

**ANALYSIS OF
TOURISM
DEVELOPMENT
DELAYS IN
KWAZULU-NATAL**

**Executive Summary
FEBRUARY 1998**

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TOURISM AUTHORITY**

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1 EXECUTIVE SUMMARY

The objective of this study is to research the reasons causing delays in proposed tourism developments in KwaZulu-Natal. The researchers were asked to develop a clear understanding of the possibly multiple and varied reasons for such delays and to formulate recommendations to overcome the problem areas identified.

1.1 Introduction and Background

Tourism has been recognised by the leaders of our province as a potent catalyst for stimulating economic activity and growth in KwaZulu-Natal and very possibly as the economic sector with the highest potential for job creation. A number of workshops have been held with industry stakeholders by the Department of Economic Affairs and Tourism leading to the publication of a tourism white paper and associated policy documentation. One of the outcomes of this process, a *Strategic Framework for Tourism* published in August 1995 clearly indicates the vision " that this province will become the prime tourism destination in Africa". The same document lists(under the guiding principles for the industry) the need to

"accept that the private sector has both the flexibility to respond to rapid change and the means of raising finance from sources other than government and (that government should be) seeking to create an environment which both encourages investment in the tourism industry and gives economic security to such investors"

Almost two years have passed since the publication of the proposed strategy and the general feeling amongst participants in the industry is that little has been achieved in terms of implementing this strategy and the supporting policies. Significant investment into tourism infrastructure continues to occur, at the expense of KwaZulu-Natal, in Mpumalanga, Cape Town and other southern African destinations such as Victoria Falls. The compounded impact of the delay in significant investment in the industry is under-emphasised but nevertheless devastating in a province that has the highest population density in the country and mass poverty. In the last five years we have lost portions of natural treasures such as the Dukuduku Forest near St Lucia and the Coastal Forest Reserve in Maputaland. Vast areas of the Drakensberg wilderness are under severe threat from impoverished neighbouring communities who have long since given up on the tourism dream which has been communicated to them over the past ten years by consultants and officials of the Department of Economic Affairs and Tourism. It is clear that if these resources are not cherished and protected by the communities that surround, them then the chances of KwaZulu-Natal ever achieving its tourism vision are severely prejudiced.

In addition to the threat posed by underdevelopment in rural areas, the delays in getting significant urban developments like the Point and other waterfront projects off the ground even when investors are already in place, raise further reasons for concern.

The KwaZulu-Natal Tourism Authority has responded to these concerns by initiating a research project aimed at identifying the true underlying reasons for delays in tourism development in the province and to make recommendations to improve the tourism investment and development environment and related processes.

1.2. Approach

A five step approach was adopted:

Step 1 - Identifying relevant case studies

Ten case studies were selected, divided into three broad categories according to location:

- Urban developments
- Rural developments on community and conservation land and
- Commercial rural developments

Step 2 - Understanding policy, legislation and regulations

A thorough review of existing and proposed policy, legislation and regulations was undertaken in order to thoroughly understand the development context

Step 3 - Selection of case studies for detailed research

Three of the more complex case studies were then selected for more detailed research in order to thoroughly crystallise the issues concerned:

- Kosi Bay – Threfell site
- The Point Waterfront – Durban
- Ghost Mountain Inn – Mkuze

Step 4 - Identifying problem areas and formulating recommendations

The lessons emerging from the case studies were then summarised and draft recommendations formulated.

Step 5 - Workshop with affected parties and preparation of final report

Findings were presented to a wide audience of stakeholders at a workshop. Draft recommendations were discussed and final recommendations were drawn up. The results were documented and sent to participants for comment. Finally comments were noted and this final report was prepared.

1.3. *The Status Quo*

No attempts is made here to summarise in detail the myriad of rules, regulations and legislation that governs the development application process in the province. The picture is further confused in the short term by the existence at present of a number of proposed acts and policy initiatives, which hopefully, will clarify and simplify the picture in the near future. The following is a list of current and proposed relevant legislation:

Promulgated

1. Town Planning Ordinance No. 27 of 1949
2. Development Facilitation Act No. 67 of 1995
3. KwaZulu Land Affairs Act No. 11 of 1992
4. Ingonyama Trust Act No. 3 of 1994
5. Environment Conservation Act No. 73 of 1989
6. Development Facilitation Act No. 67 of 1995
7. The Conservation of Agriculture Resources Act No. 43 of 1983
8. The Water Act No. 54 of 1956
9. The Seashore Act No. 21 of 1935
10. The Mountain Catchment Areas Act No. 63 of 1970
11. The Physical Planning Act No. 125 of 1991
12. The Share Block Control Scheme of 1980

Proposed

1. KwaZulu-Natal Planning and Development Act
2. Coastal Management Policy Programme (October 1997)

For full details of these acts and of the processes supporting them the reader is referred to the "Developers' Guide", which forms an integral part of the deliverables of this research assignment.

1.4. Findings

The main findings are summarised below:

Lack of Masterplanning

There is an absence of approved development and land use planning in both urban and rural areas. Regional strategic plans are prepared by individual agencies and government departments in isolation and often without consultation with each other. As a result conflicts exist resulting in unresolved deadlocks at a policy level and inevitable development delays.

Pro-active approach absent

The authorities lack a pro-active approach to preparing the groundwork, to packaging and ultimately to marketing investment opportunities. As a result KwaZulu-Natal is losing out to other regions and countries where this is the norm.

Local banks unwilling to provide finance

Local banks have a blanket policy of not funding tourism projects, resulting in a dearth of funding sources for the industry.

Need for foreign investment not appreciated

Planning agencies appear not to understand the benefits and necessity of attracting foreign investment to South Africa and KwaZulu-Natal. The special needs of foreign investors in terms of facilitation and the provision of information are therefore overlooked.

❑ **Conservation and development policies are in conflict**

A problem which may be resolved by the recent amalgamation of the Natal Parks Board (NPB) and the provincial Department of Nature Conservation is the historical lack of consistency between the policies and practices of these two bodies and agencies such as Isivuno and the Wildlands Trust, despite the fact that there are common board members serving these bodies.

❑ **Lack of a single co-ordinating agency**

A factor which impacts particularly adversely in tribal rural areas is the absence of a single overall co-ordinating authority to manage and assist with communication and co-ordination between the various organisations, departments and levels of government involved in approving developments. The problem is exacerbated by the frequent inability of rural communities to organise themselves in such a way that they can be easily communicated and contracted with.

❑ **Land tenure complications**

Problems relating to land tenure are limited to two categories of development

- (a) those on tribal (community) land
- (b) those at dam sites

Unfortunately these two categories comprise a very significant proportion of tourism development opportunities in rural areas.

❑ **Capacity of local and regional authorities**

The capacity problem at a local and regional government level is a serious constraint to processing of development approvals.

The problem revolves mostly around three issues:

- Lack of financial resources and appropriately skilled and trained staff
- Lack of capacity and experience in key areas amongst community leaders
- Lack of clarity as regards the current and future role of traditional leaders

❑ **Tender process problems**

A problem specific to the conservation areas is the poor specification of tenders to develop tourism nodes within proclaimed areas. This has resulted in an almost total absence of development of such sites.

❑ **No “must see” attractions**

There are no attractions anywhere in KwaZulu-Natal which have been marketed to the point where a tourist feels compelled to take a photograph of the feature, national phenomenon, historical site, statue, land form or venue. This is a serious omission in a province so well endowed with tourism assets. This deficiency means that developers lack a focus around which to build and market general tourist attractions and amenities. Many stay away as a result.

1.5. Recommendations

The findings listed in section 1.4, above, were presented to a workshop and subsequently circulated together with draft recommendations to workshop participants and other stakeholders. Final recommendations have now been prepared and are summarised below:

❑ **Implementation of existing and draft legislation**

The Development Facilitation Act No. 67 of 1995 and the draft provincial Planning and Development Act should be implemented as soon as practically possible.

❑ **Tourism Development Agency**

A tourism development agency to act as a “one stop shop” should be established to serve prospective developers and investors the agency’s prime objectives would be to:

- Package investment opportunities
- Place investors in touch with developers and entrepreneurs
- Advise on and guide development applications through the necessary process
- Compensate for inefficiencies at and communication breakdowns within and between development agencies and government departments
- Aggressively pursue and market development opportunities to prospective investors

❑ **Packaging of investment opportunities**

The packaging of opportunities will involve

- Identifying development sites
- Scoping potential developments
- Undertaking environmental impact assessments
- Clearing planning permissions
- Taking the package to investors
- Concluding the deal

In the case of successful developments the costs will be recoverable from the developer, but state funding must be forthcoming to facilitate the packaging process in the interim.

Land use plans

Achievement of the objectives set out in the draft Planning and Development Act will address this deficiency.

Capacity creation

The Development Facilitation Act will fail without a complementary initiative to address the lack of capacity in provincial and local government.

New requirements for EIAs

Clarity is required regarding the application of the new regulations requiring environmental impact assessments for all new developments. This noble, but costly, requirement applies in a blanket way to all new developments and clarity is required regarding its application to smaller developments.

Generally accepted land tenure mechanisms

Land tenure mechanisms in communally owned (tribal) areas need to be restructured to provide investors with secure land tenure.

Resolution of outstanding land claims

An absolute prerequisite to privately funded development in affected areas.

Development and promotion of “must see” attractions

KwaZulu-Natal needs its own Zimbabwe Ruins, Pyramids and Sphinx, Eiffel Tower, Piccadilly Circus, Statue of Liberty, Sugar Loaf Cable Car, Sydney Opera House or Taj Mahal. Tourism investors and developers need a focus around which to promote and market the industry in this province and this needs to be something that tourists want to photograph or be photographed with. We can never be serious global players in the tourism industry and attract significant investment without at least one “must see” attraction.

2. SCOPE, APPROACH AND DELIVERABLES

The objective of this research assignment is to identify the true reasons for delays in proposed tourism developments. The project proposal highlights procedural and legislative requirements as the most likely problems. Initial findings have however indicated that delays are caused by a number of more complex issues which will be addressed in this report.

The researchers were asked to develop a clear understanding of the reasons for the delays and to formulate recommendations to overcome the problem areas identified.

2.1 Approach

The approach which was adopted in achieving the goals of this assignment is outlined below.

Step 1 - Identifying relevant case studies

A workshop was held with representatives from various sectors of the tourism industry, the provincial Town and Regional Planning Commission and the KwaZulu Natal Tourism Authority. The purpose of the workshop was to identify the main areas of concern where research should be focused. In addition it was agreed that the best approach would be to identify a number of suitable case studies which would be analysed in an attempt to identify the problem areas and work through these with developers at a practical level. The steering committee recommended that case studies be initially reviewed at a high level and that a limited number of appropriate case studies be selected for detailed analysis. A spread of case studies should be achieved between urban and rural localities and between community and commercial (freehold) land.

The case studies selected for review included the following:

Urban developments

- Point Waterfront
- The Hilton Hotel
- Victoria Embankment Proposals

Rural developments on community and conservation land

- Kosi Bay - Threfall site
- Mabibi Coastal Resort
- Thukela Biosphere

Commercial rural developments

Pongolapoort Biosphere
Democritus Midmar Dam
Sheraton Ghost Mountain
Thukela Biosphere

In addition to the above it was agreed that a comparison with the Mpumalanga province be conducted to establish how that province approaches the facilitation of tourism development.

Step 2 - Understanding legislation and regulations

The purpose of this step was to develop a basic understanding of existing legal and procedural requirements pertaining to the different land ownership structures. The historical division of the province into KwaZulu and Natal during the apartheid years has resulted in a particularly complex scenario with different legal structures and regulations applying to areas previously administered by the KwaZulu government on the one hand and on the other hand to Natal, which was administered by the provincial administration. A basic understanding of these regulations and procedures is considered necessary to conduct a meaningful analysis of the delays experienced across the various case studies.

Step 3 - Selecting the case studies for detailed research

After reviewing the case studies identified above a small sample was selected for detailed analysis. This sample comprised the following:

- Kosi Bay - Threfall Site
- The Point Waterfront, Durban
- Ghost Mountain Inn, Mkuze

The intention of the detailed analysis was to crystallise the real issues where these were more complex. All affected parties were consulted to ensure that a balanced view of the various situations was obtained.

Step 4 - Identifying problem areas and formulating recommendations

The purpose of this step was to summarise all the significant problem areas identified during the analysis of the case studies. The problems were categorised in order to facilitate sensible discussion and the formulation of recommendations.

Step 5 - Workshop with affected parties.

A workshop was held which allowed the consultants to present the findings to a wide audience of participants. The draft recommendations were discussed with the participants and final recommendations drawn up. These recommendations were documented and circulated to participants for comment.

2.2 Deliverables

The key result of this work is the preparation of this report incorporating the research team's recommendations for a more streamlined development approval process.

In addition to the above, recommendations have also been formulated which if implemented will assist the provincial tourism authorities to encourage investment in the region. A developers' guide has also been prepared which will assist prospective investors in successfully addressing the development process in KwaZulu-Natal and in overcoming obstacles to development.

3. THE STATUS QUO

It is not the intention of this section to deal in detail with the various laws and regulations which govern the development application process in the province. These have been detailed in the "Developers' Guide" prepared by Graham Muller Associates and, which forms an integral part of the deliverables from this research assignment. It is however useful to outline at a very high level the processes which apply to the various land tenure forms. This will provide a context for our report on the findings and the recommendations of the research study, which are to be found in the following sections.

3.1 *Urban and Commercial Rural Areas*

Until recently land development applications in areas which were previously part of Natal were processed in terms of the provisions of the Town Planning Ordinance 27 of 1949. In brief this required the submission of development applications to the Town and Regional Planning commission and the preparation of a needs and desirability study. The national Development Facilitation Act (DFA) has however recently been adopted in KwaZulu-Natal in an attempt to fast-track major developments. Our understanding is that the necessary institutional structures have however not yet been put into place to allow the implementation of the act. In addition to the above, the province has drafted a new Planning and Development Act which will dovetail with the Development Facilitation Act. In terms of these acts the planning process will be devolved to regional and local authority level.

Each local and regional authority will be required to formulate development objectives and a spatial development plan, which will be submitted to the province for approval. The intention is that development applications should then be submitted to these local authorities, who will be empowered to approve developments as long as they are in terms of the approved development objectives.

It is not yet clear when a development should be processed in terms of the DFA and when it should be processed in terms of the draft planning legislation.

3.2 *Tribal Areas*

In rural areas governed by the Ngonyama Trust Act, development applications follow a very different path. All the land is owned by the state and administered by the Ngonyama Trust. Applications for a "Permission to Occupy" (PTO) for business purposes are however still governed by the KwaZulu Land Affairs Act. Permission is required from the following stakeholders for a successful PTO application:

- The affected community in a public meeting

- The relevant tribal authority
- The regional authority
- The presiding magistrate for the area

Once these permissions have been obtained the application is submitted to the Department of Environmental and Traditional Affairs for processing. The department is required to consult with and obtain written approval from the following parties:

- The Tourism Development Working Group
- The Department of Nature Conservation
- Department of Public Works and
- The Department of Agriculture

Once this has been achieved the PTO will be issued. Legal opinion holds that the Nkonyama Trust Act and the Land Affairs Act contain conflicting provisions and the legitimacy of the PTO as a basis for land tenure is questioned.

3.3 Conservation Areas

Where proclaimed areas under the control of the Department of Nature Conservation are concerned the development applications are processed in terms of a tender process or a request for proposals administered by Isivuno. Isivuno is a Section 21^{*} company created by the Department of Nature Conservation, which holds leases on all identified development sites within proclaimed areas in the province.

It is not absolutely clear whether Isivuno tenders have to be approved by the Tourism Development Working Group, although a number of sources suggest that this is not the case.

As mentioned above, the actual application processes are somewhat more complicated than has been outlined above and the reader is referred to the Developers' Guide for a detailed review of the various processes.

* Section 21 of the Companies Act

4. FINDINGS

In order to maximise the usefulness of this document the findings will be presented under relevant subject headings rather than presenting the findings by case study although selected case study details are also provided in Appendix A. This allows us to group similar findings into common categories and avoid duplication where findings for different case studies are similar. Where necessary reference will be made to specific case studies

4.1 *Lack of masterplanning*

The absence in both urban and rural areas of approved development plans and land use plans accepted by all relevant government departments and regional authorities frequently caused unnecessary delays or created circumstances which made it impossible for developers to continue with certain projects. It is often the case that different government department and agencies have developed their own strategic plan for a given region without consulting with other departments. The problem is that proposed land uses in these various strategies are mutually exclusive or in conflict, a fact which only emerges once a development proposal is processed. This situation is further exacerbated where potential investors have been invited to submit proposals by the relevant authorities only to find that major conflicts exist with regard to the policies of other government departments.

Instances have also been found where the lack of co-ordinated masterplanning resulted in major projects being delayed due to trivial objections which could have been avoided with proper planning guidelines. (See for example, Appendix A, case study summary Number 2 – Point Waterfront Development, Durban).

4.2 *More pro-active approach required*

Although the province has named tourism as a major initiative in its strategic development framework published in 1995, there has been a lack of a proactive approach to tourism development amongst government and its agencies. The provincial and regional authorities appear not to appreciate the need for aggressive marketing and presentation of investment opportunities. It must be understood that both South African and international investors have a large range of investment possibilities to choose from both within the country and throughout the rest of the world. This problem is accentuated by the following issues which are specific to the province:

- The perception that KwaZulu/Natal is the crime and violence capital of the country
- The absence of major, well protected conservation areas where a "big five" game viewing experience is readily available. Only Hluhluwe – Umfolozi qualifies as a "big five" park, but sightings of lion, leopard and elephant remain rare

- ❑ The complexities caused by the unacceptable vagueness surrounding land tenure in the former KwaZulu areas which has persisted since 1994.

Given the above, it becomes critical to take a pro-active stance and to package the various investment opportunities in such a way that investors will be attracted despite the perceived problems.

4.3 *Unwillingness by the local banks to finance tourism infrastructure*

In a number of case studies the unwillingness by commercial banks to finance tourism infrastructure was a major impediment to development. There was even a case where international operators had committed to a project and where substantial equity investment had been secured but where the lack of decision on loan finance finally led to be withdrawal of another frustrated foreign investor. The result of this was that hotels were being financed by equity only, which was unusual when compared to the international norm and places unnecessary pressure on investors returns. Tourism infrastructure is seen by banks as a particularly risky investment and one bank official has been quoted as saying that "occupancy rates of 70% and more are required on a consistent basis to ensure acceptability". What made matters worse in one particular case study was the fact that the bank never gave the applicants a definite answer one way or another resulting in delays and the eventual withdrawal by the prospective investor.

4.4 *Need for foreign investment not appreciated*

The point which needs to be made under this heading is that foreign investment is required to get mega projects off the ground. The required tourism venture capital is simply not available in the local economy. The need to involve foreigners not only revolves around the need for capital but also around the need for international expertise and linkages to, for instance, global marketing networks. The foreign exchange benefit to the economy is another reason for the authorities to target foreign investors proactively.

4.5 *Conflicting conservation and development policies*

Although this particular issue applies particularly to developments in rural and proclaimed conservation areas, it would be naive to assume that leisure resorts and business hotels in more urbanised locations would not be affected by the under-development of the nature based tourism attractions of the province. Tourists in particular are drawn to South Africa because of its nature-based and eco-tourism attractions and frequently combine their visits with stays in the major urban areas. Likewise business visits are often combined with short pre-and post visits to nature and

game reserves. The very slow rate of development in and around KwaZulu-Natal's game reserves and the underdevelopment of its natural assets is in many instances the result of a major conflict in tourist infrastructure development policies as applied by the two major conservation organisations in the province. Another aggravating factor is the lack of available capital funding for new NPB owned and operated resorts. (See appendix A). The Natal Parks Board (NPB) does not encourage private sector owned and operated tourism plant development within its reserves while it is the policy of the Department of Nature Conservation to encourage developments by the private sector in its conservation areas. This problem is compounded by the fact that the conservation areas managed by these two organisations are in many cases intricately interwoven and constitute single eco-systems as is the case in Northern Natal. This complex scenario and the anticipated amalgamation of the two conservation authorities has contributed to delays in many significant decisions, as they relate to tourism development.

A number of developers were also concerned with the perceived conflict of interest which exists, in view of the fact that the Natal Parks Board is the province's single biggest manager and owner of tourism beds and also enjoys the role of adjudicator of proposed private sector tourism development applications in rural and conservation areas (this applies for instance where re-zoning of agricultural land is required). It is difficult for the NPB to get enthusiastic about competing developments, which are likely to provide a superior level of service and amenity to their own facilities.

The presence of NPB board members on the Isivuno board when the two boards were pursuing very different policies and objectives is another source of confusion and potential conflict of interest.

4.6 *No single authority to co-ordinate activities*

This problem applies in particular to the areas of the province which were previously governed by the KwaZulu authorities. It also relates closely to the absence of regional land use plans.

In the areas governed by the Ingonyama Trust, developments have to be approved by communities, the tribal authority, regional authorities and a number of government departments at Ulundi. Clearly this is a complex application process and the almost complete lack of communication between these various organisations and departments makes it almost impossible for a developer to secure the required development permissions within a reasonable period of time.

The frequent inability of communities to organise themselves in such a way that they can be easily communicated to and contracted with, makes the situation even more difficult for any prospective developer.

4.7 *Land tenure complications*

This problem revolves around two main issues:

Firstly the "Permission To Occupy" (PTO), issued by the Department of Traditional and Environmental Affairs, is not a land tenure instrument recognisable to potential investors. Investors expect normal leases or title deeds, which are generally accepted business instruments. To complicate the matter further, legal opinion has it that the PTO is not a valid land tenure form and that nobody has been adequately empowered to issue PTOs since 1994.

In other areas land tenure is equally complicated. The dam sites are a prime example where the land is normally owned by the Department of Water Affairs but other forms of tenure also apply. At many of these sites Natal Parks Board (NPB) or Msinsi Holdings have been retained to manage and run these areas and the surrounding facilities. The NPB in particular have made considerable investments into infrastructure, which strictly speaking they do not own. It is therefore difficult to create business structures in these areas, which compensate stakeholders adequately for their respective investments.

4.8 Capacity of local and regional authorities

This is one of the biggest stumbling blocks in the province. This problem applies in particular to the tribal and regional authorities. These traditional structures have in the past focused on the resolution of disputes and have acted as representative bodies for the communities. In more recent times they have been laden with the responsibility of dealing with development issues. Permission is granted by these organisations for both commercial and residential developments and the establishment of infrastructure. The lack of capacity revolves around a number of issues;

- The lack of financial resources and the inability to delegate the vast responsibilities to appropriately skilled and trained staff
- Formal land use planning, regional development strategy planning and the formulation of long term visions are unfamiliar concepts to many community leaders
- Lack of clarity in respect of the official role to be played by the traditional leaders given the unresolved long term local government policies in respect of elected officials vs traditional leaders.

Attempts have been made in the past to develop land use plans, but these are invariably not integrated land use plans and have frequently excluded participation by the communities affected by these plans. The result is that no buy-in or capacity building takes place amongst the community and plans submitted to the tribal authorities are likely to be rejected as a matter of principle.

Although the problem is particularly acute in the rural areas, there are also many district councils and transitional local councils, which do not have the necessary capacity to

proactively implement the provisions of the Development Facilitation Act and the provincial Planning and Development Act.

4.9 *Problematic tender processes*

This issue has to a large extent been dealt with and applies specifically to the proclaimed areas, which are governed by the Department of Nature Conservation. It is nevertheless useful to understand the reason for the numerous delays caused as a result of this problem.

In both the case studies (Mabibi and Kosi Bay) situated in proclaimed areas a number of fundamental development parameters had not been clearly specified in the request for proposals or in the proposals submitted by the prospective developers. This resulted in many disagreements and delays as the outstanding issues were negotiated and finalised. Assumptions were made by both the Department of Nature Conservation and by prospective developers, which were either not justified or not correct. This has been such a major stumbling block that both developments referred to above have not commenced five years after the request for proposals was issued.

4.10 *Lack of "must see attractions"*

Although the province is blessed with a wide range of unique natural and cultural attractions, none of these have been developed to the point where they are recognised as world class "must see" attractions. What is there that a tourist "must" photograph in Durban? the Drakensberg? Zululand? the answer is "nothing". The result is that KwaZulu-Natal is not "first prize" for prospective developers who can choose from opportunities in Cape Town, the Okavango Delta, Victoria Falls, Zambia and Mozambique to name a few. The result is that even where sites have been secured for development it is difficult to attract reputable operator and investors.

What the province does have is a relatively good infrastructure and a wealth of highly accessible attractions in an area only half the size of Great Britain. As a result the potential for penetrating major markets is excellent. The need to develop and market "must see" attractions is an urgent one and must be addressed energetically.

5. RECOMMENDATIONS

The findings, as described above, were presented to a workshop attended by stakeholders in the tourism industry on 16 October 1997 at Deloitte & Touche Place, La Lucia. These were incorporated into a draft report, dated November 1997, which was circulated amongst all participants and other stakeholders for comment. Where appropriate, the comments offered and points raised by workshop delegates and subsequently by readers of the draft report have been incorporated into the recommendations contained in this final report.

5.1 Implementation of existing and draft legislation

The Development Facilitation Act No. 67 of 1995 and the draft provincial Planning and Development Act should be implemented as soon as practically possible.

It is critical to obtain clarity on the workings of the Development Facilitation Act and the draft Planning and Development Act. It is also necessary to establish whether the provincial government has formally accepted the Development Facilitation Act and whether the required institutional arrangements to support this legislation are being set up. It should be pointed out at this stage that the implementation of the legislation will address a number of the concerns expressed in the previous section. This applies in particular to the development of land use plans for the province and the establishment of development objectives for each sub-region as required by the legislation.

It is further suggested that the performance standards which have been set in the draft legislation in terms of time frames be extended to other departments who provide input into the process.

Appendix D contains a list of legislative acts which continue to impact on proposed tourism developments and should be taken into consideration during a review of draft legislation. This will avoid duplication and contradiction.

5.2 Tourism Development Agency

A tourism development agency should be set up to act as a "One Stop Shop" for prospective developers and investors.

The intention of establishing the agency is to provide prospective developers and investors with a single facility could potentially provide the following range of services:

- Packaging of investment opportunities (refer also to section 5.3)
- Placing prospective investors in touch with developers and entrepreneurs

- ❑ Advising on and guiding development applications through the required process
- ❑ Overcoming as far as possible the inefficiencies and breakdowns in communication which currently exist within and between many government departments
- ❑ Aggressively pursuing and marketing development opportunities to prospective investors.

From a practical point of view, having all the representatives from the various government departments, involved in development applications in one building, would already make a huge difference. Clearly these officials must be capable of and empowered to make decisions within given time frames.

It is further critical that a chief executive be appointed to the "One Stop Shop" who is empowered to supervise and manage all the members of the organisation to ensure adequate performance.

It should be pointed out that, in our opinion, the establishment of a "One Stop Shop" could largely be done with existing funding and existing staff currently working for organisations like the KwaZulu-Natal Tourism Authority, the KwaZulu-Natal Marketing Initiative (KMI) and the tourism office of the Department of Economic Affairs and Tourism. What must be avoided at all costs is the establishment of another organisation which duplicates tasks already performed by other organisations.

5.3 Packaging of investment opportunities

The responsible development authorities need to adopt an aggressive and proactive investment approach and present packaged development opportunities to prospective investors.

The concept of packaging investment opportunities is one which has been very successfully used elsewhere in the country (Mpumalanga and the Eastern Cape) and in other countries (Thailand, Indonesia and Brazil). The concept requires that development nodes and opportunities are clearly identified and described within a region or sub-region. The necessary environmental impact assessment (EIAs) must be undertaken and planning permissions granted up front as far as is possible. The relevant authority must commit itself to providing the necessary infrastructure and services where this is necessary. It must be pointed out that the costs of EIAs and other preliminary costs can often be recovered from the prospective investors if approval is granted and the development proceeds. What must be achieved is a situation where developers and investors can initiate developments as soon as the go-ahead has been given. It is recognised that some costs will not be recoverable and will need to be funded by government. This will be a small price to pay for success with facilitating development.

In order to achieve the above scenario it is clear that all relevant parties have to be involved in the process of packaging the opportunities. The development agency, if established as recommended above, needs to be in a position to achieve this objective and implement the recommendations.

5.4 Land use plans

At the risk of stating the obvious it is essential to develop approved macro and micro land use plans which will serve as a common framework for development related decision making for all government departments.

It is critical that the objectives set out in the draft Planning and Development Act are achieved i.e. the establishment of spatial land use plans and development objectives which bind all government departments and development agencies. This has been successfully done by other countries and provinces. Implementation could also be encouraged by providing incentives for developers where proposed developments comply with existing spatial development plans.

5.5 Creation of capacity and consultation forums

The necessary capacity has to be created at regional, district council and tribal authority levels if the proposed legislation is to be successfully implemented.

The lack of capacity at the various local government authorities could be a major stumbling block to successful implementation of the Development Facilitation Act and the draft planning legislation. The creation of capacity at the various decision making levels in the envisaged structure is imperative. It is also critical that necessary consultation takes place with the affected communities when development plans are compiled. If this is not done, the necessary buy-in from local communities will not be achieved. (Please note that communities in this context refers to all communities irrespective of ethnicity or whether they live in urban or rural areas).

5.6 New requirements for environmental impact assessments

Where relatively small tourism developments are in line with the development objectives of the region and are situated on development nodes identified and approved regional spatial development plans, the need for an independent EIA should be waived. (This recommendation assumes that where local authorities identify development nodes in their spatial development plans, adequate cognisance will have been taken of environmentally sensitive areas, and where necessary the authority will have financed the necessary EIAs. It further assumes that spatial development plans will be adequately reviewed before being approved by the Planning and Development Commission).

The Environmental Conservation Act No. 73 of 1989 (as amended) and the draft Provincial Planning and Development Act require that all proposed developments can only be approved once an Environmental Impact Assessment has been completed by an independent consultant. Although this requirement is desirable in principle, one must question why the acts do not distinguish between the nature of different developments and the size of different developments. Clearly these factors will have a major impact on the nature of the EIA required. There is no doubt that a number of the smaller tourism developments will not get off the ground as a result of this financially onerous requirement.

5.7 Establish generally accepted land tenure mechanisms

Land tenure mechanisms in the communally owned areas of the province must be restructured to provide investors with secure land tenure.

This remains one of the most important single issues which has bedevilled tourism development in the region. What makes matters worse is the fact that so many of the province's natural assets and attractions are located in communally owned areas where the development potential is huge from a tourism point of view. This blockage **must** be removed if significant development is to occur in these rural areas where job shortages and poverty are at their worst.

5.8 Resolve outstanding land claims

Outstanding land claims which are holding up development in and around conservation areas must be resolved as soon as possible.

One of the main reasons why the development of the Greater St Lucia Wetland Park has been delayed is because of outstanding land claims. These land claims are threatening the future existence of one of the biggest attractions in the province. . Clearly the potential financial burden associated with compensation is enormous. One cannot even begin to invite investors to develop the areas impacted until the land claims issue has been resolved. The risk for investors is simply too great. An alternative would be for government to provide guarantees for compensation to prospective investors, should a loss be suffered as a result of land claims

5.9 Develop and promote "must see" attractions

the province must sponsor and promote a number of "must see" attractions in the province. It is crucial for development of a world-class tourism industry in KwaZulu-Natal that the provincial government fund and promote KZN's own Zimbabwe Ruins, Table Mountain, Victoria Falls, Pyramids and Sphinx, Eiffel Tower, Piccadilly Circus,

Statue of Liberty, Golden Gate Bridge, Sugar Loaf Cable Car (Rio de Janeiro), Sydney Opera House, Ayer's Rock, Great Wall of China or Taj Mahal. We can never be global players without a strategy to achieve this because we simply won't attract development funds without a "must see" attraction that every tourist wants to be photographed in front of and around which tour operators can build a marketing strategy.

Case Study Summary No. 1

Case Study: Hilton Hotel, Durban

Developer: Renong Overseas Corp., Durban

Renong welcomed the opportunity to talk frankly about the considerable problems which exist regarding the launching of tourism developments in KZN and in Durban in particular.

A fundamental problem relating to the Hilton Hotel development was the absolute lack of co-ordination between the landowner (the City) and the various regulating agencies in the city and the province. This led to problems such as:

- Illogical and, for the developer, very costly requirements of both construction and demolition guarantees.
- An unnecessary controversy over the discounted land price which needed to be motivated in terms of the onerous development requirements placed on the investor by the city in terms of the "landmark" nature of the structure to be built, the urgency to fast-track construction in tandem with the building of the International Convention Centre and the costly implications of the protracted delay in alienating the land at a price justifiably discount in view of the unusual conditions being imposed by the seller.

In the opinion of a senior executive of the development company, this was seen as a good example of a number of actors with a common goal doing their very best to work against achievement of that common objective.

- There was no common sense of purpose amongst city officials, who seemed to be obsessed with the risk that the hotel would not be built rather than facilitating matters to ensure that it would be. By contrast in Malaysia the emphasis is on expediting major developments, with a full understanding of the implications of delays on cash flow.
- Particular problems arose in settling matters of site access during construction, delays in land ownership transfer and in dealing with errors in applications for permissions.
- Another really depressing aspect was the attitude of commercial banks to the development. There was absolutely no interest in financing the project. This resulted in a situation where the project had to be funded entirely by equity capital compared with a global norm for the equity component of such developments of around 25%.

On the positive side Renong reported that their local equity partners, Capital Alliance, and in particular the chief executive, Mzi Khumalo, were fantastic to deal with and moved mountains to overcome problems.

The eight organisations making up the construction consortium turned in outstanding teamwork and operated with absolute professionalism. Their dedication to fast-tracking and the meeting of deadlines was particularly impressive, as was their willingness and ability to work with small contractors. There was however some unnecessary friction with the ICC contractors regarding access to the hotel site.

The Fire Chief must be singled out for his positive and helpful attitude and for the proactive way in which he and his department assisted with getting the necessary approvals.

Renong also stressed as a positive feature of the project that not a single bribe was requested by any official during the project. This is in stark contrast to the company's general experience around the world. This is a huge plus for Durban, KwaZulu-Natal and South Africa and is a strength that must be jealously guarded and built upon.

Cast Study Summary No. 2

Case Study: Point Waterfront Development, Durban

Developer: Rocpoint (Pty) Ltd

The first challenge was the land assembly. Landholdings in the Point area were a "box of jig-saw pieces". Rocpoint wanted the whole puzzle in order to properly control and influence the type of holistic development that was seen as being key to the overall success of the proposed redevelopment of the Point area. The transactions were initially interlinked through the Transnet deal which pertained to the largest piece of land. However this linkage was cut at the eleventh hour by Transnet themselves, after a full year of negotiating activity. The following factors were also relevant in delaying final agreements.

- ❑ The impact of "transition" politics. On balance this has to be seen as a major factor and caused delays for a number of reasons including
 - ❖ continuously changing faces at Transnet, Portnet and in Local Government and State structures
 - ❖ the interference of political agendas
 - ❖ an unwillingness amongst outgoing politicians and officials and amongst incoming politicians and officials to take decisions
 - ❖ suspicion of and almost total lack of recognition of the desperate need in KwaZulu-Natal to attract foreign investment if the required target economic growth rate of 7% per annum is to be achieved.
- ❑ Certain technical problems related mainly to the lack of or inaccuracy of subdivision surveys and diagrams.
- ❑ The satisfaction of certain suspensive conditions such as the advertisement of Rocpoint's commitment and a number of side agreements, which included
 - ❖ safeguarding Rocpoint's option to purchase any balance of the leasehold Portnet land that remained after the widening of the harbour entrance.
 - ❖ addressing the empowerment issues related to the City of Durban land. This included protection of the intent of the Point Protocol, which, being drawn up by a committee, was a difficult agreement to guarantee adherence to. The City wanted to impose financial penalty clauses, which was a major area of contention from Rocpoint's side. Another issue was the desire by the City to impose independent monitoring of the Point Protocol.

- ❑ A further issue which required protracted negotiation with the City was the lack of a traffic masterplan and the consequent difficulty of addressing the requirements for public access to the site.

Rocpoint only stuck with the deal because of a combination of positive factors:

- ❑ A belief in Durban and in the enormous undeveloped potential of the city.
- ❑ The unqualified commitment of key professionals from the landowners and local authority side including MacIntosh from Transnet, Pat Raw from Portnet, Brian Widdowson, Nick Webb, Amanda Nair and Viv McMenemy from the City. Bheki Shezi of Rocpoint attempted to channel this energy through forming a "Point Champions Group" which met regularly to progress matters which were proving to be sticking points.
- ❑ The ability to manage the political risk through emphasis of the South - South (Malaysia-South Africa) dialogue theme.

To quote a Rocpoint official: "It only takes about half-a-day to bowl over any foreigner about the business opportunities in Durban and KwaZulu-Natal. Unfortunately it then takes about two and a half years to get anything done!"

Problems remain which must be addressed if Durban, KwaZulu-Natal and South Africa are to realise their enormous development potential:

- ❑ South African cities have to address the traffic challenge. Our cities cannot continue to absorb motor cars and mini-bus taxis in unlimited numbers. Land-use planning and traffic and public transport planning are linked and have to go hand in hand. Pretoria is suggested as a good case-study of co-operative planning in land-use, traffic and public transport planning.
- ❑ Parliamentarians, city councillors and public officials made aware of the desperate need for foreign capital investment. Large-scale, capital intensive, elite projects are more important than thousand of SMME projects because the large scale projects have a critical and guaranteed "shake down" effect that guarantees the viability of SMMEs. After all who pays taxes, employs formal taxpaying employees at union rates, supports employee housing, training and education and invests in social responsibility programmes? Big business, not SMMEs! Vietnam has taken this route, with investment agencies established to package land deals, make infrastructure investments, target ideal land uses with automatic environmental approval, minimise the capital injection required and facilitate local partnerships.
- ❑ The new national policy on the environment is seen by Rocpoint as a major threat. Not because developers should not be subject to environmental control, but because of the horrendous implications for more red tape and bureaucratic control. If the nation embraces the new national policy white paper, the authorities are going to have to be even more proactive in facilitating development around environmental

issues - or nothing will happen. Developers, especially foreign investors will not have the patience to invest time and money in proving environmental acceptability of developments. The authorities are going to have to do this work ahead of inviting investment.

- ❑ The regulatory process related to survey, land assembly and registration of title needs to be simplified. Again, not less control, just more facilitation. Current procedures and approval processes are dependent on diverse referrals, which potentially delays the start-up of a development by up to six months, or more if there are problems. For instance the Early Action Programme at the Point was under threat due to a trivial objection from the Stocks and Stocks tenant at the Kings Battery. Fortunately the matter is likely to be satisfactorily but if Stocks and Stocks had wanted to be obstructionist, the regulations enable trivial objectors to hold up developments for years. As it is development would have been held up for a minimum of three months.
- ❑ The city has a punitive approach towards developers regarding endowment contributions for infrastructure provision such as roads, utilities and open space. In the case of the Point development, the city has already required a R10 million contribution from Rocpoint for the upgrading of Shepstone SA and a R2 million contribution towards a new sewerage pump station. These sorts of ad hoc requirements can "break the camel's back" and prevent developments from taking place which would earn the city millions of rand a year in extra rates income. These requirements do not make financial sense from the ratepayers' point of view.
- ❑ City officials need to be given a clear mandate to lead economic development. City structures need to facilitate rather than control, they need to be proactive, not reactive through a co-ordinated strategy to promote economic development and attract investment, especially foreign investment.
- ❑ There is no clear single vision statement for the province or city. We suffer a "plethora of fora" with no forward planning framework in place. There is a high risk of ad hoc, non-integrated development.
- ❑ There is no overall policy or programme in place to safeguard the vitality of the central business district and secure the upgrade of adjacent areas. Landowners, residents and tenant businesses are voting with their feet.
- ❑ There is a need to address negative perceptions of the province and city - both fact and fiction.

Case Study Summary No. 3

Case Study: Kosi Bay Threfall site

Developer: Crane (Africa) (Pty) Ltd

Nature of Development :

The development proposal was submitted after the Tourism and Development Working Group issued a request for proposals (RFP) in late 1992. The Threfall site was one of the sites for which proposals were requested. The RFP was part of the Coastal Forest Reserve Master Development Plan. The master plan was not a public document and no EIA's or scientific assessment of carrying capacity had been completed.

The proposal, which was submitted, provided for 20 rooms at the Threfall site and 16 rooms at the Lake Zilonde Site. The total capital expenditure required would amount to R20 million. The rack rate for the accommodation was planned at US\$450 per room exclusive. The very successful international hotel operating company had expressed their willingness to manage and operate the lodge. This company is reputedly one of the best resort operating companies in the world. Financiers were also in place.

It was estimated that the project would create at least 120 direct jobs.

The relevant authorities in this case were the Natal Parks Board, Department of Nature Conservation and The Tembe Tribal Authority.

Developer's experience

The developer had no previous development experience in KwaZulu Natal. He did have previous experience in property development elsewhere.

Development Process:

What was the perception?

The development procedure was not clear. The development process was perceived as simple by the developer. He was under the impression that once the project had been approved by the TDWG , only final details and implementation would have to be considered. This was based on the assumption that once a site has gone out to tender one could reasonably expect that

- Planning permission had been granted
- An environmental impact assessment has been undertaken
- Community approval obtained

What did happen ?

Isivuno was created towards the end of 1993. Isivuno was to hold the head lease on the development site and sub-lease the site to the developer. The sites had however not

been surveyed. The site was surveyed in August 1995 for the first time by the department of Nature Conservation. This was done without the developer. The survey was submitted to the developer in August 1996. Due to a dispute the site had to be re-surveyed at the cost of the developer. It appears that the operating company required a bigger area than was originally anticipated.

An EIA had never been completed and Isivuno then paid for the scoping exercise of an EIA. The scoping phase indicated that there were no reasons why the project should not go ahead. The original designs submitted in terms of the proposal were not acceptable to the operators. Revised designs have to be submitted and the EIA process must be completed in terms of the new Environmental Conservation Act regulations. The question is really one of who should be responsible for the expense of completing the EIA process.

In 1993 the developer was informed that he could not have the site at Zilonde. This was due to the fact that the SA National Defence Force (SANDF) would not allow development that close to an international border. (The SANDF had not previously been consulted and this obstacle was a surprise to Isivuno and to the prospective developer). Lengthy negotiations resulted in an increase in the room numbers at the Threfall site.

The developer did request an extension of the lease after the project was approved. He was granted the extension. (From 20 years to 20 years plus an option for a further 10 years).

It has become apparent that a number of fundamental issues were not addressed in the request for proposals nor in the proposal submitted which led to lengthy negotiations after the proposal had been accepted.

In 1995 the SANDF built a camp at the Kosi mouth on the seaside of the dune with the permission of the Department of Nature Conservation despite the fact that no EIA was performed. A new road and a helicopter pad were chopped out of the coastal forest. All of this happened without consulting the developer and was clearly not anticipated when the proposal was accepted.

When the project was approved the number of day visitors to Kosi Bay mouth was limited to 5 vehicles per day (up to 25) people. Subsequently (1997) this number has been increased to 20 vehicles per day (up to 100 people). The developer is unable and not willing to promise to provide an exclusive tourism experience in this kind of environment. The 20 vehicle permits for the mouth include an allocation of 2 permits for operators, permits for the owners of property at the mouth and day visitors. No restriction seems to exist for pedestrians (mostly people from the local community).

The client did not specifically request developmental assistance in this project due to the fact that he was not aware, at the time of application, that any developmental procedures were outstanding.

In the initial phases of the project the developer was assisted by members of the Department of Economic Affairs and Tourism. The assistance was in this case focused on facilitation between the community and the developer.

What is required to make the project happen?

The prospective developer is insisting that the following happens:

Day visitor numbers to be reduced to 5 vehicles per day.

The SANDF to hand over their facility to the community or developer to use as a day visitors facility for their lodge guests.

Developer wants to contract directly with government and not with Isivuno because he is unsure about Isivuno's future (and therefore the security of his lease).

Case Study No. 4

Case Study: Mabibi

Developer: Conservation Corporation of Africa (CCA)

Proposals were submitted during 1993 after the Tourism and Development Working Group published a request for proposals for a number of sites along the coast. The site for which the first proposal was submitted by the company was for the Manzengwenya site. This proposal was approved. It is not clear how and when the site switched from Manzengwenya to Mabibi and how this was achieved. The implication of the switch was that at the end of 1994 it was still not a forgone conclusion that CCA would develop the site.

The proposal was part of the coastal development plan of the Department of Nature Conservation (KDNC) to which CCA had provided significant

The proposal made suggested a phased approach. This was proposed in order to give the KDNC time to achieve the requirements in terms of the agreement. These requirements were the closure of the campsite and the removal of the police camp.

Phase one Establishing a day visitor facility and the runway. for aircraft
Phase two Building a small 16 bed facility and if successful
Phase three Building an additional 24 beds and central facility .

The cost of phase one is estimated at R500 000-00.

The cost of phase two and three were estimated to approximate R5 000 000. It was estimated that up to thirty direct jobs could have been created.

The rack rate was R480.00 per person per night increasing to over R800 in the final stages.

To complicate the issue SAPPI had donated an amount of R1 000 000 to the community trust in an attempt to assist the project but had laid down certain requirements. In summary they did not agree with the phased approach and were reluctant to allow their grant to be used unless the 40-bed lodge was built immediately.

The affected local authorities included the Natal Parks Board, The Department of Nature Conservation and the Tribal Authority.

Development Process

The comments in respect of the Crane Proposal at Kosi Bay are relevant. As with the Crane proposal, fundamental issues had not been addressed and finalised before approvals were granted.

Problems experienced during the development process.

CCA included the following requirements in their proposal.

- Limited access onto the beach
- Closure of the campsite and the police camp.
- Day visitors would be allowed at a charge of around R200 per day
- Launch rights at Mabibi or Manzengwenya

The KDNC did indicate that the closure of the campsite could be achieved. The closure of the police camp was however a major problem.

The phased approach was not acceptable to all parties in particular Isivuno and SAPPI.

At this point in time it appears that the Natal Parks Board has not been extensively consulted, although the beach up to the high water mark is within their jurisdiction.

Since the interview , a request for proposals has been issued for Mabibi indicating that the CCA initiative in its current form was no longer acceptable to the various parties. Detailed tender documentation has been issued together with a completed EIA. It should be noted that the development remains subject to the police camp being moved.

Case Study No. 5

Case Study: Thukela Biosphere (TB)

Developers: Land owners in the Muden Weenen area

Proposed Development

The biosphere concept was first initiated by a group of landowners in May 1993. The primary objective at that stage was the establishment of a sufficiently large conservation area to accommodate the "big five". The biosphere has however evolved over time into a more representative and sophisticated institution.

The Thukela Biosphere is situated on the land on either sides of the Colenso-Weenen road and has the Thukela as its northern boundary.

The brief concept plan was drafted by representatives of the Natal Parks Board, the KDNC, landowners and the local community. The plan was submitted to the NPB . A wider and more comprehensive development masterplan and management plan have not been prepared.

Contacts : Charles Wright
Mark Calverley (founder member)
Nkosi Sithole
Teresa Brinkcate (research study)

The biosphere currently covers an area of 58 000 ha of which approximately 35% functions without internal fences. A number of small tourist facilities have been developed or are being developed. It is not clear whether any planning permission for these developments has been obtained. Hunting constitute a primary agricultural activity in the area

The affected local authorities include the following :

- Weenen Transitional Local Council
- Thukela Regional Council
- Natal Parks Board
- Tribal Authorities :
 - Mchunu
 - Mthembu
 - Mbele
- Cornfields Community
- Thukela Estates

Developers Experience

The members had not previously been part of a similar development and existing tourism development experience is limited.

Development process

As mentioned previously a master development plan and a biosphere association agreement (including a code of conduct) has not been prepared. Clear goals and targets do not exist. At this point in time most landowners are still acting independently. Questions regarding the ownership and management of game have also not been addressed adequately.

Assistance has been requested and provided from local government structures in the facilitation of agreements and negotiations between farmers and local communities. (iro expropriation of land and re-settlement of local communities). The perception amongst some of the farmers was that some of the consultants who had been sent to assist in the negotiations had not always delivered to the extent that was required.

Problems experienced

Insecure land tenure, as far as the local communities are concerned, is one of the main reasons for the delay in significant development. A relatively large concentration of landless people exists in the region. Some of these communities have legitimate claims to land but most don't. White land owners are also unsure about their future due to the fact that the Department of Land Affairs has purchased land for resettlement and the impact of intended re-settlements has been negative from the remaining farmers point of view. Some of the re-settlement programmes are not sustainable resulting in escalating crime on neighbouring farms. These political uncertainties have resulted in many farmers being unwilling to commit further investments and to commit irreversibly to the biosphere concept.

The question of who should be responsible for land reform in the region is a pressing one. The biosphere has been instrumental in facilitating negotiations but should not be seen as responsible for the process. On certain issues a conflict of interest would automatically arise. This is the case where the Department of Land Affairs has purchased farms for re-settlement, which has resulted in theft and crime, which in turn has made stock farming on neighbouring properties impossible.

The lack of an overall masterplan for the biosphere, the signing of an association agreement and a code of conduct make macro co-ordination and development at this stage impossible.

There is a lack of understanding of the wider concept of tourism and the associated benefits in the local communities. The lack of immediate benefits to these communities has resulted in disappointed expectations.

Case Study No. 6

Case Study: Pongolapoort Biosphere

Developer: Pongolapoort Biosphere Eco-company

Proposed Development

The concept of joint management and development was first mooted in 1988 by a private landowner, a representative of the Natal Parks Board and the Transvaal provincial administration (TPA). The vision was to create a large single conservation area which would result in a more viable and sustainable ecological and biological system. The vision further included the need for the concept and the provision of quality tourism products to be socially acceptable and beneficial. All of the above needed to be compatible with the conservation of the environmental resource.

The Pongolapoort Biosphere is situated around the Pongolapoort (Jozini) Dam near Mkuze in northern KwaZulu Natal.

A draft constitution and management plan has been prepared but shelved since 1994 due to the long awaited amalgamation of the conservation bodies in KwaZulu Natal. Two eco-tourism development plans have been prepared by Seaton Thomson and Associates and the Centre for Ecotourism at the University of Pretoria.

The total value of the project is significant if the value of the land is included and the potential for further development is taken into consideration.

No accurate figures of potential employment opportunities created, were provided.

The affected local authorities and regional authorities are :

- The Natal Parks Board (NPB)
- The Department of Nature Conservation
- The Department of Water Affairs
- Spoornet
- Uthungulu District Council
- Nyawo Tribal Authority
- Myeni Tribal Authority

Developer's Experience

Several of the landowners and the NPB have been involved in a number of tourism developments , more specifically hunting. The other stakeholders e.g. the community and the parastatals have had no tourism developmental experience.

Development Process

All the parastatals and local authorities have been involved from the very beginning and are part of the steering committee which meets on a regular basis. In some cases considerable assistance is being provided but in the case of others the commitment to the biosphere is being questioned. These issues will be addressed in more detail below.

As pointed out earlier two management plans were prepared for the biosphere. The management plans do not however include specific steps in respect of obtaining necessary planning permissions and fulfilling requirements with regards to specific regulations.

Problems experienced during the development process.

After the election, the section of the old Pongola Nature Reserve to the north west of the dam was removed from the control of the old Transvaal Provincial Administration(TPA). The TPA wanted to hand over the land together with its game and a budget amounting to R500 000 per annum for running costs. Neither the NPB or the KDNC were willing to take on the fully stocked area immediately. The result was that the land lay vacant and unmanaged for some time before the KDNC finally took control of the land. Almost all the game was wiped out by poachers from the adjoining tribal communities.

The NPB's commitment to the biosphere is being questioned for the following reasons :

After repeated requests a management plan and zonation of the dam has not been prepared or put in place.

Access to the water is not being controlled in any way. Farmers face a significant risk from boat users who have been known to remove cycads and could potentially poach valuable game.

No plan has been put into place to minimise the danger of excessive pollution of the dam from its inflow.

The biosphere is perceived as a burden by the NPB, but when approached with a request to lease their section of land to the Biosphere company they refused.

There have been a number of cases where conflict has arisen between NPB staff and private landowners in the biosphere. (A hunter was arrested when following a wounded animal onto NPB land).

It appears that game is still not being managed as a single resource available to the whole biosphere for utilisation. This comment does not apply to some of the private landowners.

The NPB are not perceived in a favourable light by the neighbouring communities and this is prejudicing the involvement of these communities in the biosphere.

Case Study No. 7

Case Study: Democritus, Midmar Dam

Developer: Democritus

Having noted the rapid transformation of the South African "Sunday" - and even of the "Saturday" with the advent of televised sport, movies, horse racing and multiple other entertainments, Democritus (holding company Bergnen - Ingerope of France) identified the need for a comprehensive repositioning of the Midmar resort. After successfully tendering for a hotel and conference centre at Midmar, Democritus put together a broad ranging plan for redevelopment that wrote in Democritus in as project managers, together with a comprehensive team of professionals including engineers, environmentalists (INR) and an economist.

What the team envisaged was an "American Lakes" or "Mediterranean" type development focused on permanent accommodation in a secure and pastoral setting, but with access by the public to key amenities such as hotels, restaurants, marinas, parks and picnic areas and game or nature reserve areas.

This proposal was accepted in principal by the Natal Parks Board (NPB) by the landowners, the Department of Water Affairs, by the water owner, Umgeni Water and an approach was made to the Administrator of Natal (Provincial Government) for approval for the scheme. The Administrator passed the buck back to the NPB who have been sitting on the decision ever since. The kernel of the problem is that the NPB want to be empowered to generate income out of what they see as their asset. Indeed they have poured a lot of money into the historical village, chalets, campsites, picnic areas and boat lockers, but they are not the land or lease owners and a lot of this investment is sunk cost of little future value.

Democritus proposed to tackle the problem of developing at this major scale magnitude on state land by forming the Midmar Development Trust with empowerment features - an umbrella body, commercial enough to undertake the development successfully, but independent enough to handle and deal with problems along the way. Key to managing the risk was a proposal that Democritus take a lease with an option either to extend the lease or convert to freehold purchase on performance. Leasing is a neat way of avoiding the lengthy survey and registration costs that would be associated with buying and thereby allowing development to proceed with survey and registration following development on a piecemeal and much less costly basis.

This was too much for the phantom decision-makers to handle. The NPB wanted something out of the deal, but would not declare what they wanted. No one else was prepared to take responsibility for a decision. This boils down to a political problem of buck passing and remains so to this day. In the view of the managing director of Democritus the general attitude of the authorities is that developers have to "pay through the nose to be designated, abused and ignored." While this attitude persists developers will continue to give KwaZulu-Natal a wide berth.

Case Study Summary No. 8

Proposed Sheraton Hotel at Ghost Mountain, Mkuze

The major equity investors were a Saudi Arabian consortium comprising the Al-Silaiman Group and Abdullah Said Bugshan Bros (Bugshan). Bugshan are the major shareholders and operations of Sheraton Hotels in Cairo, New York and Cannes. The Industrial Development Corporation (IDC) had committed in writing non-equity finance of 50% and the KwaZulu Finance and Investment Corporation (KFC), 10%. Investec Bank had committed the direct financing of non-real estate assets. A black empowerment group, the Imbengi Group, representing the interests of Zimba Jiyane and Mandla Msomi, were also involved as investors and were to be funded by Dato Hussan the Malaysian owner of the New Republic Bank and the Samrad Group.

The only missing link was loan finance for the balance of the required capital investment, which was negotiated with ABSA Bank. The proposal was passed from pillar to post within the ABSA Group (Variously between the Merchant Bank, Corporate Division and Project finance Division). No decision was ever forthcoming from ABSA but essentially the deal eventually collapsed because of the elapsed time (over three months) in getting an answer from ABSA.

This experience is symptomatic of a general aversion to funding tourism developments amongst South African banks and financial institutions.

Case Study Summary No. 9

Case Study: Mpumalanga

Interview with Bandile Mkhize, Mpumalanga Department of Environmental Affairs and Tourism, Nelspruit, Mpumalanga

Mr Mkhize expressed surprise that Mpumalanga had been held out as a success story. His view is that they were struggling along with other provinces to achieve investment targets. The basic process depends on size and location.

Small developments (e.g. Guest Houses)

These are dealt with by the health authorities at the TLC/TRC level.

Larger developments in freehold areas

The Department of Economic Affairs and Tourism (EAT) is frequently approached by potential developers for assistance. EAT will give advice and guidance only and will refer the developer directly to the responsible TLCs/TRCs. Other developers, such as Best Western in Nelspruit approach the TLC direct. The TLC/TRC processes the development application according to the relevant by-laws and/or regulations and the development is then referred back to EAT for vetting.

Whether an environmental impact assessment (EIA) is required depends on size, location and the nature of the development and this requirement is determined by EAT.

Developments in Community Areas

Community areas fall under the jurisdiction of TRCs so that EAT would liaise in this instance with the relevant tribal authority or community tourism organisation (CTO) and the relevant TRC. The problem in rural areas is the question of land tenure. Traditional leaders are unrealistic regarding the alienation of land (even on leasehold) and regarding questions such as fencing and access control. There is a need to educate traditional leaders as regards development opportunities and the benefits that can flow from these. This is a long and slow process.

Developments in Conservation Areas

These fall under National Parks or Mpumalanga Parks who get on with their own developments. EAT plays a monitoring role only and can only influence decisions based on policy guidelines. "Making sure they are doing the right thing from an overall policy framework."

There is a new initiative to attempt to "package" developments based on high potential opportunities which EAT has identified and for which EAT wishes to seek investors. An example is Schoemans Kloof and Badplaas. There is also co-operation with the National Department of Arts and Culture (A&C) as at the Zulu encampment of Matsulu. In other instances such as the Ndebele Village A&C do their own thing. The cultural village at Sudwala Caves is a commercial operation which EAT offered advice on. But

this is not viewed as an ideal development as it is not a "living" village, but more like a theme park or a museum.

Mr Mkhize has visited Israel in order to study that country's approach to attracting investors for tourism developments and had the following comments to make:

Israel's tourism industry is historically orientated in contrast to Mpumalanga's which is nature-based. However Mpumalanga wants to boost the cultural component of its tourism product.

In Israel each and every citizen is a part of the tourist industry. The locals are tourist friendly and welcoming. This is a critical requirement.

The Israeli authorities identify sites with development potential, fund the EIAs, planning work, architect's concept plans and feasibility studies and market these to investors as a package deal. The investor is able to walk in with his chequebook in the confident knowledge that all the necessary permissions are in place and that he just has to get on with the detailed planning and construction work.

In contrast the Mpumalanga EAT at present is only really responsible for implementing policy. Mr Mkhize says that this more pro-active Israeli model is the route "we have to go if we are really going to achieve success in competing for development funds." Mpumalanga is a long way from this ideal at present, but is keen to move in this direction.

I asked Mr Mkhize to comment on EAT's relationship with the Mpumalanga Tourism Authority (MTA) and he explained that the MTA is 100% marketing orientated at present. There is a future plan to integrate development and marketing in an implementing agency, but at present this has not been achieved!

Attached are EAT job functions for four proposed tourism development manager positions:

- Manager - Product Development
- Manager - Tourism Investment Promotion
- Manager - Standards
- Manager - Tourism Training and Awareness

FUNCTIONS OF TOURISM DEVELOPMENT MANAGERS

MANAGER PRODUCT DEVELOPMENT

Functions:

To liaise with the community tourism organisations and local authorities.

To facilitate and advise on product development.

To collect data on existing tourism products.

To facilitate the development of a cultural tourism strategy for the province.

To facilitate the development of proper tourism signage.

To facilitate the development of tourism infrastructure.

To facilitate major tourism events.

MANAGER TOURISM INVESTMENT PROMOTION

Functions:

To co-ordinate the identification of tourism investment opportunities.

To develop an investment scheme for tourism development.

To stimulate tourism development along the Maputo Corridor.

To ensure that tourism investments benefit the previously neglected communities.

To liaise with prospective investors in the tourism industry.

To organise investment promotion workshops.

MANAGER STANDARDS

Functions:

To ensure the maintenance of acceptable standards in the tourism industry.

To liaise with stakeholders in the tourism industry.

To develop proposals for a provincial grading system.

To liaise with Satour on issues which pertain to grading and classification.

To liaise with the training and education sector as an important means of influencing standards and levels of professionalism within the tourism industry.

MANAGER TOURISM TRAINING AND AWARENESS

Functions:

To develop a tourism awareness programme.

To co-ordinate tourism training programmes.

To collect information which pertain to tourism training from relevant bodies in South Africa and abroad.

To facilitate the development of human resources in the tourism industry.

To liaise with tourism training institutions and relevant government agencies.

APPENDIX C: List of Interviews

LIST OF INTERVIEWS

1. Channing, Janet, *Thukela Biosphere*
2. Crane, Jeff, *Director of Crane International*, Developer at Kosi Bay Threfell Site
3. Horne, Jeremy, *Director of Isivuno*, Leaseholder in Conservation Areas
4. Lobban, Chris, *Managing Director of Democratis*, Developer at Midmar Dam
5. Mkhize, Bandile, *Director General, Department of Environmental Affairs and Tourism*, Nelspruit, Mpumalanga
6. Morgan, Peter, *Consultant to Sheraton Hotels*, Ghost Mountain Development, Mkuze
7. Pascoe, Digs, *Pongolapoort Biosphere*
8. Rutsch, Peter, *Partner, Rutsch & Co, Attorneys*, Consultant to Community Interests
9. Tembe, Msongi, *Community Leader*, Developer of the Jondetibe/Sileza area
10. Wilson, Dato David, *Director, Renong Overseas Corporation*, Investor in the Hilton Hotel, Durban International Convention Centre
11. Wootton, Roger, *Consultant to Rocpoint (Pty) Ltd*, Developers of the Point Waterfront, Durban
12. Young, Nicole, *Conservation Corporation*, Developer at Mabibi

APPENDIX E:

References

REFERENCES

1. De Klerk, LJ, *"A Strategic Regional Tourism Marketing Plan for KwaZulu-Natal"*, TANK 1994
2. Department of Local Government and Housing *"Implementing the DFA in KwaZulu-Natal"*, Pietermaritzburg, 1997
3. Government Gazette No. 16730, *"Development Facilitation Act No. 67 of 1995"*, Cape Town, 1995
4. Jenkin FJD, *"Statutes and Regulations Applicable to Urban 'Black' Townships Lying Outside the Former Territories of KwaZulu"*, Legal Resources Centre, Durban, 1994
5. Jenkin FJD, *"Statutes Applicable to Rural Land formerly Vested in the 'Trust' and Lying Outside the Boundaries of the Former Territory of KwaZulu"*, Legal Resources Centre, Durban, 1994
6. Jenkins FJD, *"Analysis of the Statutes Opportunity to Land Areas that Formerly Comprised the Self Governing Territory of KwaZulu"*, Legal Resources Centre, Durban, 1994
7. Kohrs, H, *"Pongolapoort Biosphere – Achievements and Concerns"*, unpublished document

APPENDIX B:
Attendees at
Workshops

NAME	ORGANISATION	ADDRESS	TEL NO.	FAX NO.
Eric Apelgren	KZNTA	PO Box 2516 Durban 4000	031-304 7144	031-305 6693
Mr C Bell	KMI	PO Box 1105 Durban 4000	031-907 8700	031-907 5685
Mr L Carlyse	Conservation Corporation	PO Box 243 Mluhlwe 3960	035-56 2071	035-562 0088
Mr J Crane	Crane Resorts	701 Old Main Road Cowies Hill 3610	031-709 0563	
Ms C Cronje	KZN Legislature	PO Box 310 Hilton 3245	0331-355 7660	0331-355 7768
Mr W Currie	Tourism Durban	PO Box 1044 Durban 4000	031-304 4934	031-304 6196
Mr IAE Dixon	DEAT	Private Bag X001 Bishopsgate 4071	031-307 1088	031-3076152
Mr C Fouche	Uthukela Regional Council	PO Box 116 Ladysmith 3370	0361-31 0236	0361-25608
John Fowkes	KZNTA	PO Box 2516 Durban 4000	031-304 7144	031-305 6693
Mr DC Hibbs	KZNTA	PO Box 2516 Durban 4000	031-304 7144	031-305 6693
Ms J Kilkie	Sugar Coast Tourism	PO Box 1240 Umhlanga 4320	031-561 4257	031-561 1397
Ms Karen Kohler	EsATI Tourism Research Network	co UND	031-28 7510	031-28 7510
Mr A Konigkramer	KZN Legislature	PO Box 2519 Durban 4000	031-309 4350	031-309 3489
Mr A Marlin	KZN Conservation Board	PO Box 662 Pietermaritzburg 3200	0331-47 1961	0331-473147
Mrs Y Merafe	KZNTA	PO Box 2516 Durban 4000	031-304 7144	031-305 6693
Mr H Meyer	Tourism Durban	PO Box 1044	031-304 4934	031-304 6196

NAME	ORGANISATION	ADDRESS	TEL NO.	FAX NO.
		Durban 4000		
Mr P Morgan	Financial Planning Group	PO Box 3931 Durban 4000	031-304 5031	031-307 4604
Mr G Muller	Graham Muller Associates	PO Box 4022 Durban 4000	031-206 1249	031-206 2368
Tandi Moffet	KZNLG&M		0331-95 2315	0331-42 8825
Mr R Naidoo	KZNTA	PO Box 2516 Durban 4000	031-304 7144	031-305 6693
Mr CB Ngiba	Ilembe Regional Council	PO Box 49726 East End 4018	031-362 4304	031-362 4305
Mr BH Pretorius	Ilembe Regional Council	PO Box 49726 East End 4018	031-362 4304	031-362 4305
Mrs C Rebelo	KZNTA	PO Box 2516 Durban 4000	031-304 7144	031-305 6693
Mrs Rutherford				
Mr J Seymour	Tourism KwaZulu-Natal	PO Box 2516 Durban 4000	031-304 7144	031-305 6693
Mr C Schütte	Graham Muller Associates	PO Box 4022 Durban 4000	031-765 6618	031-765 6618
Ms B Shange	Umzinyathi Regional Council	PO Box 1965 Dundee 3000	0341-81 945	0341-81 940
Mr B Shezi	Renong Overseas Corporation	PO Box 3160 Durban 4000	031-307 3242	031-306 2731
Mr J Tack	Hibiscus Coast & Country	PO Box 1253 Margate 4275	03931-22322	03931-21886
Ms A Tait	Uthungulu Regional Council	Private Bag X1025 Richards Bay 3900	0351-41 404	0351-41 409
Rus Tungay	Indluvo District Council	Dragon Peaks PO Winterton 3340	036-468 1031	036-468 1104

NAME	ORGANISATION	ADDRESS	TEL NO.	FAX NO.
Hugh Whiteman	Hibiscus Coast & Country	PO Box 1253 Margate 4275	03931-22322	03931-21886
Mr P Wright	Colliers RMS	PO Box 430 Durban 4000	031-301 3131	031-305 5893
Mazethu Zondi	Unizul	56 Riverglades 15 Lower Bridge Road Durban North 5041	83 9978	83 3086

**APPENDIX D:
List of Relevant
Legislation
(Promulgated and Proposed)**

LIST OF RELEVANT LEGISLATION

Promulgated

13. Town Planning Ordinance No. 27 of 1949
14. Development Facilitation Act No. 67 of 1995
15. KwaZulu Land Affairs Act No. 11 of 1992
16. Ingonyama Trust Act No. 3 of 1994
17. Environment Conservation Act No. 73 of 1989
18. Development Facilitation Act No. 67 of 1995
19. The Conservation of Agriculture Resources Act No. 43 of 1983
20. The Water Act No. 54 of 1956
21. The Seashore Act No. 21 of 1935
22. The Mountain Catchment Areas Act No. 63 of 1970
23. The Physical Planning Act No. 125 of 1991
24. The Share Block Control Scheme of 1980

Proposed

3. KwaZulu-Natal Planning and Development Act
4. Coastal Management Policy Programme (October 1997)