 2002 & 2003. TBCSA
Getting the Lion's Share from Tourism: Private Sector-Community Partnerships in Namibia. Volume II. Practical Action: Guidelines for the Development of Private Sector-Community Partnerships. Roe, D. et al. 2001. ILED in association with NACOBTA
Tennyson R (1998) Managing Partnerships: tools for mobilising the public sector, business and civil society Prince of Wales Business Leaders' Forum, London Partnerships for Sustainable Development. UNEP & Prince of Wales Business Leaders' Forum, London 1994



BACKGROUND INFORMATION

The material in the 'How to...?' series draws heavily on the experience of 5 companies that were 'pilot partners' in the Pro Poor Tourism Pilots project (2002-2005). The 5 pilot sites are described below. Further information on the project can be found on www.pptpilot.org.za.

Wilderness Safaris' Rocktail Bay Lodge

- an upmarket coastal destination within the Coastal Forest Reserve of Maputaland
- accommodation is 5 star and consists of 10 tree lodges and a family unit (but is expanding)
- Wilderness Safaris is a large safari/ lodge operator that currently operates 45 camps/ lodges in 7 countries
- PPT focus was on strengthening the existing partnership with Mqobela community and developing a new partnership with the Mpukane community.

Spier Leisure

- Spier Village Hotel is outside Stellenbosch in the winelands of the Western Cape
- accommodation consists of 155 rooms, targeted at the four star market
- Spier is owned by Spier Holdings, a large, family owned operation that also includes a winery and other leisure products
- it currently receives approximately 500 000 day visitors per annum
- PPT focus was on assisting Spier with the revision of its procurement policy and practice.

Sun City

- Sun City is the largest resort in Southern Africa, renowned for its casino and entertainment, but expanding its appeal to families, business and sporting enthusiasts
- the resort has over 1,500 rooms in four 3 to 5 star hotels plus a time-share complex
- approximately 600,000 guests stay annually.
- Sun City is owned by Sun International, a large southern African hospitality company
- PPT focus was in small enterprise development for local suppliers.

Ker & Downey, Tanzania

- Ker & Downey operates exclusive photographic and trophy hunting safaris in Tanzania's national parks
- it has 14 private concessions with a total area of over 32,000sq kilometres
- the business case to enhance PPT linkages rests on the need to secure the future of the hunting industry
- PPT focus was on how to restructure its range of community donations and interventions for more strategic input.

Southern Sun

- Southern Sun Sandton Precinct consists of six hotels and the Sandton Convention Centre located in Gauteng province
- PPT partners, the 4 and 5 star InterContinental, Crown Plaza and Holiday Inn hotels have a total room capacity of approximately 1,700
- PPT focus was on strengthening links with its neighbour, Alexandra Township, mainly via township tours

Fair Trade in Tourism accredited sites

To produce the 'How To...?' Series, interviews were held with operators at many other sites, many of which are accredited by Fair Trade in Tourism South Africa, (Calabash Tours, Jan Harmsgat Country House, Stormsrivier Adventures, Shiluvuri Lakeside Lodge, Lesheba Wilderness, Imvubu Nature Tours). More information on each of these is available at: <http://www.fairtourismsa.org.za>

Business Linkages in Tourism is a new business set up to continue PPT facilitation services on a self-financing basis, beyond the PPT Pilots project. It is initially housed in TBCSA. It provides services in the strategic planning and facilitated delivery of: product development based on local business linkages; procurement of goods and services locally; cultural and heritage product development; sustainable local partnerships for tourism development; development of clusters and networks for tourism-led development.

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"There needs to be a common and immediate end in mind. If not, there is nothing."

"The Imvelo Award sitting in our bar scores big points."

"Our relationship with the local municipality is vital to everything we do. A relationship of longevity and trust is vital."

Building local partnerships

"The success of Damaraland Camp enhanced the brand, and helped position us with reference to responsible tourism."

"..in many cases, the BEE participants are not able to raise their portion of the equity necessary to close the funding gap causing long delays in the closing of these financings."

"Understand their financial ability. Make sure it's not just an organisation of straw before you start."

Sharing risks and benefits

"Sometimes you can just see failure unfolding before your eyes."

"Established operations have an obligation to advise local communities as to what they could feasibly do. Sometimes there should be more than just advice."

"Just get on with it. Don't lose too much sleep over the lack of delivery by government."

"Lack of funding and access to funding for the smaller operations is one of the biggest stumbling blocks to expanding empowerment initiatives."

"Understand their view is their view. Whether it is true or not."

"If the result is bad tomatoes, it's not a problem. If it is unqualified guides taking guests out – that's not possible."

"Understand zoning carefully. Check before you invest."

Communication and trust

"Success and money create their own problems, particularly where communities rather than individuals, are involved. These problems should be dealt with in advance."

"Mentorship is critical."

"You've got to be in it for the long run, not for short-term return."

"Don't assume people know things. Cover everything in the training."

"You have to have regular interaction between the company, the community and the authorities. Regular meetings. The potential for misunderstanding and misdirecting within unsophisticated processes is very high!"

"If the acquiring of the investment is challenging, then the downstream management is even more difficult.... As with any relationship, simple and effective communication is critical, this needs to happen at a senior level."

"Avoid raising expectations, because if you fall short, you'll be a liar. The guys have been lied to too often."

"The case for increasing the capacity of BEE partners of preferred bidders during the bidding and negotiations is of key importance to ensure a balance in the negotiating positions of the parties."

"One thing that has happened throughout our province is the creation of unreasonable expectations. Rural communities have been led to believe-or do believe-that tourism is the great panacea. These expectations should be managed."