



**SLSA WILD RESOURCES THEME
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**Transforming Roles But Not Reality?
Private Sector and Community Involvement
in Tourism and Forestry Development on
the Wild Coast**



Introduction

A combination of economic growth and 'economic empowerment' of the disadvantaged is an ideal pursued in many sectors and countries. The search for this combination underpins initiatives in tourism and forestry in South Africa's Wild Coast. Such initiatives rest on a big change of assumptions about the role of forests, wilderness and tourism assets for local economic development, and the roles that local people (or 'communities') and private investors play in such development. This Brief outlines emerging findings on these changing assumptions, changing roles, and their implications for the poor.

The research for this work was undertaken in late 2001, as one part of a 3-year project on Sustainable Livelihoods in Southern Africa (SLSA). SLSA is exploring the access of the poor to natural assets, and how the changing policy environment constrains or enhances their opportunities and livelihoods.

Policy context: growth, empowerment, and commercialisation

The market-led model of development, now dominant internationally and in South Africa, is being applied to tourism and forestry. Since 1994, and particularly since the adoption of the Growth, Employment and Redistribution Strategy (GEAR) (prioritising fiscal and monetary stability) South African economic policies have aimed to mobilise investment to boost growth, and trim government operating costs. Hotels and plantations were once owned and operated by the state. Today tourism and forestry are now seen as commercial sectors to be private-led and government-regulated. State owned forests and hotels are being 'commercialised' through sale or lease to the private sector.

At the same time, many policies emphasise the need for 'black economic empowerment' (in South African terminology) or 'making markets work for the poor' (in international/World Bank terminology). Various measures encourage economic participation of formerly disadvantaged individuals (HDIs). This may be as individuals (e.g. black directors, black-led companies in consortia) or as communities (e.g. through land claims, private-community partnerships). These measures go well beyond what is pursued in most other countries in tourism and forestry.

The Wild Coast

The Wild Coast (WC) is part of Eastern Cape (EC) Province. An underdeveloped area, it is one of the poorest regions of South Africa. Residents have seen major political upheaval, but relatively little economic progress since 1994. Employment and migrant remittances have slumped. Agriculture remains largely for subsistence. Tourism is seen as a sector for expansion by Government. But tourism activity is still well below the levels of the eighties in this, the former Transkei. In forestry, the Eastern Cape is home to one of the first four plantation packages to be privatised. Thus the practicalities of promised new approaches to market-led growth with community involvement are now unfolding.

Changing assumptions

There has been a transformation in assumptions compared to the past concerning the roles of government, private sector and community in relation to tourism, wilderness and forestry:

- Coastal areas, conservation areas and wilderness areas are increasingly seen as commercial assets, to be exploited within an overall framework of conservation of core areas and tourism development of the region
- Investment and operation of facilities (hotels, forestry plantations) is the role of the private sector, no longer of government.
- The private sector role goes beyond commercial production, to include development of arrangements with local communities for equity shares, benefit flows and/or contributions to local development – but to highly varying degrees and to no prescribed script.
- Government's role is to create the physical and policy environment to make investment attractive, and provide incentives for local economic development by balancing this public policy objective amongst others.
- Expectations over community roles vary, ranging from emerging entrepreneur, land-owner, or unspecified beneficiary of economic opportunities.

These, at least, are the assumptions. And a range of policies are visible that are actively trying to translate them into practice. The current research is exploring how practice compares to theory, why, and what are the implications for the poor?

Initiatives to promote tourism/forestry enterprise with a pro poor element

Initiatives to promote growth and empowerment vary enormously. Some are large programmes focussed on external investment. Others build up entrepreneurial capacity in communities. Most of these have not delivered any new enterprises yet. Forestry commercialisation, the Amadiba Hiking Trail and Ufudu camp are the exceptions.

The big four:

The Wild Coast Spatial Development Initiative SDI (of the nineties) aimed to spur tourism development through limited public investment, packaging of tourism nodes and a public-private highway. It shifted from the Department of Trade and Industry to Department of Environmental Affairs and Tourism (DEAT). Proposals for large investments with some BEE (e.g. equity shares, local sourcing) were developed. But commercial feasibility was doubtful, land issues were unresolved, and Provincial government stalled them on technical procedures.

Driving forces: the national SDI programme and investment-led approach of GEAR; political decision to include Wild Coast in what was an industrial programme.

Wild Coast SDI of 2001: Provincial Government (PG) is leading a revised SDI for the southern Wild Coast. It emphasises smaller scale tourism development, public investment in infrastructure, non-tourism activities, and a need to clarify land rights in investment areas as a basis for local economic involvement. The focus on leveraging in private investment remains core. It is just getting underway.

Driving forces: Provincial Government and the desire to take charge of the SDI; the same market-led thinking and SDI approaches to BEE combined with efforts to address WC commercial realities.

Other initiatives involving investors and communities

Support at community level:

Amadiba Hiking Trail: a community run tourism venture strongly supported by an NGO, Pondocrop. The trail provides piece-rate jobs to 23 local staff. However, the community and staff are still dependent on Pondocrop for some private sector functions: marketing and management. The trail is seen as a successful demonstration of a community-based approach to tourism enterprise.

Amadiba-Ufudu Partnership: the same Amadiba community leases a site to UFUDU fly-fishing for 3 months per year. The camp employs local staff, pays 12.5% of turnover to the community, and involves them in regular consultation. It is an experiment created by the UFUDU managers, Pondocrop and community, but resting on Government provision of a fishing permit to Amadiba.

EU support to SDI/community tourism: the EU is funding Pondocrop and other NGOs to replicate the Amadiba Hiking Trail and partnership models more widely along the Wild Coast. It started in mid 2000, and is now assisting with business plans and preparing for loans. As an official support to SDI, it is likely to be involved in supporting Pondopark too.

Pondoland National Park is central government's share of the original SDI. It aims to create a 'new kind of national park' around Port St Johns which would give high protection to bio-diversity, attract tourism investment and include residents within its border. Community roles and relocation issues are not clear, and consultation is being rushed through to meet political deadlines. Viability is closely linked to a new highway.

Driving forces: high level political support in DEAT; conservation goals to give National Park status to bio-diversity hot-spots; to deliver economic activity on the ground; distrust of provincial government's capacity to deliver.

Forestry privatisation: the largest and most viable plantations have been commercialised by leasing the standing stock (trees not land) through competitive tender. BEE commitments were highlighted in the tender process (accounting for 30% of scoring). The Eastern Cape package was won by a consortium led by Hans Merensky (HM), which includes a 10% stake for two neighbouring community trusts, and was supported by unions. Government intends to pass lease fees to eventual land claimants/right-holders. HM initiatives include increased use of HDI suppliers and contractors (target is 25% of new procurement), support to local enterprise and to health and education.

Driving forces: forest commercialisation policy with BEE elements; non-commercial motivations of HM (a non-profit company) and long term commercial goals (e.g. in stimulating wood-using enterprise and co-opting competition).

Different approaches to land and enterprise:

Land claims in conservation areas: a 'model' has emerged based on the Makuleke claim (Northern Province) and Dwesa Cwebe (WC). The community wins the land claim in return for agreeing to keep their land under conservation with tourism development rights. Thus they gain faster resolution of their claim, lease fees from conservation, and commercial rights, but sacrifice farming options. Commercial options need years, plus commercial capacity to generate revenue, and may be constrained by government restrictions.

ECDC commercialisation of hotels: hotels owned by Provincial Government (PG) are being sold off to private sector bidders. PG aims to formalise rights of communities over the surrounding land and to a share in the hotel equity. ECDC see this as a key opportunity to stimulate and influence tourism investment. But one recent commercialisation was taken over by Land Affairs without ECDC knowledge.

Illegal cottages task force: holiday cottages owned by well-off individuals scatter the WC. Some have apartheid-era PTOs, some have no legal basis. They all contravene current law. But the small employment they provide is seen as better than nothing. A government task force to deal with them has been established, but faces big challenges in overturning the status quo.

These initiatives involve many different roles and anticipated benefits for 'communities', as summarised in Table 1.

Table 1: Local residents' roles in, and benefits from, tourism and forestry investment

Local role in and benefit from private investment	Who is involved locally	Significance to local livelihoods	Main locus of power
BEE equity stake (e.g. in forestry consortium, lodge operating company)	A few of the emerging black elite becoming directors/shareholders	No direct automatic significance: may alter company practice long term	Shareholders
Community equity stake (e.g. in forestry consortium, lodge operating company)	A community organisation (trust); community leaders	Benefits are financial and long-term. Distribution depends on internal community dynamics. Variable: may be no more than a piece of paper, or income for a few; or may start a long-term structural change in economic roles of local residents.	Operating company. Those with legal acumen. Partly with community but variable.
Lease fee or revenue share to communities for use of land (e.g. by lodge operators, park authority, forestry company)	A community organisation (trust); community leaders	Benefits are financial. Value depends (i) negotiation power, (ii) how benefits are used by community and (iii) opportunity cost of the land.	Community and operating company
Land claim winner tenders an investment option to find commercial partner/investor (as at Makuleke, now emerging in Wild Coast)	A community organisation (trust); community leaders	Equity stake and lease fee (as above), <i>plus</i> , decision-making power and negotiating power for the 'community'. But may be constrained by conditions set by Government.	Land Claimant, Land Claims Commission. Protected area authority may retain substantial power
Guarantee of local employment (as at Ufudu camp)	Local employees – probably semi-skilled, with social connections & good English	Highly valued given retrenchments and unemployment	Company, employer
Utilisation of local services and products by company (e.g. construction materials, security, local sourcing commitment)	Local entrepreneurs (micro to medium)	Each is small; a combination and accumulation over time could become economically significant.	Company – until other clients are established
Local entrepreneurs becoming investors, expanding businesses	The emerging elite	Minimal direct significance to poor. Long-term – depends on whether it changes mobility trajectories and/or local sourcing patterns.	Local businessmen
New locally-run or community-run small scale business (e.g. Amadiba Hiking Trail)	Varied: self-employed, community organisers.	Small-scale. Significance depends on their spread and potential for survival and replication.	Micro businesses. NGO, donor. Market operators
Company support for new local enterprise (e.g. HM support for carpentry & retail business)	Small entrepreneurs, often former employees	Can enhance commercial sustainability through market access, business acumen. But only likely to reach a few.	Company. Over time, entrepreneur.
Company support for development (e.g. health/welfare services)	Varies by initiative	Small-scale: may plug gaps in govt services but no structural change.	Company

Preliminary findings on commercial arrangements and their benefits

Local involvement in commercial, natural-resource based investment takes many forms. It is too soon to see the livelihood impacts, but it is already clear that all approaches face limitations, and will have differential impact on different stakeholders. Those that affect the poor most directly are use of local enterprise, commitment to local employment, and support to local development initiatives. These are generally small-scale. They add some livelihood support to some poor families within the economic status quo. Some others could – but won't necessarily – result in economic structural change. For example,

community equity shares and tenders by land claimants involve long-term processes, most directly involve community leaders, and have considerable potential to go wrong. They depend heavily on internal community dynamics and power relations. Few approaches place economic power with the poor. The land claim model has highest potential for empowering the poor but is being constrained by conditions limiting land-uses. In all cases, eventual impact depends on how they are implemented, and hence not on design but on processes, accountability, and the use or abuse of power.

Preliminary findings on processes, driving forces and constraints

Voice: Few processes create opportunities for the priorities of the poor to hold sway. There is a great emphasis on *consultation* but little evidence of stronger forms of participation that put decision-making power, particularly *veto* power, in community hands. Residents are expected to become active decision-makers as *economic* actors: lessors, equity holders, landlords, workers, entrepreneurs. It is an economic approach to empowerment. The policies themselves that create this approach seem to have been designed within government, albeit with socio-economic intentions. Thus despite the substantial re-thinking of roles, government remains a strong decision-maker and communities have few real choices to make. Greater transparency is needed.

Conflict: Different interests within a heterogeneous community are more likely to be exacerbated than reduced through the promotion of commercial options, because every new idea garners a set of supporters and opponents who support a counter bid. Conflicts arise between residents and between competing local authorities. Equity and consensus need attention.

Driving Forces

National and international thinking on growth and BEE provide the underlying rationale for policy. There is widespread buy-in to the assumption that growth is the necessity, government simply doesn't have resources for social or economic transformation; therefore there is no option but to focus policy on leveraging in investment – with pro poor elements where possible. Beyond this, drivers of the specific initiatives are more local, including individual motivations and institutional politics. Three forces take on particular significance in the Wild Coast: *The need to get something done, to show results.* This is leading to a more top-down approach by national government (over the Pondopark plan) and reducing the space for consultation.

Assumed adoption of the 'Makulele/Dweba Cwebe' approach to land claims. The idea that the community win rights over the commercial use of land, but not agricultural or residential use, is key. It is the only way to reconcile a potential conflict between a) pursuit of tourism/forestry growth and b) land rights. In areas outside land claims, approaches to securing 'rights' and hence equity claims are also being explored.

Officials moving into 'policy space' to make progress by negotiation. Policy and legislation provide the overall direction, but beyond that, officials cannot wait for every detail to come from on high, or every land claim to be resolved. It is clear that officials get on with developing local plans within, but not pushed by, policy.

Constraints

Apart from forestry privatisation, there is almost nothing to show on the ground from all the initiatives. The Amadiba hiking trail and their fly-fishing partnership, established some years ago, were sanctioned by policy but not created by it. Major implementation constraints arise from a brutal combination of obstacles on the Wild Coast including:

- A legacy of institutional mayhem from the bantustan days: at least eight different government organisations have responsibility for land along the coast, with different mandates and initiatives. Competition between Provincial and National Government and between traditional and elected authorities at community level are played out over competing approaches and bids.
- An enormous structural transformation in roles being attempted. But changes in attitude, capacity and staffing composition in government post '94 inevitable take time. Officialdom does not create incentives for effort and delivery of policy.
- Processes have too often ignored local complexities – such as unresolved land rights, definitions of community, commercial realities, inequalities and inexperience within tourism.
- Big capacity problems transpire at local community level when plans that involve substantial participation do emerge. There appears to be little entrepreneurial culture or expertise that can readily be applied to tourism.
- There are competing visions of local economic development, and of what is best for communities; jobs in the formal sector fast? Or control over longer term and smaller developments in their area? Or agricultural investment rather than this non-farm focus?

Thus initial conclusions are that there is widespread adoption of a model that commercialises natural resources and seeks new community and private roles in a growth-led model, but the model is not reflected in reality. The Wild Coast is not an easy place to implement a growth-led approach based on natural resources. Changing the role of companies poses a challenge, but changing that of local residents and government seems to be harder still. There is a risk that the need to deliver growth will increasingly obscure attention to pro-poor structures. These depend on greater investment in local decision-making, resolution of land claims and tenure uncertainty, and careful appraisal of the 'Makulele/Dweba Cebe' model. While land rights provide a stronger basis for community power than other approaches, the degree of conditionality imposed on them, and the opportunity cost of lost agricultural rights need to be considered. The practical obstacles are vast, the influence of policy limited, and the benefits to the poor remain to be demonstrated.

SUSTAINABLE LIVELIHOODS IN SOUTHERN AFRICA: GOVERNANCE, INSTITUTIONS AND POLICY PROCESSES (SLSA)

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