

Working Paper 257

Facilitating pro-poor tourism with the private sector

Lessons learned from 'Pro-Poor Tourism Pilots in Southern Africa'

Caroline Ashley

October 2005

**Overseas Development Institute
111 Westminster Bridge Road
London SE1 7JD
UK**

also produced as a Pro-Poor Tourism Partnership Paper



ISBN 0 85003 778 6

© Overseas Development Institute 2005

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the publishers.

Contents

Acronyms	iv
Preface and acknowledgements	v
1 Introduction	1
1.1 Background to the project	1
1.2 The wider context of the project	2
2 Pilot Sites	3
2.1 Spier Leisure	3
2.2 Rocktail Bay Lodge	3
2.3 Sun City Resort	4
2.4 Southern Sun	5
2.5 Ker & Downey, Tanzania	5
3 Different Ways of Doing Business Differently: Local Linkage Options	6
4 What Does it Mean for the Company?	8
4.1 Project impacts within the companies	8
4.2 How to implement linkages? Strategies and challenges	8
4.3 Why implement linkages? Business benefits	11
5 What Does it Mean for the Local Economy?	13
5.1 Impacts to date at the local level	13
5.2 How significant are the impacts?	17
6 External Facilitation: How can it Encourage Business Change?	20
7 What is the Long Term Significance of this Approach Likely to be?	25
7.1 Significance to tourism debates	25
7.2 To the tourism sector within South Africa	26
7.3 Policy Implications	27
Appendix 1: Further Information	29
References	30

Acronyms

BEE	Black Economic Empowerment
BLCF	Business Linkages Challenge Fund
BLT	Business Linkages in Tourism
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
IFC	International Finance Corporation
LPG	Low Powered Gas
NGO	Non-Governmental Organisation
PDI	Previously Disadvantaged Individuals
PPT	Pro-Poor Tourism
SBP	Small Business Project
SMME	Small, Micro and Medium Enterprise
WS	Wilderness Safaris
WTTC	World Tourism and Travel Council

Preface and acknowledgements

This paper is based on the experience of a three year project, 'Pro-poor tourism pilots, Southern Africa' (PPT Pilots), which ran from 2002-2005. It draws on the expertise, input and commitment of many people who made the project work. 'PPT Pilots' was a collaboration between Clive Poultney of Mboza Tourism and ODI. It was implemented in partnership with PPT facilitators Zeph Nyathi and Gareth Haysom, with our pilot site partners from Wilderness Safaris, Spier, Sun City, Southern Sun and Ker and Downey, and with members of our Advisory Board: Adrienne Harris (Tourism Business Council of South Africa), Jennifer Seif (Fair Trade in Tourism South Africa), Didi Moyle (South Africa Tourism), and Peggy Drodskie (South African Chamber of Business).

Thanks go to all our partners in Southern Africa, and also to other members of ODI who were involved: Dorothea Meyer, Livia Iotti, Oliver Reichardt, Douglas McNab.

The project was funded by the Business Linkages Challenge Fund of the UK's Department for International Development, with additional sponsorship from British Airways. BLCF also funded the sister project, which was to set up a self-sustaining PPT business, 'Business Linkages in Tourism'.

This report draws heavily on the project overview report which was presented to the final project workshop in Johannesburg (in May 2005), and on the project monitoring report by Douglas McNab (September 2005). Both are available on www.pptpilot.org.za

This report covers lessons learnt on a variety of levels. Many of the detailed lessons about how tourism companies can implement local linkages are covered in much more depth in the 'How To...?' series, which is a by-product of this project. See www.odi.org.uk/rpeg/research/pro-poor_tourism/howto.html

We encourage others to use the information and ideas in this report to support the implementation of local linkages by tourism companies. But please acknowledge that the material comes from the PPT Pilots project, implemented by Mboza Tourism and the Overseas Development Institute, 2002-2005. Please send copies of material produced to us at: c.ashley@odi.org.uk and bizlink@tbcsa.org.za.

1 Introduction

1.1 Background to the project

The Pro-poor Tourism Pilot project (PPT Pilots) was established in May 2002. The aim of PPT Pilots was to work directly with 5 pilot partners¹ to help them implement pro poor tourism and to learn from their experience. The facilitators promoted strategies that tourism companies could use to increase the local development impact of their business, and which also made business sense to the company. By using these as a pilot, the project aimed to then share good practice with the wider industry.

Two core programme components:

1. Close collaboration with five companies at 'pilot sites'. This has involved the design of local linkages, and facilitation of their implementation.
2. Communication with tourism players across the industry in Southern Africa to develop PPT awareness and expertise.

The first phase of the project involved setting up partnerships with 5 pilot sites. The project was then 'launched' in October 2002, and implementation began. The five sites were:

- Spier Leisure (Western Cape): a 155 bed four-star hotel in the winelands
- Wilderness Safaris' Rocktail Bay (Kwa Zulu Natal): a 10 lodge and family unit luxury bush camp on the Maputaland coast
- Sun International's Sun City Resort (North West Province); the largest resort in South Africa, providing over 1,500 rooms in three to five star hotels and entertainment
- Southern Sun's Sandton Complex (Gauteng): a complex of 6 three to five star hotels in the heart of Johannesburg
- Ker & Downey safari and hunting sites, Tanzania: Tanzania's largest hunting operator with hunting block concessions covering 32,000 square kilometres.

The selection of pilot partners was based on a number of factors. As the aim of the project was to facilitate change within the company, the obvious criteria was that the companies should want to do more on local linkages and should want PPT input to help achieve that. This was true of all the partners. As another aim was to demonstrate an approach and learn lessons about replication, it was also important to have partners from different sectors in the industry. Thus Sun City and Southern Sun represented the large mainstream corporate sector, Wilderness Safaris (Wilderness) and Spier the well-established medium size company, and Ker and Downey, a safari company. The products covered included urban business tourism, coastal wilderness, winelands, entertainment resort and hunting safaris. Preliminary discussions were held with a number of other companies elsewhere in Southern Africa. Several were interested in the approach, but were less able to make a firm commitment to the project due to competing priorities.

A range of 'local linkages' with local suppliers, tourism enterprises, community trusts, and local residents were promoted. The approach emphasises the need to go beyond ad hoc community support, to do business differently in ways that stimulate local linkages and benefits.

¹ The original project plan proposed 6, but it soon changed to 5.

1.2 The wider context of the project

Pro-poor tourism: PPT Pilots stemmed from previous work on pro poor tourism (Ashley, Roe and Goodwin 2001), which demonstrated that there was much that companies, communities, non-governmental organisations and governments could do to increase the impact of tourism on poverty reduction. It appeared however, that beyond calls for businesses to adopt PPT, there was no direct facilitation for the *private sector* to help them to do so, nor to test what elements of PPT were commercially feasible. Therefore the explicit purpose of this project was to work with companies to see how much they could achieve, and with what facilitation. This approach also built upon previous facilitation work that Clive Poultney had done for Wilderness Safaris, and which was demonstrating the considerable need and potential for local level facilitation.

Transformation in South Africa: since democratisation in South Africa in 1993, there has been a political push towards ‘black economic empowerment’ (BEE) and transformation of the formerly white-run economy. Tourism in 2002 remained a very white industry (as it is today, TBCSA 2004). The project was established in the context of the need for the industry to increase its practical and demonstrable implementation of BEE. However, the PPT approach focuses on links with people that are poor, and on business that are small and local as well as black-owned, so it overlaps but is not synonymous with the BEE agenda.

Pro-poor growth: pro poor tourism is part of a wider developmental agenda for ‘pro poor growth’, meaning not just faster growth, but growth which benefits and includes poorer segments of the population. The need for pro-poor or broad-based growth has been evident for some time, but answers on how to operationalise it are scarce (Zepeda, 2004). The Pilots project was in a small way applying principles of pro-poor growth at a micro level to tourism sites.

Beyond Corporate Social Responsibility and the role of the private sector in development: there is growing recognition that businesses need to move beyond philanthropy and a narrow interpretation of ‘corporate social responsibility’ (CSR) to an approach to doing business that enhances development impact by drawing on their core competencies.² This is the underlying principle of the PPT Pilots project, which seeks to facilitate ‘linkages’ between business operations and local entrepreneurs or residents. The project seeks to distinguish this from a pure philanthropic approach which is more common in the tourism sector.

² See for example http://www.odi.org.uk/PPPG/activities/country_level/odpci/index.html and Warner (2002)

2 Pilot Sites

The approach to PPT adopted at each pilot site was quite different, given their different operating environments and local contexts. For more detail on progress at each site, see the project monitoring and evaluation report (McNab 2005).

2.1 Spier Leisure

Spier, a property of approximately 500ha, is located in the Stellenbosch Winelands region of the Western Cape. This property was purchased by the Enthoven family in 1993, opened to the public in 1995, and in November 2000 Spier opened The Village at Spier, a 155 room 4-star hotel. In partnership with Moyo, Spier opened the 800 seat restaurant ‘Moyo at Spier’ in November of 2003. Spier’s current product offering includes retail outlets, and hosting of a range of environmental and arts organisations in addition to the hotel, restaurants and wine production. Annual revenue was ZAR92 million in 2003/2004. Principles of social equity and environmental integrity have underpinned the business from the start. Thus Spier was already supporting a number of social projects when it joined PPT pilots, though these were implemented in an ad hoc way.

In late 2002, Spier appointed a Sustainability Director and undertook to overhaul several aspects of core business. One of these included revision of procurement policy, which was done with PPT support. One aim has been to increase sourcing from local, small, previously disadvantaged (pdi) businesses. Several new enterprises have entered the supply chain, with more in the pipeline. A new on-site laundry, opened in August 2004, has already expanded its Spier contracts and staffing. A township supplier is now supplying liquid petroleum gas (lpg) to Spier deli, and also expanding. Other new suppliers include a township paper-making project, fuelwood supply, deck construction, and clearing vegetation. By mid 2005, seven new suppliers were in place, all selected using the pro-poor approach in which PPT assisted. Spier continues to apply this approach to new contracts.

A process of internal change to facilitate more sustainable business practices – including the shift to local suppliers – has been undertaken within Spier. Questionnaires sent to all suppliers increased awareness among suppliers and staff about a range of issues, including their local economic impact. Results have been included in Spier’s first Sustainability Report, launched in April 2005 (Spier 2005)

Enterprise linkages: laundry, liquid petroleum gas, fuel wood, crafts, greetings cards, construction, clearing alien vegetation

Enterprise linkages in the pipeline: organic produce, recycled soap, chemical supplies

Non-enterprise linkages: Kayamandi township: support to B&B’s and tourism development

2.2 Rocktail Bay Lodge

Rocktail Bay Lodge is an up-market coastal destination in the Greater St Lucia Wetland Park in KwaZulu-Natal, South Africa, offering diving and safaris in the coastal forest. The lodge attracts mainly a middle class clientele from Europe and the US. Occupancy has increased steadily to reach approximately 70% in recent years, and this, coupled with low seasonal fluctuations in occupancy, makes the lodge one of the most successful of Wilderness Safaris’ operations. Wilderness Safaris is a large, up-market and expanding safari/lodge operator that currently operates over 50 camps/lodges in seven Southern African countries. In the past few years the company has received a host of awards for its ‘responsible tourism’ initiatives and policies.

Rocktail Bay lodge is co-owned by Wilderness, a commercial bank, the conservation agency, and the neighbouring Mqobela community. It is operated by Wilderness Safaris. The community owns a 14.5% share in the lodge owning company, and a 12.5% share in the lodge managing company. The Mqobela ward community, falling within the Tembe Tribal Authority, is comprised of 284 homesteads with a population of approximately 1,500. It is a remote rural area, on the edge of protected area, several hours drive from a major town. In addition to the equity share, a number of local linkages existed at the start of the Pilots project: a high proportion of staff came from the local community, and enterprise linkages included a local taxi operator to transport staff, a Policing Forum, and casual labour for routine maintenance work.

PPT facilitation at Rocktail Bay assisted WS in strengthening the existing partnership with Mqobela Community while helping to develop a new partnership with the Mpukane community around a new diving lodge at Mpukane, near Rocktail. Approval of the new lodge by government has been slow and the environmental impact assessment process is now underway, but meanwhile short term employment opportunities, such as clearing the airstrip, have been created. A new community tour for Rocktail Bay guests is going well.

Wilderness Safaris is currently launching a new brand which highlights its role in contributing to local people's lives. With the launch of this, PPT facilitation concluded with training for staff and community partners in destinations on putting partnerships into practice.

Enterprise/employment linkages: community tour, local contractors cutting airstrip, increased local security forum, new staff training, recruitment of Mpukane staff for new lodge, union involvement in wage negotiations and avoidance of retrenchments

Enterprise linkages in the pipeline: local child minders, furniture suppliers

Non-financial linkages: Strengthened partnership with Mqobela Trust, Mpukane Trust established and partnership with WS negotiated, support to Mqobela school, facilitation of Mqobela/ Mpukane boundary dispute

2.3 Sun City Resort

Sun City South Africa is an internationally renowned casino and golf resort located next to Pilanesburg National Park in the North West Province, 160 km north-west of Johannesburg. It has four hotels from the 3-4 star Cabanas, to the 5 star 'Palace of the Lost City', offering a total of over 1,500 rooms, and attracting over 600,000 guests annually. Thus, Sun City and its visitors have massive marketing and purchasing power to contribute to the development of PPT linkages.

In 2002, the Corporate Social Investment (CSI) Director was already running a substantial CSI programme focused on education and health. With PPT input, Sun City increased its focus on enterprise development within its CSI programme. An existing survivalist glass-recycling enterprise, RECOPRO, has been upgraded with new equipment and skills so that it can supply personalised engraved glasses to Sun City and guests. Sun City has purchased the equipment and training. New RECOPRO members have also been trained to produce greetings cards from recycled paper with the aim of meeting Sun City's requirement for approximately 1000 cards per week in season. Sales of cards started in June 2005 at 500 a week. At the same time Sun City commissioned a scoping report to identify other potential suppliers in North West Province, and started a Development Forum with the local municipality to cooperate on local economic development.

Enterprise linkages: Hand-made cards, recycled engraved glasses

2.4 Southern Sun

Southern Sun Hotels is one of the largest hotel groups in Africa, operating 80 hotels in seven African countries. The PPT partner site consisted of six hotels and the Sandton Convention Centre in the Sandton precinct of Johannesburg, the economic hub of Southern Africa. The 4- and 5-star InterContinental, Crown Plaza and Holiday Inn hotels, have a total room capacity of approximately 1,700 and thus provide the potential for a variety of linkage opportunities with their 'poor' neighbours. Southern Sun Hotels already has considerable interest and involvement in Black Economic Empowerment. In 2002, Southern Sun Hotels was seeking to broaden its transformation and CSR policy and strengthen its contribution to poverty alleviation. A key concern for the partner sites in Sandton was the creation of new or stronger links with its immediate neighbour, the Alexandra township (known as Alex).

Options for a township tour in Alex and a variety of township products, such as jazz evenings and festivals, were discussed with the Alexandra Chamber of Commerce (Alex Coc). Proposals such as recycling the hotel's soap and old linen through local small women's enterprises were also explored. This pilot stalled for various reasons. One is that the partnership between Southern Sun and Alex Chamber of Commerce did not flourish. Several meetings were held, but there were multiple institutional objectives, a lack of financial resources to help Alex CoC implement their agenda, and a lack of deliverables. When the key Director in Southern Sun left the company, there was no momentum built up to keep the projects going, and the pilot stalled. This is a good case study for the potential pitfalls when trying to develop linkages. It illustrates the critical need to establish a strong partnership at the start, and the risk of initiatives stalling if a key champion moves on.

<i>Enterprise linkages:</i> [Alexandra township tour stalled]

2.5 Ker & Downey, Tanzania

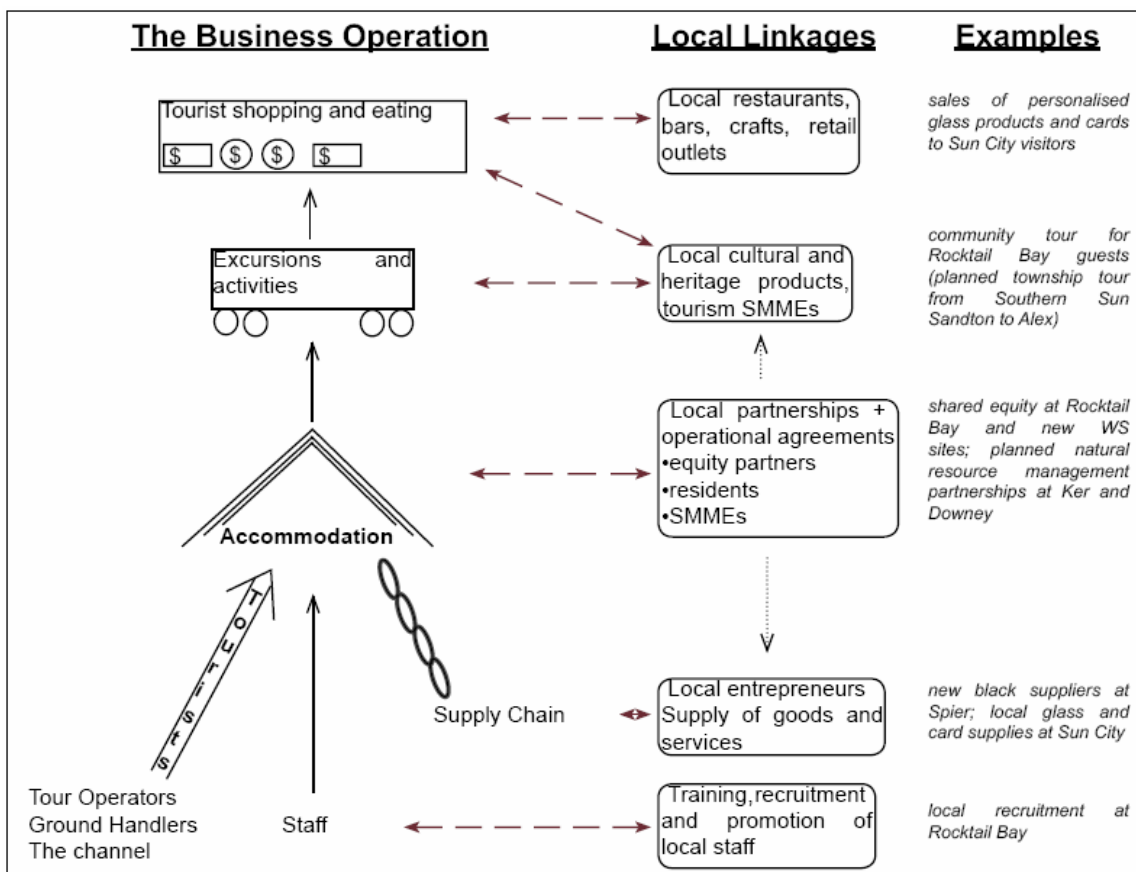
KER AND DOWNEY (K&D), Tanzania, operates in many rural areas of Tanzania. Working with PPT, it has been looking at how to restructure its range of community donations and interventions. Community relations and anti-poaching are handled through its separate charity, Friedkin Conservation Fund (FCF). Discussion has focused on developing natural resource management partnerships in which K&D camp managers and neighbouring communities strategically plan together. While this would benefit the company and community over the long term, there are few incentives for the company to shift from current partnerships to a long-term approach. PPT facilitation helped the FCF staff to plan for a more strategic approach, and opened up discussions at company level. But in order to secure greater impact at local level plus better recognition for the industry from government, there remains a need to increase their links with the community and to work on a convergence of private and community sector interests around more profitable use of the resource base.

<i>Non-financial linkages:</i> Consideration of revised community benefits approach

3 Different Ways of Doing Business Differently: Local Linkage Options

The local linkages implemented by Spier, Wilderness, and Sun City go well beyond conventional philanthropic donations - although donations of time, funds, or infrastructure can contribute to the linkage. They are ways to do business differently, so that commercial functions are fulfilled, and at the same time more local impact is achieved. For example, core services are procured, and local entrepreneurs get contracts. New products are developed for guests, and local dancers and chefs earn an income. A new lodge site is secured, and the community gets equity. These linkages do not only draw on company post-tax profits, but on *core competencies* and assets of the company – its procurement budget, volume of guests, need for new products or sites, and business expertise.

It is important to note that there are different types of linkage – focusing only on opening up the supply chain, or only on supporting community tourism enterprise, would be a mistake. Figure 1 outlines how different parts of the business operation can be linked to local entrepreneurs or partners. As can be seen, different pilot partners focused on different types of linkage. It is important to assess which type of linkage makes business sense, rather than just focus on the initially obvious. For example, Spier shifted focus from acting as a ‘gateway’ to local tourism businesses to opening up its supply chain, because this fitted better with strategic corporate objectives.



SMMEs = small, medium and micro enterprises.

Philanthropic donations can be substantial and directly targeted to current social needs. Compared to philanthropic approaches, these business linkages generate a smaller immediate injection of cash to local communities. But over time the potential for economic development is high. For example, Spier Leisure’s total procurement in 2004 was ZAR 75 million. For historical reasons, black

suppliers account for a fraction of that. Spier's management would like to shift 10% of procurement to local small and black suppliers. Such an injection into the local economy of R7.5 million would - simply in cash flow terms - far outweigh their philanthropic spend on a wide array of initiatives, and would be a cash injection equivalent to a 50% increase in the local wage bill.

One of the impacts of PPT facilitation has been to encourage company management to think along these lines, and to embrace the idea of doing business differently. For example, at Sun City, where implementation on the ground has been slow, there is nevertheless notable progress in getting the linkage approach onto the corporate agenda.

The linkages encouraged by PPT Pilots are all *local*, as the aim is to develop links with poorer neighbours, not just with black companies per se. Local may be defined in terms of kilometres (10, 20, ... depending on location), though in practice the linkages facilitated were generally within a few kilometres of the site. The partners are also relatively poor, being mainly micro-enterprises and local residents.

4 What Does it Mean for the Company?

4.1 Project impacts within the companies

The aim of PPT Pilots was to assist companies to do business differently by providing on-site facilitation. The direct impact of the project was on the companies, in two ways:

- Changes in company approach, strategy or plans – how managers think.
- Progress in actual implementation of linkages – what they do.³

At Spier, change in management approach was already happening, but PPT input made considerable impact on implementing supply chain reform, and developing a PPT procurement approach that can now be continued. At Wilderness Safaris, the corporate approach to partnerships was already evolving. PPT input helped to develop it at this time of expansion and negotiation, increase the synergy between approaches at head office and lodge management level, and make considerable progress on the ground in liaison with community trusts. At Sun City, PPT input achieved most in pushing local linkages onto the agenda, raising their profile, and building commitment. Implementation of linkages during the lifetime of the project was slow, and done mainly by Sun City. But the influence of the approach on Sun City's action continues, with the company now investigating procurement options in North West province and participating in a Development Forum. At Southern Sun, initial progress was made both within the company and in discussing linkages with partners, but this never got as far as changing practice within Southern Sun. At Ker and Downey, PPT input helped to focus discussion around a more strategic approach to community benefit. This was readily adopted by staff in the affiliated charity, but not yet embraced by the commercial directors.

At all sites, particularly Sun City and Ker and Downey, simply pushing local linkages up the corporate agenda is an achievement, given the competing priorities of executives. This process can be drawn out over 2 years, but then influence company behaviour for years ahead. Thus increased awareness of PPT linkage options is an important impact in its own right.

Although in theory changes in company thinking precede changes in company practice, in fact practical progress helped to reinforce changes in policy. At Spier, facilitation of new laundry supply *on the ground* was able to reinforce management commitment and hence the rate at which other new supply initiatives were brought on stream. At Sun City, practical development of the new card and glass suppliers helps build commitment to a wider local procurement initiative.

4.2 How to implement linkages? Strategies and challenges

Doing business differently and developing local business linkages is not easy. The experience of the PPT Pilots demonstrates ten key challenges and concomitant tips, for implementation.

1. A **champion** who drives the process is essential, as is top management leadership. Pro-poor approaches will always be just one of many actions on a company's agenda, and unless there is a champion they are likely to remain on the 'to do' list. At Wilderness Safaris, Spier, and Sun City, there have been champions in different senior positions – CEO, owner,

³ See McNab (2005) for more detail on impacts at each site.

Sustainability Director, Corporate Affairs Director – but all have been essential. At Ker and Downey, the champion role is in a separate charitable Trust (Friedkin Conservation Trust), which makes it harder to influence corporate strategies.

2. Considerable amount of **time input** is needed, and therefore so is a staff member or facilitator who can do this. This person who does the legwork of implementing new procedures may well be a different person to the ‘champion.’ Indeed at Sun City, the lack of time available for the CSI Director (who also has other management roles) was a constraint, which Sun City recognised when they appointed a full time CSI assistant in January 2005. At Spier and Rocktail Bay, the geographic presence and more intensive facilitation from PPT Pilots has meant that much has been achieved that company staff on their own would not have been able to achieve.

For example at Spier, the SD Director commented: *‘The physical presence of Gareth Haysom – an individual able to commit the necessary time and in possession of the appropriate skills – enabled progress to be made much more quickly than would otherwise have been the case. Moreover, Gareth came for free. Spier did not need the PPT philosophy, they shared the values already and would have implemented without PPT assistance. But having Gareth enabled progress at a much quicker rate because staff lacked the skills or were unable to input the time required.’*

3. Beyond the champion, wider **buy-in across staff and management** is needed. While the champion can catalyse a process, s/he will have to engage other key operational staff (chefs, the Buyer, or Guest Relations Officers) to succeed in changing business practice. Stimulating interest or support among staff is a first step, but full implementation may require changes in job functions, expectations of staff, and Key Performance Indicators. This means moving away from assessing only financial performance.

For example, at Rocktail Bay, there was initially some mis-match in expectations of community partnerships between executives in Johannesburg and the lodge manager. When a new management couple came, the increased pace and confidence with which linkages were addressed was noticeable. Resistance from some staff was encountered at Spier. It proved important to work hard with those staff whose day to day job was changed by adoption of local suppliers. Spier have established new performance indicators to ensure that each department reports on its progress in achieving a range of non-financial indicators. At Sun City, various staff will be involved in bringing cards and glasses into the supply chain: these include, Guest Relations Officers who put the engraved glasses in VIP rooms, hotel managers’ secretaries who manage the greetings cards, concessionaires running bars who supply empty bottles for recycling, and the accounts department who will need to handle invoices from the new SMME. Success will depend on staff in each part of the business knowing and adopting their role.

4. **Learn by doing:** get practical and get going, and adapt from there. Garnering support from others in the company and community is only likely once they can see practical results.

At Sun City, the success of Thula Baba babysitting and of a hydroponics project supplying lettuces to the resort already demonstrated how local linkages might work. Implementation of linkages with RECOPRO in turn has demonstrated how to expand the approach, and thus paved the way for management commitment to wider initiatives.

5. The process is not just about changing company practice, but also **changing attitudes** to communities and local entrepreneurs. This is particularly so where history has led to deeply

entrenched paternalistic approaches to communities, or to assumptions that local entrepreneurs cannot deliver reliably on the part of Buyers and Chefs.

At Klein Begin laundry at Spier, one of the two washing machines broke down in the first month. It seemed that this accident might go to confirm attitudes of the sceptics, that when things go wrong, new suppliers are too risky. In fact, the owner Bernie Samuels, used a variety of equipment and contacts to ensure the napkins were delivered clean the next day. This helped to change attitudes and show that he was a supplier who could be relied on.

6. A **slow pace** must be accepted, and **expectations managed** – without dampening enthusiasm. Change is likely to be incremental – one thing leads to another.

Wilderness Safaris' regional manager for Maputaland, Patrick Boddam-Whetham, states that managing community expectations has been one of the greatest challenges of their partnership approach in the region (pers comm. Sept 2004). If the community expects great benefits soon, the frustration that is later encountered can undermine the linkages.

7. Finding the **right partners in the community** is key. It is also often a difficult first step.

In the Southern Sun PPT Pilot, the plan was to set up a partnership between Southern Sun and the Alexandra Chamber of Commerce. A few meetings were held by PPT facilitators, and further work done with partners between meetings. But it never reached the stage where a partnership between the two was developing independently and sustainably.

8. Combine a **mentoring** relationship with local partners, with commercial realism and quality standards.

A critical factor in the success of the Klein Begin laundry is that the relationship with Spier involved considerable mentoring, but with no deviation from strict quality standards and commercial contracts. A tender process was followed, and after this a detailed Service level Agreement drawn up (www.pptpilot.org.za/papers/SpierSLA.pdf) detailing the quality standards to be achieved. At the same time the PPT facilitator gave advice to the owner, both during the compilation of the SLA, and afterwards as the initial problems in running the business needed to be smoothed out. For example, he identified a commercial cleaning company to give advise on removing black paint spots, and helped liaise with the staff at Moyo, to ensure that communication about workloads and use of lockable baskets to hold dirty napkins overnight, would enable the laundry business to be run more efficiently.

Similarly at Wilderness Safaris, the company are well aware of the need to encourage local entrepreneurs, while not exposing the core business to excessive risk. The new community tour, for example, started as an option on the blackboard, before becoming a core part of the itinerary. In the words of the CEO, explaining the level of risk that is tolerable from local partnerships: *'If the result is bad tomatoes, it's not a problem. If the result is unqualified boatmen, it's not possible.'*

Mentoring can be provided by outsiders (government, NGOs or companies) and it can be in the corporate interests to source and purchase mentoring for its new suppliers – as Spier is doing for the new vegetation clearing contract. Mentoring can greatly strengthen the capacity of the new supplier to meet quality and reliability standards. It can – and should – also help the supplier to enter into new markets, whether this is serving other tourism businesses, a domestic market, or export sales. Given the seasonality and risk within tourism, it is important to help new suppliers secure other clients if their businesses are to thrive.

9. Success lies in finding local linkages that help address current drivers of change in the company and **complement core business concerns**. There is no point investing in linkages that conflict with core business. Where linkages are risky, they should be pursued as an add-on at first. Local linkages should fit into bigger strategic objectives – whether these are to build local social licence to operate, to revamp the brand, to win new concessions, broaden out and improve BEE performance or diversify the guest product.

For WS the partnerships have made business sense because they help consolidate access to lodge sites in conservation areas, and they have become part of the distinctive Wilderness brand in the region. At Sun City, the new local suppliers fit with CSI goals to include enterprise support and increase recycling, and with commercial objectives of responding to the growing interest of business and international customers concerning social performance of the business. For Spier, the shift to local suppliers is an integral part of achieving priority strategic sustainability goals.

10. **Partnership with others** will be needed. Bring in expertise from others, whether it is in community development, small business support, or technical aspects of production such as cleaning or recycling. This can be highly productive, but also challenging if it involves new ways of working.

The glass recycling at RECOPRO is done with equipment and training from a recycled glass company. The recycled cards were initially made with paper, technology and training from an NGO that makes recycled paper, however, the partnership between the NGO and Sun City did not continue and Sun City then provided RECOPRO with training to make their own recycled paper.

These are just ten of the tips learnt from the pilot sites. A great many more tips are covered in the ‘How To...?’ Series, which comprises four briefs on different types of linkages, each containing a dozen tips and detailed practical advice.⁴

4.3 Why implement linkages? Business benefits

Experience of the PPT Pilots and other companies suggests that there isn’t a single ‘business case’ for a PPT approach to business, but several business cases, the relevance of which will vary by setting.

1. **‘Social licence to operate.’** It is not just the legal or official licences that matter, but also acceptance of a company’s legitimacy amongst local institutions that matters. Partnerships create local support for Wilderness Safaris in the rural area around Rocktail Bay, which is very important when it comes to guest safety, dealing with Government, and developing new products.
2. **Enhanced brand.** Spier has been able to acquire Fair Trade in Tourism accreditation which builds the brand and enables an entirely different level of exposure. The success of Wilderness Safaris’ partnership lodges and the enthusiasm of guests for the partnership approach is reflected in the incorporation of partnerships into a new brand being launched in 2005. This emphasises how Wilderness holidays change lives – not just of guests but of communities.

⁴ Ashley et al 2005. See http://www.pptpilot.org.za/IFC_tooltips.htm

3. **Diversification of products for guests.** Rocktail Bay guests now enjoy a community tour as a regular part of the itinerary. Southern Sun was aiming to provide jazz evenings and shebeen visits for their clients.
4. **Government procurement, preferred partner, recognition.** For Spier, recognition from local government is important and evident. Spier is used as a case study by government, has access to decision-makers that enables it to present Spier's view of local developments, and new initiatives proposed by Spier have found a receptive audience. For Wilderness Safaris, their record in community partnerships has helped in winning bids for new sites within Public Private Partnerships.
5. **Awards, publicity and marketing.** Wilderness' community partnerships often feature in media coverage, and one of their Namibian partnership lodges, Damaraland Camp, recently won a WTTC Tourism for Tomorrow award. Spier estimates that acquiring Fair Trade in Tourism certification led to over 52 mentions in print, between October 2003 and end 2004. The value of this coverage for 2004 was over R300,000.
6. **Cost Saving.** Local supplies may not always save costs, particularly if procurement is done via negotiated discounts with bulk suppliers. But in some cases cost savings can be considerable, particularly for services. Klein Begin laundry has saved Spier over R200,000 in laundry costs. Spier recently agreed a contract for clearing alien vegetation with a local black entrepreneur. Even after adding in Spier's costs for paying for mentoring from a professional company, the contract was still significantly cheaper than the next alternative.
7. **Staff morale.** Staff morale can be enhanced through local linkages. At Sun City staff are kept informed of CSI activities and given opportunities to participate directly at times. Staff morale boosts customer service. Developing linkages can complement broader changes in corporate governance, by identifying wider needs for staff training, or revision of procedures relating to procurement, contractor payments, or internal communication.
8. **Access to responsible financing.** It is no coincidence that both Spier and Wilderness have a strong relationship with the international development bank, International Finance Corporation. IFC emphasises responsible business in their investments. The investment in Spier and discussions with Wilderness predate and are separate from the Pilots project, but illustrate that responsible business behaviour can help attract international sources of finance.

Trading off costs and benefits?

Overall, costs and benefits vary in each situation, but it seems that the long-term gains can be considerable, but so can the short term challenge of implementation. Thus the question is whether companies are willing and able to invest sufficiently in the immediate costs ('get over the hump') in order to realise the long term gains to the local economy and their business.

5 What Does it Mean for the Local Economy?

5.1 Impacts to date at the local level

Warning! This report does not assess the total impacts of the tourism businesses on the local economy. It is only looking at the *incremental impact created by new linkages* that result from doing business differently and in which PPT facilitation played a part. Only direct local impacts are identified – whether these are financial flows or other impacts felt directly by local people involved in the linkages. Induced (or second round) effects due to these people spending their money or operating differently locally are not considered. Local impacts resulting from a knock-on effect on behaviour of others – such as tourists’ expenditure on curios or local charity – are also not considered. The degree to which a linkage can be attributed to PPT Pilots is not explored: in all situations a number of causal factors interact. Thus this section addresses the question: what direct local impacts are derived from the linkages being implemented by pilot partners and to which PPT Pilots contributed?

The different types of local impacts from a company implementing new local linkages can be broadly divided into:

- Net financial benefits to date: wages, new jobs, enterprise earnings
- Non-cash benefits – access to expertise, markets, skills, contacts
- Pipeline and potential impacts from on-going implementation of the linkage approach.

Cash earned to date due to new linkages at the pilots sites⁵ is fairly low, given that new suppliers are only just – or yet to be – up and running. The largest cash flows are to Spier’s new suppliers, where total contract value to date is R 562,000 (approx GB£50,000) to eight enterprises so far. The annual value of on-gong contracts is similar at R589,000 with others to be contracted as needed. The enterprises are owned by survivalist or micro (though skilled) entrepreneurs, and employ unskilled staff, most of whom were previously unemployed. For example, the laundry, following two expansions, has created 6 new full-time and 4 new part-time jobs (all staff were previously unemployed and all but one are women) plus the owners’, and did not displace any jobs at the previously contracted established laundry (see Table 1).

⁵ The wide range of other local cash flows, particularly wages to existing local staff, are not taken into account here.

Table 1: Spier's new procurement from small black and local suppliers, August 04-August 05.

Product and supplier	Contract value ⁶ , ZAR		Job creation			Sustained jobs
	Up to Aug 05	On-going value p.a.	New jobs	Of wh women	Of wh prev'ly unemployed	
Laundry: Klein Begin laundry	148,980	270,000	11	9	10	None lost ⁷
Lpg gas: Harare Energy Centre	57,000	114,000	0			3
Cards: Siyazama Papermaking	2,000	As needed	0			8
Deck construction: Appolus Construction	120,000	As needed	4*	1		3
Building work: Pillay Construction	190,000	As needed	7*	2		-
Fuel wood: Alfred Antony	10,000	25,000	2*		2	-
Clearing alien vegetation: Alfred Antony	35,000	180,000	9		8	-
Total	562,000	589,000	33	12	20	14

* temporary jobs, only for the duration of the contract.

New contracts and jobs have also been created at Rocktail Bay and Sun City, such that in total, new linkages during the period of PPT facilitation have created 69 new jobs, of which 38 are regular and 31 are contract jobs. At Rocktail Bay, the most tangible impacts should be over 30 new jobs and community equity shares in Manzangwenya lodge. Although the partnership and recruitment have been agreed between WS and the community, delays in agreement with Government have meant that WS and the PPT facilitators have meanwhile focused on creating other multiple shorter term contracts and strengthening the basic partnership.

Less tangible benefits take many forms. Firstly, there are the non-cash benefits to new contractors. For them, the value of linkages goes well beyond the Rand received. They gain information, ideas, and skills from the company, access to new expertise or markets, and they themselves gain enhanced reputation and hence marketability by virtue of their supply contract. The small enterprise at Sun City, RECOPRO, had earned little regular income from selling cards and glasses to Sun City by June 05, but the owner-members were reporting report on their new confidence, skills and expectations for the future. At Rocktail Bay, the use of local contractors for the widening the airstrip was highly significant for local people because it was the first time that they – rather than outside contractors - had taken on such work. To secure this local leaders attended at least 18 meetings with Forestry officials. The owner of Harare Energy Centre gained profile from his Spier contract, and was then asked to become the Black Economic Empowerment partner of another larger company. These type of benefits are important to enable new suppliers to make 'outward linkages' (Warner 2002) to gain other contracts in the market and expand their business.

Non-cash benefits are critical for many local partners who are not suppliers. At Wilderness Safaris, PPT facilitation has helped with unionization, which in turn led to wage negotiations that avoided redundancies. The community Trust at Mqobela has been strengthened, and that at Mpukane has been helped to get going so it can partner Wilderness Safaris at their new Manzangwenya site and create a new partnership lodge.

⁶ Rounded to the nearest thousand.

⁷ No jobs were lost at the previously contracted laundry.

Pipeline benefits stem from continued implementation of the linkages approach by the company, both with existing local partners and with others. Specifically:

- Completion of the partnership lodge with the Mpukane community will create employment for 30 local staff, and could generate around R700,000 per year in local wages.⁸
- On-going implementation of the pro-poor approach to procurement by Spier as part of its strategic shift of its supply chain. If 10% of procurement can be shifted to small, black and local suppliers, this would be roughly R7.5 million per year in contracts.
- A shift to local sourcing from across North West Province by Sun City, drawing on the approach used with RECOPRO.

Thus the local impacts to be realised from continued and expanded implementation of linkages by the Pilot partners far outweighs the current impacts. Progress to date can be seen as just first steps in rolling out a new way of doing business.

The range of impacts of new linkages at Wilderness, Sun City and Spier are summarised in Table 2.

⁸ Based on 2004 data for Rocktail Bay for permanent staff and casual labour.

Table 2 Summary table of impacts of linkages implemented across the pilot projects

Linkages	Key community impact	Key company / other impact
WS ROCKTAIL BAY		
Local enterprise / contract		
Airstrip Clearing	16 temp jobs created	Improved customer access
Airport security	1 job created	Protection of infrastructure
Community Tour	3 jobs created	New product to offer guests
Horse trails	4 jobs created	New product for guests
Security increased	4 new jobs	Decreased risk for guests
Supply of beach furniture	2 temp jobs created	Will facilitate activities at beach
Baby sitting	<i>Unknown number of jobs to be created</i>	<i>New guest service</i>
Local employment		
<i>Recruitment and training of staff for new lodge</i>	<i>Approx 28 jobs to be created</i>	Local work force ready for training
Brought COSATU union into negotiation, end 2003	6 jobs retained through PPT-assisted union negotiations.	Facilitated wage bargaining.
Other		
Strengthened link between WS and KwaMqobela	<i>Trust better able to engage with lodge and use community income.</i>	Assisted WS who lack time or local knowledge to be involved
Creation of Mpukane Trust and partnership with WS	<i>Community will have a share in new lodge via Trust and partnership agreement.</i>	Partnership helps WS set up new lodge; gain official permission
Support to Mqobela school	New equipment; donations from tourists.	
Facilitation of Boundary Issue	Emerging clarity on long standing issue.	Resolution of conflict over ownership claims of RB Lodge
Airstrip use	WS/PPT approaching companies re payment of a fee to community.	
<i>Wider on-going potential</i>	<i>Operation of Manzangwenya lodge with local staff, equity and supplies. Further roll-out of local partnership approach to new sites in Greater St Lucia. Strengthening of WS partnership model across the business to include more SMME links.</i>	
SUN CITY - SMME enterprise		
RECOPRO glass-recycling	4 jobs created; training; new equipment	Enhanced products for Sun City; seen internally as part of a longer term shift to local enterprise support
RECOPRO card-making	2 jobs created; training; new equipment	Supply of cards for VIPs; seen internally as part of shift to local enterprise support
<i>Wider on-going potential</i>	<i>Expansion of RECOPRO and linked products/enterprises. Introduction of other SMMEs in into Sun City supply chain. Other contribution to the local economy facilitated via the new Development Forum.</i>	
SPIER - Local enterprise / contract		
Klein Begin Laundry	New business; training; equipment; 11 jobs created	Significant saving, est. at over ZAR200,000; showed enterprise dev. through in-sourcing is viable
Harare Energy Centre	Income to existing township enterprise strengthened	Demonstrated a township operator can deliver to required standard
Siyazama Papermaking	Increased income to existing enterprise	Demonstrated local supplier can meet value aspiration
Wooden deck construction	New income flow to HDI contractor; 4 jobs created over period of contract	Demonstrated linking with HDI suppliers is viable
Building construction	New income flow to HDI contractor; 7 jobs created over period of contract	Reinforced view that approach of seeking out HDI suppliers is viable
Fuel wood supplier	Regular income for supplier; 2 jobs created over period of contract	Potential for future work, now relationship is established
Kayamandi township: support to B&Bs and tourism development	Broader skill set of local people; first direct integration into mainstream tourism economy	Opportunity to develop linkages with this group as well as play a direct role in tourism development
Alien Clearing	Long-term contract include professional mentorship. 9 new jobs created	Significant cost saving; build long term regional capacity
<i>Wider on-going potential</i>	<i>Continued increase in supply contracts to small, black, local businesses due to continued application of pro-poor approach to procurement across Spier departments</i>	
Across all sites	69 new jobs: 38 regular, 31 short-term. 24 'linkages' created. Tangible expansion opportunities for several enterprises	Demonstration of strategic approach to local linkages and enterprise development

(Note: Linkages shown in italics are 'in the pipeline').

Finally, looking beyond the 5 pilot sites, wider local impacts should derive from **replication** of the approach by other companies. The principle of a ‘pilot’ project was to pilot an approach that can be tested and then used by others. Two main avenues for wider uptake are:

(1) In May 2005, Business Linkages in Tourism (BLT) was launched – a non-profit business providing services in PPT facilitation, drawing on the experience and skills developed during PPT Pilots. This opens the way to spread the PPT approach far beyond the Pilots to others in the industry. BLT is already working on strategic development of linkages in Kozi Bay and other parts of Kwa Zulu Natal⁹.

(2) In September 2005, a series of ‘How To...?’ briefs on implementing local linkages was launched, drawing heavily on the valuable lessons learned by the companies at the pilot sites. These are written for operational staff, published in collaboration with the Tourism Business Council of South Africa, the Department of Trade and Industry and the Department of Environmental Affairs, and are being disseminated widely within the South African tourism industry.

Practical experience of implementing local linkages is spread from the pilot sites to a wider industry and government audience through the BLT, the ‘How To...?’ series, presentations and meetings, and material on the project website. At a time when the Black Economic Empowerment Scorecard for the tourism industry¹⁰ in South Africa is encouraging companies to look at their socio-economic performance, lessons from PPT Pilots and services of BLT provide opportunities for companies to seize on practical advice to move forward. This impact is thus potentially the largest, but is the most unknown.

5.2 How significant are the impacts?

Given the range of benefits to the local economy, how significant are these in the wider development context?

1) very significant to specific families, not yet to levels of local poverty

For those entrepreneurs and staff who have secured contracts or employment, there is no doubt that their earnings are very significant. They will each be supporting a wider household. Rural unemployment rates are often said to exceed 50% and given the lack of alternative opportunities, all the new jobs would be highly valued. Nevertheless, given the scale of local poverty, the small number of people affected to date by new linkages would have little impact on overall poverty in, for example, the townships around Spier, the municipalities around Sun City, or the wards around Rocktail Bay.

However, overall operation of the enterprises probably are already having significant impact in their locality. Spier pays around R15-17 million a year in wages to local staff. Rocktail Bay is a much smaller scale venture, but based in a remote community of around 1,500 people. Two percent of the local households have an employee at the lodge. The lodge is the only commercial venture of any scale in the community. Sun City employs thousands of staff, the vast majority from the surrounding area. Thus while the *new linkages* have not yet dented local poverty, the tourism business itself will have done.

⁹ See www.tbcsa.org.za/blt

¹⁰ The Tourism BEE Charter and Scorecard, 8 May 2005 (DEAT 2005) is a framework for scoring tourism companies for their contribution to Black Economic Empowerment across a range of categories such as ownership, skills development and preferential procurement.

2) Small relative to existing local benefit from tourism, but disproportionately significant for their potential to increase and multiply

If existing wages outweigh benefits from new linkages, does this mean that facilitating new local linkages is largely irrelevant? No. Clearly wages of local staff are far and away the largest cash benefit to local households from tourism. In the safari lodge sector, they generally account for over 70% of total local earnings from a lodge¹¹. Anything that can be done to boost wages will have an enormous effect, whether it is ensuring payment of a minimum wage, or enabling local staff to progress to higher paid jobs. However, the potential to boost wage income from an on-going business is likely to be limited, other than through expansion of the operation. The reason for focusing on creation of new linkages, particularly with local SMMEs, is that there is vast potential here for *increase*.

This is demonstrated by the case of Spier. If Spier can shift 10% of its procurement budget to local suppliers, the extra injection of R7.5 mn into local pockets would be roughly equivalent to half the local pay roll. Shifting procurement is much more likely and feasible than increasing the pay roll by 50% (indeed the latter has just been reduced for efficiency gains, but this has not affected the overhaul of procurement).

It is not just the increase in terms of cash value of contracts that matters, but also the potential for just one supply contract, one mentoring arrangement, or one equity partnership to lead to other business ideas and skills and ultimately to a more thriving local economy.

3) Small so far relative to project input, large in future via expansion and replication

Donor funding for the project was £224,000. Pilot partners contributed their own time, resources and on-site costs. Some very rough estimates of impacts relative to donor inputs are:

Firstly taking account only of *cash-based linkages already secured*:

- If new local contracts secured run for 4 years, local contract values match donor input.
- New local wages add up to around 40% to 50% of donor input if regular jobs are assumed to last 2 years on average and contract jobs for 4 months on average. If 2 years' worth of the new jobs at Manzangwenya lodge are included, local wages account for around 80% of grant.

Given the high value of non-cash benefits (not valued here), this suggests that current benefits already match costs.

If *pipeline and future impacts* are included, the high potential value of the approach is clear.

- If 10% of Spier's procurement is shifted locally, the value of local contracts per year would be three times donor spend on the project.

Once other replication benefits are taken into account – by other pilot partners or via uptake of lessons by the wider industry - benefits far outweigh donor spend.

It is difficult to assess effectiveness compared to other comparable uses of grant funds. As noted in the following section, direct impacts on local enterprise and jobs are lower than in some other projects that focus exclusively on brokering linkages. Compared to the Poverty Relief Programme (PRP) of South Africa's Department of Environmental Affairs and Tourism, the project compares very well. The primary aim of PRP is poverty alleviation through sustainable

¹¹ 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.

work opportunities, the cost per job created is approximately R81,000 (over £7,000) with the majority of jobs created being temporary jobs (DEAT 2004). In PPT Pilots the cost per job is less than half than (just over £3,000 per job), with the majority of them permanent jobs, and jobs being just one part of the spread of benefits achieved.

6 External Facilitation: How can it Encourage Business Change?

Beyond this project, there are several organisations seeking to promote business linkages between corporates and SMMEs, or corporates and communities. The linkage approach adopted by this project was direct facilitation provided to the company. Facilitation meant having discussions with management, scoping and presenting options, liaising with partners, and carrying out work on the ground with new suppliers or community partners. Implementing this at 5 very different corporate sites led to many lessons about what facilitation can achieve in different circumstances.

The effect of PPT input on companies was highly variable. Contributions of PPT facilitation can be distinguished at different ‘levels’ or stages, which are tabulated in Table 3 with indication of which level was achieved at which site.

Table 3: different levels of corporate change affected by PPT facilitation

	PPT facilitation can contribute to:	Sites where this was a major focus
1	Getting PPT linkages discussed, giving them a higher profile, and building awareness of a range of options and a more strategic approach to community benefit and ways of doing business differently;	Sun City, Ker and Downey, Southern Sun, Wilderness Safaris
2	Garnering management commitment to investing in local linkages;	Sun City, Ker and Downey
3	Scoping a variety of linkage options and identifying priorities	Sun City, Spier, Wilderness Safaris
4	Facilitating a shift to a more strategic approach to community work, internally within the company	Wilderness Safaris, Spier
5	Facilitating implementation of linkages with local entrepreneurs and communities;	Spier, Wilderness Safaris
6	Contributing to lesson-learning within the company about linkages approaches and what is required to implement them further.	Spier, Wilderness Safaris

The balance between these levels varies at the different sites, according to the internal situation of the company. Where a more strategic linkages approach was entirely new, and PPT visits infrequent, as at Ker and Downey, PPT impact was mainly at level 1. Similarly at Sun City, where getting the enterprise approach going was a challenge and achievement, the main impacts were at levels 1 to 3, though with some implementation too. At Spier and Wilderness Safaris, management commitment to local linkages was already in place and the PPT facilitators were nearby, often on hand. Thus PPT facilitation was able to achieve further impacts at levels 4-6, by helping to roll out the approach within the company, and moving along implementation with local partners.

The key role of the facilitation was to help companies ‘over the hump’ of getting going on linkages. Facilitation helped to reduce the initial ‘transaction costs’ whether these were internal costs of getting management buy in, or cost of actual implementation. Factors that contributed to the success of facilitation were:

- Detailed local and corporate knowledge of the facilitators
- The presence of company champions that were seeking to move the linkages agenda forward, and saw PPT facilitation as a means to make progress;
- The fact that local linkages were already rising up the agenda, and input of outsiders helped to raise the profile of the issue.

Factors that constrained the effectiveness of facilitation at some sites were:

- the need to move the company agenda along prior to any implementation;
- competing corporate priorities leading to delays before PPT issues were addressed

- the need for partners/micro businesses to be created and build capacity took time: they were not 'ready made' partners;
- the pilot companies are relatively small in industrial terms, and the areas they are located in are rural and not commercially highly developed. Thus compared to, for example, linkages around a mining project, there was a smaller set of feasible options.
- project resources were stretched across the sites and the amount of time spent at some sites could usefully have been higher.

Finally, the fact that facilitation was virtually free (in-kind costs but not cash charges) had pros and cons. The companies may not have used PPT at all in the first place, had it required fees. The fact that companies were not 'clients' also added to the independence of the facilitators and the CSI Director at Sun City commented that this added to their weight. On the other hand, it meant there was less pressure on them to make good use of their PPT resource.

These reflections have implications for replication of PPT facilitation more widely. Firstly, for the question of which companies to work with, it suggests that either:

1. it can be most effective strengthening implementation for companies that already have management buy-in to a PPT approach;

or

2. if focused on companies where such buy-in is only emerging, a lengthy time-scale and intensive interaction is needed

and

3. regular and frequent interaction with facilitators can achieve much more than sporadic visits.

Secondly, there is the question of what scale of local partner to seek linkage with? The pilots projects focused on micro-entrepreneurs and local residents, rather than linkages with small or medium enterprises. This partly reflects the pro-poor focus, and the aim of the project and the companies to reach poor neighbours *directly*. The focus on micro businesses is also a reflection of the focus on 'local' and of the reality of what is available in the locality: there are many more local black entrepreneurs or survivalist businesses than established medium black enterprises in the immediate vicinity of the pilot sites (excepting Southern Sun). The fact that linkages were with survivalist or new businesses slowed down the pace of implementation, but did mean that beneficiaries were both local and un-skilled or semi-skilled.

Other lessons about how to make facilitation effective are captured in Box 1.

Box 1: Lessons learned for effective facilitation of doing business differently

1. Views and visits of an outsider can help build the profile of a linkages approach, create space for discussion, and thus build top management support.
2. Get practical. While building management support is essential, getting started on implementation of the most feasible projects can act as a valuable demonstration of the approach.
3. Work with a champion inside the company. But if the linkage depends only on the drive of one champion inside the company, it is highly vulnerable to collapse if that person moves on.
4. Transaction costs of identifying local partners, ensuring they have capacity to be business partners, explaining terms, levelling expectations, dealing with logistics, negotiating terms, etc can be high. Facilitation can substantially reduce these costs, if there is sufficient facilitator's time available.
5. The facilitator should not do so much that the company need to do nothing and does not acquire its own skills in building linkages. Facilitation always needs to be done in a way that is building links between staff in the corporate and people in the locality so they can continue their own relationship, and apply their new skills to new linkages.
6. Focus on linkages that relate to corporate drivers of change, or help deal with current challenges in an innovative way, and that make long term business sense to the company. If the linkage is entirely tangential to operations, it will not compete with other priorities.
7. A long time frame is needed. Often there will be current corporate priorities that have to be handled first, before linkages gain their place on the management agenda.
8. Help the company to plan for internal change management, as well as external action with local partners. In particular, help to identify staff who need to be involved in implementing the linkage and help ensure that they are given the information and resources for it.
9. Build networks of innovators and help in identifying other outsiders who can contribute. A company may not have experience of using specialised companies for mentoring new suppliers, NGOs for SMME support, or government business development schemes, but such inputs can be invaluable. Put them in touch with other companies investing in linkages to exchange ideas.
10. Assess impact in several ways: impact on company attitude/policies and company practice; impact on involvement of local people and enterprises in tourism, and impact on people's earnings/skills/lives. Main types of impact will vary considerably according to the initial degree of corporate buy-in to linkages and stage of implementation.

Catalysing linkages between corporates and SMMEs is an area of growing attention. For example, IFC now has 'linkage advisors' whose role is to help ensure that major IFC investment projects incorporate a programme of action to ensure the investment acts as an anchor for local SMME linkages. Another BLCF-funded project, Small Business Project (SBP), creates linkages by supporting Business Centres which broker communication between large corporates (e.g. mines) and established small and medium enterprises.

The PPT Pilots project adopted a quite specific and labour-intensive approach to facilitating linkages, which was via direct, on-site advice and facilitation within the company. The project has since led to two other approaches to supporting linkages. The first is the establishment of 'Business Linkages in Tourism' as a business unit that supports linkages via commercial advice to companies, or via donor programmes working with SMMEs in an area. This approach is similar to PPT Pilots, except that facilitation service provided to companies will be on a fee-paying basis, while donor-funded linkages work is likely to be for a destination not one

company. The second is a more hands-off approach relying on sharing lessons from experience of pilot partners and other companies, mainly via the ‘How To...?’ series.

Compared to other projects that seek to support linkages, the costs of the intensive PPT Pilots approach were relatively high. For example, SBP reports that in the five years from 1998, its support to Business Centres reached 80 corporates, creating 958 linkages worth R1, 353 million, involving 600 SMEs and 3,000 new jobs. Aggregate data for all BLCF projects to date suggest that roughly, £4.5 million of grants to around 60 projects supported 2,047 business linkages (an average of 100 linkages per £220,000 of grant), with each linkage creating an average of 8 jobs. Within the PPT Pilots project, linkages created so far from the £225,000 of grant, stands at around 24 (depending on exactly how a ‘linkage’ is defined), with most creating fewer than 8 jobs each. However, as noted above, the number of linkages and jobs is continuing to increase, and the replication impact of this project is high¹².

The higher cost of jobs and linkages created within PPT Pilots can be attributed to four factors:

- i) The facilitation was not focusing primarily on creating new contracts, as some initiatives are. A major focus was increased support for a linkage approach within the company, analysis of options, and establishment of new policies and partnerships. These in time lead to linkage but are not the same as focusing specifically on creating linkages based on pre-existing corporate demand.
- ii) Linkages were created with suppliers and partners that were *new*, not with existing businesses. SBP in contrast is mainly linking existing SMMEs to corporates. The new suppliers needed a high degree of mentoring. Although some of this was provided directly by the PPT facilitator, much came from either the corporate partner itself or from outside expertise.
- iii) The facilitation approach adopted was direct support inside the company, which is labour intensive. This contrasts with the SBP approach of supporting Business Advice Centres that essentially broker contacts for interested companies and can thus deal with much higher volumes. The inside facilitation was needed to help pilot a new approach.
- iv) Finally, PPT Pilots contained a substantial lesson-learning element, precisely because the aim wasn’t just to broker new contracts but to test out and demonstrate a different approach to business. This increased the cost of the project beyond that of a pure implementation project, but also increased the range of outputs and potential impacts.

However, if a linkage-facilitation approach was to be scaled up more widely in the tourism sector, it would be important to consider how to increase reach while containing costs. PPT Pilots experience suggests four issues for consideration.

One issue is whether to prioritise brokering linkages with small and medium businesses that are already established – (where they exist) rather than micro-enterprises. This approach has been explicitly adopted by SBP’s Business Bridge program (SBP 2005), in order to increase the value and impact of linkages created. This approach may also be reflected in Sun City’s push to procure from North West province, where a wider range of established small businesses may well be found. Such businesses would recruit the target beneficiaries (poor un-skilled and semi-skilled people) as they expand, but would not be run by them. Thus the direct participants would be chosen only according to business objectives, not business and social. However, in some tourism areas such an approach simply is not feasible if the aim is to secure *local* linkages, given the low skills base and low levels of formal sector activity.

¹² These figures must be interpreted with enormous caution, as no more than ball-park figures, because of the critical question of ‘what can be attributed to a project?’ If this is answered differently in different projects, then this can easily account for ratios that differ by a factor of 2 or 3, or even 5 or 10.

Another question is whether to focus only on those companies where top level buy-in is already significant enough to lead to rapid implementation. This is the ideal, and might become more feasible in the South African context as the BEE Scorecard and existing demonstrations encourage CEOs to adopt linkages. However, it does not answer the question of what to do where companies in the tourism mainstream need further encouragement for the development potential of their business is to be harnessed.

A third option is to focus on destinations not single companies. If buy-in from a number of companies operating in one area could be secured (a big if), there would be economies of scale in encouraging them all to work more with local businesses.

A further area to consider is how to make maximum use of the range of business development support agencies that can provide mentoring to local partners and suppliers. Their services to SMMEs can be an invaluable complement to facilitation that focuses on the corporate or on brokering linkages with small businesses. However, total reliance on outsiders for the mentoring would not be appropriate, as mentoring provided directly by the corporate partner is likely to be high value and tailor made to need.

7 What is the Long Term Significance of this Approach Likely to be?

7.1 Significance to tourism debates

The PPT Pilots project has successfully demonstrated an approach to doing tourism business differently, and to enhancing local benefits from tourism. This is highly significant given that it has long been argued that there is potential for tourism to contribute more to reducing poverty, but there has been little empirical evidence of what businesses themselves can do to achieve this. The pilots' experience shows that there are many different ways for businesses to build local linkages, and that though the initial transaction costs are high, such strategies can make long term business sense.

At a time when the World Tourism Organisation, the UN Conference on Trade and Development and the New Partnership for African Development (NEPAD) are calling on world leaders to recognise and harness the contribution of tourism to the Millennium Development Goals, these lessons on the role of tourism companies are an important addition. Recommendations on how tourism companies can invest in local linkages, and can be encouraged to do so by governments, need to be incorporated into this agenda.

To business and MDG debates

The demonstration of PPT Pilots is also significant to current discussions about how exactly the private sector can make a greater contribution to the Millennium Development Goals. It reinforces arguments that companies need to move beyond philanthropic CSR and find ways to harness their core competencies for development gain. In the tourism sector, sharing 'business DNA' with local enterprises, increasing local entrepreneur access to the tourism market, and using their procurement power to support local suppliers are invaluable ways for businesses to utilise their core competencies.

Most discussion about the role of the private sector in contributing to development has been based on experience in extractive sectors (mining, gas) or in the agricultural commodities for which there is fair trade. In this context, the comparisons and contrasts with the tourism sector that can be derived from PPT Pilots are:

- i. Business action for creating greater local linkages and economic impact can be done in the tourism sector, as in other sectors. It can be commercially viable and deliver local development.
- ii. Because tourism companies and operations are smaller (than, say mines), the initial transaction costs of setting up linkages are proportionately higher. Therefore, a destination-wide approach becomes important to achieve economies of scale, and/or there is a need for subsidised provision of public goods and reduction of market failures that reduce the transaction costs for companies of engaging with SMMEs.
- iii. Bringing SMMEs into the supply chain is a key area of potential in tourism, as in other sectors, particularly in provision of services. However, other kinds of linkages also have high potential in the tourism sector, particularly: legal partnerships with local people to share equity or generate commercial returns to their natural assets; and downstream linkages that stimulate local tourism services, such as cultural and heritage products.

- iv. Key elements of the business case in the tourism sector are, as in other sectors, the need to manage reputational risk and to ensure local social licence to operate. However in tourism there are additional potential benefit of diversification of the product offer, a more distinctive product and brand, and direct gains in terms of customer experience and satisfaction. This is because the tourists come to the site of production and can see, hear of, or experience the linkages for themselves.

7.2 To the tourism sector within South Africa

Within South Africa, the approach has great potential significance across the tourism industry. Its long term impact depends on take up by other companies. Wilderness and Spier are both distinctive in being companies that are value-driven, and the same is true of several other sites with linkages, such as Fair Trade in Tourism (FTT-SA) accredited sites. The question is whether more companies will follow them, as the market leaders develop business models and lower risks. Nothing is guaranteed, but wider uptake seems likely. Other companies face commercial pressures to rebrand, gain local social licence, demonstrate their post-apartheid credibility etc, and so there are reasons why the more mainstream companies should also adopt linkages.

This is good moment for linkages approaches to be adopted more widely in South Africa, because the new Tourism Black Economic Empowerment Scorecard is designed to encourage companies to look beyond narrow BEE (i.e. ownership of equity) to a range of BEE factors. Companies will be scored on other matters such as affirmative procurement, enterprise development and community development, all of which can achieved through a linkages approach. Nevertheless, it is also possible for companies to ignore the scorecard (if they are not dependent on government custom) or to maximise their scores by dealing with a few large black owned businesses, rather than with the local pro-poor agenda.

To tourism development outside South Africa

Looking beyond South Africa, the tourism industry is significant and/or growing in the vast majority of developing countries, accounting for the main source of foreign exchange in all but 2 of the least developed countries (Roe et al, 2004). Thus if these approaches to local linkages can be replicated outside South Africa, they can contribute to poverty reduction in the majority of developing countries.

The extent to which South African approaches can be replicated needs consideration. There are certainly distinctive features of South Africa that contributed to PPT Pilots. Specifically, in south Africa, the post-apartheid BEE agenda results in a range of policies that explicitly create incentives for businesses to change their practice – at least in terms of black people, if not local and poor people. Incentives include criteria in concession allocations that encourage partnerships, and the BEE Scorecard for tourism. However, the BEE agenda also distracts from the PPT agenda, because the focus on race can make it harder to focus attention on poor and local beneficiaries. Outside South Africa, direct policy incentives relating to who benefits from tourism are substantially less. However, incentives that are created by local community expectations and local risk management, and by investors, international tour operators and tourists, apply in other developing countries not just South Africa.

The apartheid legacy affects potential for linkages in another way. The gulf between established companies and SMMES is vast, because of historical segregation. The political context results in market failure. This gulf makes it harder to build linkages, though also means that there are

more ‘low hanging fruit’ to pluck (i.e. easy winners) by creating commercially obvious linkages that would have occurred naturally in other economies.

Another consideration is that margins appear to be relatively high in South African tourism. Tourism boomed after democratisation and when the Rand weakened to around ZAR 18 to £1. Since the Rand strengthened (to around ZAR 11-12: £1), prices have not gone down. If this is correct, it may make it easier for firms to be investing in measures that involve short term cost for long term gain.

These South African specifics made it a good place to test out a linkages approach, but they do not invalidate the approach elsewhere. It is likely that businesses in other countries would face fewer policy incentives for linkages, but they would still face a range of incentives from residents, investors and guests. They may also face fewer transactions costs of implementing linkages where there is more historical interaction. The types of linkages they can pursue, and the range of business benefits such as customer satisfaction and social licence to operate, would be expected to be broadly the same. Testing out these assumptions and the replicability of the linkages approach in other developing countries should be a priority next step.

7.3 Policy Implications

The findings from PPT pilots suggest a range of policy implications for national governments and international agencies to encourage pro-poor business linkages in developing country tourism sectors

1. **Push the agenda:** it is important to keep moving debates beyond CSR as philanthropy or just environmentalism, to focus on ‘doing business differently.’ Although this might be obvious to some engaged in business debates, this is not obvious in tourism! For example, the World Travel and Tourism Council’s report on sustainability action by tourism companies (WTTC 2002) starts with a call to go beyond corporate philanthropy to corporate social responsibility. However, of the wide range of examples quoted, the vast majority were companies making donations, not doing business through linkages.
2. **Invest in SMME support** and the operating environment: this is essential for SMME linkage in tourism or other sectors. It needs to include business development, training, appropriate regulations and assistance to comply with regulations, infrastructure development, and legal rights.
3. **Create incentives for corporates:** government can provide incentives for companies to invest in local linkages through a range of measures such as tourism licensing, concession allocations, , marketing support, and more generally via political expectations and the climate of debate.
4. **Reduce transaction costs:** even if companies have incentives and realise potential business benefits of local linkages, initial transaction costs of change may deter them. Governments and outside agencies can help them over the ‘hump’ by *brokering* contacts and sharing information and good practice tools. Local and regional government can play a critical role by catalysing destination-wide initiatives which can achieve economies of scale and reduce risks for individual companies.
5. **Focus tourism policy and regulation on broad based participation:** tourism policy is traditionally focused on boosting visitor numbers (‘bums in beds’), but it is important for

overall policy to focus also on who participates in the sector and to develop strategies to widen participation (i.e. not just more tourism but more pro-poor tourism. Internationally, this is often stated in broad tourism policies, it is not always reflected in regulations and departmental actions).

6. **Include tourism in linkage approaches:** to date, linkage approaches such as those employed by International Finance Corporation, SBP, Business Partners for Development¹³ have been most active in the extractive industries. The linkages approach would need to be adapted slightly for tourism, given the smaller size of average company and the somewhat different range of local linkages. Nevertheless, PPT Pilots shows there is great potential for linkage facilitation approaches to be applied in tourism.
7. **Further testing, implementation and research.** A priority is to test out and implement the linkage approaches with tourism companies beyond South Africa.

For the research agenda, priority topics are:

- the development benefits of doing business differently – how effective a tool for local economic development is investment in facilitating linkages?;
- quantification of business costs and benefits – what do they amount to for a company and what determines their scale?
- effectiveness of different linkage facilitation approaches – which approaches are most effective, in tourism and beyond?
- replicability of the South African linkages – can the linkages approach be effectively adopted by tourism companies throughout the developing world?

¹³ of the World Bank, Care and others: see http://www.odi.org.uk/PPPG/activities/country_level/odpci/msp/BPDPartnershipUpdate1_05.04.pdf

Appendix 1: Further Information

Business Linkages in Tourism

Business Linkages in Tourism is a new business unit that has developed out of the pilot projects. It has been established to provide services to industry and government to facilitate pro-poor approaches in the tourism industry.

BLT provides 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

Contact Adrienne Harris (bizlink@tbcsa.org.za) for further information.

How to...? guides for Tourism Companies

The How To...? series of **Tools and Tips for Tourism Companies on Boosting Local Economic Impact** has been developed to provide practical, on-the-ground advice for tourism companies wishing to increase their pro-poor impact:

Executive Summary

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

Copies can be downloaded from http://www.pptpilot.org.za/IFC_tooltips.htm or hard copies can be ordered from Adrienne Harris, Business Linkages in Tourism: bizlink@tbcsa.org.za

Electronic outputs: www.pptpilot.org.za

The project website contains further information from the project and the pilot sites. Material includes:

- A **Monitoring & Evaluation** report for the 3 year pilot project.
- A **project overview report**
- A **supplier questionnaire** that was piloted at Spier to survey existing supplier relationships, along with the Excel file used to analyse and present results.
- A submission on the **Black Economic Empowerment scorecard** proposed by the government, raising issues about the risk of the smallest black suppliers being squeezed out.

Plus other papers, briefs and leaflets that were produced during the project.

To contact the project team for more specific enquiries:

Clive Poultney

Mboza Tourism Projects
PO Box 95636
Waterkloof 1045
South Africa
Cell: +27 (0) 824910062
Email: ppts@iafrica.com

Caroline Ashley

Overseas Development Institute
111 Westminster Bridge Road
London SE1 7JD
United Kingdom
Tel: +44 (0) 2079220342
Email: c.ashley@odi.org.uk

www.pptpilot.org.za

References

- Ashley, C, Poultney, P., Haysom, G., McNab, D., and Harris, A. (2005) *How To...? Tools and Tips for South African Tourism Companies on Local Procurement, Products and Partnerships*. Business Linkages in Tourism, Overseas Development Institute, Tourism Business Council of South Africa, Department of Trade and Industry, and Department of Environmental Affairs, South Africa.
- Ashley, C., Roe, D. & Goodwin, H. (2001) *Pro-poor Tourism Strategies: Making Tourism Work for the Poor* ODI,CfRT,IIED
- DEAT (2004) *Socio-Economic Impact of Poverty Relief Funded Projects*
http://www.environment.gov.za/ProjProg/PovRelief/poverty_relief_impact_200620032.html. Department of Environmental Affairs and Tourism, Johannesburg, South Africa.
- DEAT (2005) *Tourism BEE Charter and Scorecard*
http://www.environment.gov.za/TourismIndaba_2005/docs/tourism_bee_charter_scorecard.pdf. Department of Environmental Affairs and Tourism, Johannesburg, South Africa.
- Koch, E. & and 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*. MAFISA, Johannesburg, South Africa.
- McNab, D. With contributions from Ashley, C., Haysom, G., Nyathi, Z. & Poultney, C. (2005) *Monitoring and Evaluation Report of the Pro-Poor Tourism Pilots Project* ODI
- SBP (2005) *Business Bridge* Unpublished report. Small Business Project, Johannesburg, South Africa.
- Spier (2005) *Sustainability Report for 2005* Spier Holdings, Stellenbosch, South Africa.
- TBCSA (2004) *South African Tourism Industry Empowerment and Transformation Annual Review* Tourism Business Council of South Africa, Johannesburg, South Africa.
- Warner, M, (2002) *Optimising the Development Performance of Corporate Investment Building the Case for a Core Competences Approach* ODI, London.
- WTTC (2002) *Corporate Social Leadership in Travel & Tourism* World Travel and Tourism Council, London, UK.
- Zepeda, E. (2004) *Pro-poor growth: what is it?* One Pager # 1. UN Information Centre.