

An audit of public funded tourism projects in the Eastern Cape province of South Africa

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Abstract

The launch of the Eastern Cape's Provincial Growth Development Plan in 2003 (SA.ECPGDP, 2003) resulted in a capital investment of R556.482million in 40 tourism facilities during the period 2004-2012. The primary objective of the study was to determine the status quo of these projects and to establish their contribution to the regional economy. The study took the form of a qualitative in-the-field survey to obtain factual data and to establish the participant's views regarding the successes or failures of these projects and the reasons therefore. Of these projects the vast majority are not operational due largely to poor planning, and a lack of proper management and control. Only nine of the projects are operating and these are mainly small, both in terms of employment figures and turnover, and not contributing significantly to economic development and job creation in the province, as envisaged in the Provincial Growth Development Plan. Investments made were therefore largely fruitless and wasteful, or perhaps a result of questionable actions.

Keywords: audit, capital projects, Eastern Cape Province, economic contribution, operational status, tourism.

Introduction

The Eastern Cape is South Africa's poorest province (SA. HSRC 2011). According to Shoba (2011:Internet), Limpopo and the Eastern Cape had the highest proportion of poor with 77% and 72% respectively living below the poverty income line. The Eastern Cape Government responded in 2003 by launching the Provincial Growth Development Plan (PGDP) in order to address economic growth, employment creation, poverty eradication and income distribution in all sectors of the economy, including tourism (SA. ECPGDP 2003:2). The Provincial Growth Development Plan's vision was to 'make the Eastern Cape a compelling place to live, work and invest' (Balindlela, 2008). As a result an amount of R556 482 585 was invested in tourism assets between 2004 and 2012. The objective of this study was to conduct an audit of these capital projects in order to ascertain the contribution of these projects to economic development and job creation in the Eastern Cape, and to determine the reasons for the successes or failures of these projects.

Literature review

The successful implementation of tourism projects faces many challenges and requires proper planning and sufficient participation from multiple stakeholders, as indicated by Ngubane and Diab (2005:119) and Tosun and Timothy (2001:356). Mafuzwaini and Hugo (2005:261) identified six strategies considered to be crucial to the success of rural tourism projects. These strategies include product and enterprise development, accreditation and industry standards, education and training, industry and community leadership, transport and infrastructure, and funding and financial administration. Mahoney and Van Zyl (2002:99), who conducted three comparative case studies on tourism investments in rural communities in South Africa, concluded that the delivery of benefits, land rights and tenure, commercial viability of projects, and matching investors and communities represent key success

factors. Inskip (1999:25), developed a Tourism Product Planning Development process which includes steps such as market and product assessment of an area, determination of objectives, feasibility analysis, facility and land use requirements, infrastructure requirements, community relationships, access to site and regional integration, environmental and social assessment, and economic and financial feasibility. The process suggested by Inskip (1999) highlights all the essential steps that must be considered when developing community tourism projects. A study conducted by Ghasemi and Hamzah (2014: 15) in Malaysia indicated that the ownership and operation of the plant represents the most critical success factor.

Methodology

According to Weatherford and Ruppert (2015:22), conducting an audit implies "... a formal systematic and disciplined approach designed to evaluate and improve the effectiveness of processes and related controls". The Institute of Internal Auditors (IIA) defines auditing as "... an independent objective assurance and consulting activity designed to add value and improve an organization's operations" (IIA, 2009:2). In this particular case an audit was conducted initially by means of a literature study of policies and procedures pertaining to the establishment of public funded capital tourism projects. This was followed by an evaluation of the modus operandi for project approval, funding allocation and project management. The status quo of projects funded as a result of the Eastern Cape Provincial Government Development Plan was then determined through site visits, and a questionnaire survey addressed to planners, government officials and community members involved in the planning and implementation of the projects. This was followed by a separate questionnaire survey aimed at project operators to conclude the survey methodology.

Details of public funded capital projects

A total of 40 tourism projects were launched in the Eastern Cape as a result of the Eastern Cape Provincial Government Development Plan between 2004 and 2012. Details are provided in Table 1.

Table 1: *Approved capital tourism projects in the Eastern Cape*

Project name	Funder	Funding	Year	Project status in 2015
Menu tented camp	Bizana Municipality	R1.0m	2006	The project near Bizana was completed and operated for a while but closed in 2010. Furniture and fittings subsequently stolen.
Tyolomngqa tourist facility	National Department of Tourism (NDT)	R9.5m	2006	The purpose was to build a conference facility and chalets. The project has not been completed and is not operating.
Mthamvuna tented camp	Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)	R4.0m	2007	The purpose of the funding was to build a conference facility and chalets. The structures have been completed but have never operated due to the lack of an operator.
Mbodla eco-tourism	National Development Agency	R2.7m	2010	The intention was to build a conference facility, chalets and a tourist information centre. The chalets and information centre were completed before the budget was exhausted. It is not operating due to lack of an access road, electricity and water supply, furniture and fittings.
Bawa Falls	Department of Environmental Affairs and Tourism (DEAT)	R8.0m	2006	This development involves the construction of a tourist lodge and conference facility. The facilities were completed and operational for a while, but closed in 2010 due to community infighting and subsequently subjected to vandalism and neglect.

St Mathew tourist project	NDT	R19.0m	2009	Conference facilities and chalets were completed but have never operated due to the lack of an operator. Furniture and fittings still outstanding.
OR Tambo tourism chalets	DEDEAT	R10.0m	2006	This project includes chalets, a restaurant and craft facility. The project was completed but never operated due to the unavailability of an operator. Facilities have been neglected and subjected to vandalism.
Hluleka Chalets	DEAT	R27.0m	2005	Constructed and completed in 2008 within the boundaries of a nature reserve, the facility is managed by the Parks and Tourism Agency since 2010.
Mthatha dam resort	DEAT	R54.5m	2005	The conference facilities have been completed but not operating due to a land claim which the funders were unaware of.
Amabaca craft centre	NDT	R9.0m	2008	The craft centre, curio shop, restaurant and conference and accommodation facilities were completed and operated by a co-operative.
Goxe tourism development	NDT	R13.0m	2009	Insufficient funds were allocated for the chalets and the funder expected the municipality to provide the balance required, but it did not materialize. Access roads also remain a problem.
Mehloding hiking trail	DEAT	R8.0m	2002	Hiker's huts and associated infrastructure were completed and operated by a community trust.
Makana Resort	NDT	R14.25m	2008	The chalets, conference facility and restaurant in Grahamstown were completed and contracted to a private person to operate.
Maqwa Falls	NDT	R3.5m	2006	The conference facility and restaurant were completed but is not operating.
Qaukeni cultural village	NDT	R20.5m	2008	The cultural village, guest accommodation and royal museum are incomplete and not operating due to funding shortfalls.
Bumbane cultural centre	NDT	R4.75m	2010	This multipurpose centre next to a king's grave is not completed and not operating.
Manqondo Information centre	NDT	R4.75m	2008	The tourism information centre near Coffee Bay is completed but not operational due to the lack of an operator.
Port St Johns Waterfront	NDT	R10.45m	2009	The project is not completed due to unresolved land issues.
Port St Johns' boat launching site	NDT	R5.2m	2007	The beach and boat facilities are incomplete and not operating.
Nyandeni chalets	NDT	R7.6m	2010	The structures are incomplete and not operating.
Nkanya eco lodge	ECDC DEDEAT	R4.0m	2011	Construction of facilities was halted due to budget shortfalls.
Mthatha information centre	NDT	R9.5m	2011	This airport facility was constructed for the King Sabata Dalindyebo Municipality but was not completed and not operating.
Biko heritage trail	NDT	R1.016	2010	The hiking trail and supporting infrastructure is incomplete and not operating.
Kiwane campsite	NDT	R19.0m	2010	The project is incomplete and not operating.
Ndabankulu cultural village	NDT	R6.65m	2006	The project has not been completed and is not operating.
Aliwal Spa	NDT	R10.45m	2010	The upgrades to the Spa are incomplete.
Ndlambe heritage site	NDT	R10,45m	2010	The chalets and conference facility are incomplete and not operating.
Bulhoek massacre site	NDT	R9.5m	2010	The lodge and conference centre at this heritage site are incomplete and inoperative.
Hamburg arts centre	NDT	R14.25m	2008	The arts and craft hub has been completed and is operating.
Cebe campsite	NDT	R9.5m	2010	The campsite is still incomplete.

Ubuntu craft centre	NDT	R1.0m	2010	The project has not been completed and is not operating.
Vusubuntu cultural village	NDT	R5.7m	2010	The project has not been completed and is not operating.
Motherwell eco project	NDT	R5.7m	2008	The chalets and recreational facilities have not been completed and are not operating.
Ntsiswa hiking trial	NDT	R1.33	2010	The project has not been completed and not operating.
Abathembu cultural calabash	NDT	R11.4m	2008	The intention was to expand the existing facilities with additional chalets and a conference facility. The expansion is incomplete.
Bongolo dam chalets	NDT	R15.0m	2011	The chalets and recreational facilities are still under planning.
Mthontsi lodge	NDT	R30.0m	2011	The project is still under planning.
Port St Johns hiking trial	NDT	R10.0m	2011	The project is still under planning.
Wonkumuntu project	NDT	R9.5m	2010	The conference facility and related infrastructure has not been completed and not operating.
Mbashe, Coffee Bay, Mvezo project	NDT	R28.5m	2012	The accommodation facilities, electricity, water and reticulation systems and internal roads have not been completed and are not operating.

Source: Constructed from survey results

Analysis of data

The information reflected in Table 1 indicates that only 12% of the projects, representing a combined investment of R143.15m are presently (2015) operational, compared to the 54% (R358.33m investment) not operating. A further 34% of the projects valued at R55.0m were still under planning, several years after funds have been allocated towards the projects. This suggests gross inefficiencies in the planning and management of state-funded projects. In an effort to better understand the reasons for these phenomenon 70 questionnaires were sent to persons involved in the planning and implementation of projects. The respondents include consulting firms, government representatives, community representatives, particularly members of project steering committees. A total of 52 questionnaires (74.3%) were returned, captured and analysed accordingly.

Responses from implementers

The main focus in this section is on funding applications, planning requirements, financial and project management, and supervision and control.

Funding application

The National Tourism Sector Strategy (NTSS) serves as a guiding document which underpins provincial and local tourism plans. The NTSS (SA.NDT 2011:12) prioritises tourism growth as a catalyst in economic growth and development. Provincial tourism departments and the private sector are expected to work as a collective to ensure that the objectives of the NTSS are achieved. The main contributors to tourism projects listed in Table 1 are the National Department of Tourism (NDT), formerly part of the Department of Environmental Affairs and Tourism (DEAT), and the former Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). Both DEDEAT and NDT established dedicated business units responsible for funding tourism projects. Consequently, both have developed funding templates to guide applicants. An analysis of the templates revealed some shortcomings which may have had an influence on the eventual outcomes of the projects. The NDT template, for example, does not require information regarding project operation after completion nor a business plan. The DEDEAT template requires comprehensive business information and covers critical aspects for a business plan. The template however may be too technical for rural communities who are the most likely

applicants in the Eastern Cape. In both cases the oversight and project controls appear to be inadequate, as is indicated later.

Key planning issues

“Planning is the process of identifying objectives, as well as defining and evaluating methods of achieving them” (Stynes & O’Halloran, 2004:5). According to Inskip (1999:25) “...planning is organising the future to achieve certain objectives”, while Eagles, McCool and Haynes (2002:13 defined planning as “...the process that involves selecting a desirable future out of a range of plausible alternatives and implementing strategies and actions that will achieve the desired outcome” . Some of the key issues in the planning processes relevant to this study are selected and further analysed.

- *Suitability of location*

Location is a critical element for any resort development and business profitability (Smith, 2002:132). In this context scenery, the availability of water features, heritage resources, competition, and access roads are critical elements to be considered. Furthermore, in terms of the National Environmental Management Act (Act No 107 of 1998)(SA DEA 1998) project developers are required to obtain approval if the site to be developed is in an environmentally sensitive or protected area, which is the case in several of the project locations selected for resort development in the Eastern Cape. The majority of sites are also located in remote tribal areas, which further compounds the challenges for business development (Page & Getz, 1997:55).

Survey results indicate that 50% of the implementers perceived the locations selected as unsuitable, but the developments went ahead regardless. Among the reasons given for this state of affairs was that the local chief had the final say in locational matters. An example is given where the chalets were built in a prime location, but the chief used his powers, ignoring the recommendations of the project management team, to divert the construction of the information centre, conference facility and craft centre to his homestead some three kilometres away. This is not an isolated case of questionable actions as similar things have happened elsewhere.

The involvement of local chiefs in the development of tourism resorts is a problematic issue, and is particularly true when developments are scheduled on tribal land. Although tribal authorities do not form part of the democratic structures, traditional leaders are given powers in terms of The Traditional Leadership and Governance Framework Act (Act 41 of 2003) (SA.DCGTA 2003) that are linked to those of municipalities, which simply means that municipalities must consult with traditional leaders to carry out the mandate of local government.

Accessibility is extremely important, especially in rural areas under tribal authority. In many cases access roads were poor and no budgetary provisions were made for upgrades. As a result of bad access roads several potentially good sites became less suitable because of accessibility restrictions.

- *Feasibility studies*

A feasibility study is a fundamental requirement for any business development, yet only 56% of the respondents who had served on project committees reported that feasibility studies were available, while 32% were unsure and 12% said no. Respondents also indicated that locational factors were covered in the feasibility studies, but that financial viability of projects was either not part of the feasibility study, or incomplete. Several respondents who reported in the affirmative based their responses on projects that were listed in municipal Integrated Development Plans (IDP), clearly confusing these with feasibility. This indicated that people misunderstood the purpose of the IDP being a framework for development and zoning. There were also respondents who indicated that upon their appointment to

implement the projects, they found no paper trail and evidence that feasibility studies were conducted. In one isolated case funding was based on a feasibility study that was seven (7) years old. Even more disconcerting was the findings that 39% of the respondents indicated that the projects were not feasible; nevertheless developments still went ahead. This raises questions about the guidance provided by government officials regarding the processes and policies relevant to the use of taxpayer's money.

- *Business plans*

Business plans provide the blueprints for operations. A Business Plan "... is a framework that sets out ideas and provides a detailed plan of action that generates immediate tourism business" (SATSA 2005). Yet 60% of the respondents reported that projects were implemented without, or not in line with, business plans. This is indicative of a flawed management and control system.

- *Financial and project management*

This vital section was often found to have been ignored or, where relevant evidence was found, to be grossly inadequate to monitor the project finances in terms of prescribed policies and practices. The total absence of quantity surveyors to manage projects and funds on behalf of the funders represent a glaring omission.

- *Budgetary considerations*

Managing finances appears to have been a major problem area since only 35% of the projects were completed within budget. In many cases this resulted in buildings being erected without power or electricity supply, and without furniture or fittings, rendering them inoperative. Reasons given for this omission include poor turnaround time on decision-making resulting in lengthy construction periods and resultant cost escalations. In some cases funds had to be used on items not budgeted for, for example, poor access roads, necessitated expenditure on upgrading and maintenance to enable construction workers to reach the building site. In several cases municipalities also failed to deliver on infrastructure developments, placing an additional burden on developers. Most important though was the total absence of quantity surveyors to manage and control budgets on behalf of funding organisations. This represents a serious oversight by government organisations.

- *Qualifications and experience of implementers*

The survey results indicate that 79% of the implementers, including some of the consultants, had no relevant qualifications. The fact that some consultants were unqualified poses questions regarding the quality of feasibility- and business plans prepared by them. Of those with qualifications only 19% were in possession of a relevant degree or diploma. Implementation and management committees therefore suffered from a lack of qualified persons and community representatives in particular lacked post-school qualifications, and most probably did not have a proper understanding of business plans or financial management. Furthermore, a staggering 73% of the respondents had no experience in the planning or implementation of tourism projects. To compound the problem, most government officials directing the projects were at a junior level and without proper experience in project management.

- *Sustainability issues*

Sustainable tourism is defined as "... tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities" (UNWTO, 2011:16). Sustainability of tourism projects are of obvious importance to impoverished rural communities. Long term planning and management objectives nevertheless appear to be absent in most cases as is reflected by the fact that 83% of the respondents did not consider sustainability of the projects as an objective. This was also reflected by the lack of any market analysis, lack of forecasting, and

lack of break-even analysis. Table 2 reflects the opinions of participants with regard to the issues discussed above

Table 2: Summary of opinions regarding planning and management issues

Statements	Number %	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
The project will be sustainable	Number %	4 8%	7 13%	15 29%	13 25%	13 25%	52 100%
The operational model was clarified in the planning stage	Number %	6 12%	11 21%	10 19%	13 25%	12 23%	52 100%
The project was implemented in line with budgets	Number %	5 10%	9 17%	11 21%	15 29%	12 23%	52 100%
The project was implemented within set timeframes	Number %	5 10%	9 17%	12 23%	13 25%	13 25%	52 100%
The project was based on a bankable business plan	Number %	5 10%	11 21%	11 21%	13 25%	12 23%	52 100%

Source: Constructed from survey results

The information contained in the Table reflects diverse opinions. It is clear however, that the majority of the respondents were either neutral or disagreed with the statements made. These results imply that the planning and management was flawed and that respondents questioned the chances of long term survival of the projects. It also suggests that government officials did not apply due diligence prior to funding tourism projects.

Supervision and control

The lack of supervision and control represent a critical shortcoming. The following are central to the problem:

Funding allocation was often based on incomplete information. Feasibility studies and business plans were either incomplete, or of a questionable quality, or non-existent.

In some case political influences played a role in projects where funding had been secured without application and obviously without any documentation to guide implementers. Political interferences had an effect on both budget allocation and the location of projects. In this respect some local chiefs played a questionable but significant role.

Consultants often lacked qualifications and experience. Reports and studies provided by consultants were therefore often of questionable quality.

Government officials are supposed to screen applications as well as the supporting documentation before a funding decision could be made. In some cases budgets were approved for projects which were considered to be neither feasible nor viable. This was either the result of political pressures, or the inexperience of officials, or both.

In most cases no provision was made for infrastructural development in the budgets presented to the funder. Lack of proper infrastructure such as access roads, telecommunications, and water and electricity supply represent a fundamental reason for the failure or non- operational status of projects.

Municipal support in the provision of infrastructure was often lacking or inadequate. The same applied to administrative support. The issue of filing and lack of paper trace came through strongly, and in several cases respondents claimed that feasibility studies were done, but documentation could not be produced.

The funder did not exercise proper supervision of the project, although there was a representative from the funder serving on every project steering committee. This suggests that the representative was inexperienced, incompetent, or both, or that inappropriate pressure was brought to bear.

The lack of quantity surveyors to supervise and control projects and budgets on behalf of the funder represent a serious flaw in the management and control of financial resources.

Projects were planned and implemented without the involvement of operators. The appointment of local communities as project managers also represent a major problem area as is shown in the following section.

There is a lack of aftercare plans. Several of the facilities are not operating and have been subjected to vandalism and decay. Such facilities represent wasted public funds, and there does not appear to be a turnaround strategy to salvage non-operating projects

Responses of operators of tourism projects

The managers of the nine operating entities were requested to complete a questionnaire. The responses are summarised below:

Management issues

This section focuses on the nature of the business or proprietorship, legal compliance, profitability, management qualifications and experience, and problems experienced.

- Nature of business or proprietorship

Accommodation establishments represent seven (7) of the nine (9) operating tourism establishments. Although accommodation is the core business of these establishments, some have conference and restaurant facilities as supporting functions. The remaining two facilities are cultural villages. With one exception all operators indicated that they were consulted during the implementation process, although the level and nature of consultations were different. These operators were all community members, and it should be remembered that communities are also the owners and ideally also the benefactors of the projects. The one respondent who had not been consulted was a private sector entrepreneur who was brought in to operate the project after the buildings were completed, and this was one of the cases where facilities had been completed without an operator on board. Ironically, the private sector operator was the only one who had a business plan detailing financial, operational, marketing, human resource allocation, and management issues. The success of the privately operated business supports the recommendations by Massyn (2007:7) that the involvement of the private sector in business operations among traditional rural Eastern Cape communities is of critical importance.

- *Legal compliance*

The Companies Act (Act 71 of 2008) (SA.DT 2008) requires companies, co-operatives and intellectual property rights to register as business entities. Table 3 summarises the situation with regard to the operating tourism businesses.

Modus operandi for tourism projects in the Eastern Cape

Figure 1 shows two paths followed by decision-makers. The top line represents the proper route taken by decision-makers, while the bottom line demonstrates a faulty route characterised by political influences, possible corruption, progression regardless of whether a project was considered to be feasible, and irrespective of the existence of, or compliance to, a business plan. The bottom line, unfortunately, was followed in too many instances.

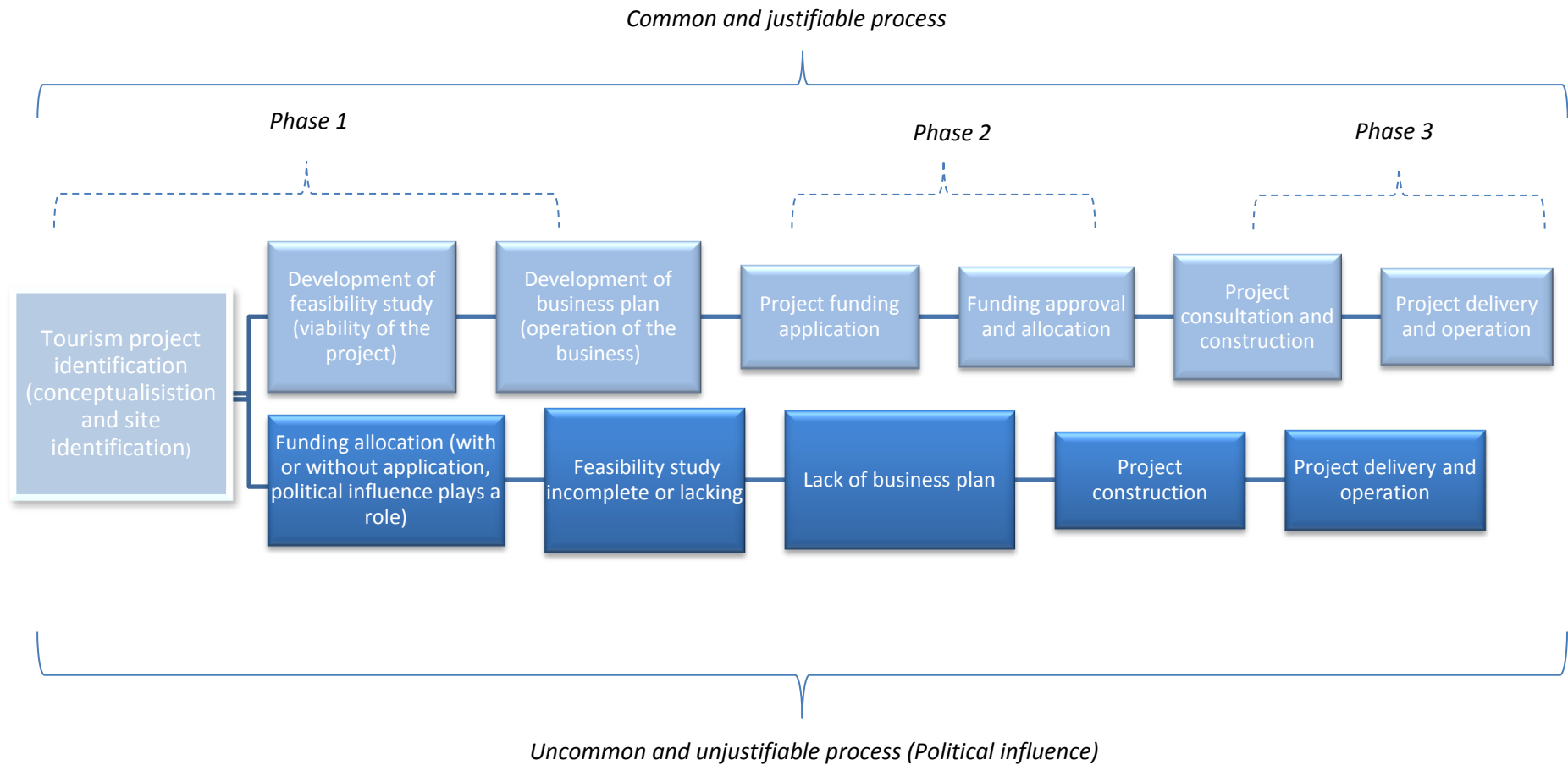


Figure 1 (Researchers' construct)

Table 3: Type of business entity

Business option	Number of establishments
Trust	5
Section 21 Company	0
PTY LTD	0
Co-Operative	2
Closed Corporation	1
Other	1
Total	9

Source: Constructed from survey results

Most of the establishments had been registered as trusts or co-operatives. The private sector operator had registered his business as a closed corporation. The remaining establishment is a government agency registered as a Schedule 3C entity with the National Treasury (SA.NT 2005).

Table 4 outlines the legal compliance of the nine operating concerns. The fact that only four (4) entities are registered with SARS is probably the result of lack of knowledge on the part of communities, but nevertheless, illegal. The entities which are registered with the South African Revenue Services are also the only ones with a registered accountant.

Table 4: Legal compliance of business ventures

Options	Yes	No	Not applicable	Total
Registered with the South African Revenue Services (SARS)	4	5	0	9
Registered with an accountant/ Bookkeeper	4	5	0	9
Licenced for trading liquor	1	1	7	9
Registered with the Company and Intellectual Property Commission	3	3	3	9
Registered with Department of Labour	2	7	0	9
Insured (Assets and equipment)	3	6	0	9
Insured (Public Liability)	2	7	0	9

Source: Constructed from survey results

There were two entities trading in liquor, of which one was registered, the other was trading illegally. Three projects were registered with the Company and Intellectual Property Commission (CIPC) while three were not registered. Those entities not registered had difficulties to process business-related applications and transactions such as insurance related activities. The not applicable category includes Trusts, which must register with the High Court through a legal representative. The fact that only two entities are registered with the Department of Labour simply means that the remainder have not registered their employees, nor are they paying UIF. Once again, it is probably a case of communities not having any idea of legislative requirements.

Only three projects have insurance so, considering the fact that millions of rands of public money were invested in these projects, the lack of oversight on behalf of both the funders and the municipalities is strange and highly irregular. Only two establishments had Public Liability cover which is risky since they deal with the public and could easily face claims if any of their patrons get injured while on the project property.

- *Profitability*

Profitability in accommodation and related facilities is very much linked to occupancy rates. The results indicate that three businesses have occupancy rates between 20% and 40%

while only one had an occupancy rate of between 60% and 80%. The latter is driven by the private sector, and had the benefit of a central reservation system (CRS). The majority of establishments (5) were uncertain of the occupancy rates mostly because they do not record visitor numbers, and also do not have CRS to assist them.

The tourist establishments are typically small. Four of the establishments employed between one and three staff members, while another four had between four and six employees. Only the private sector establishment had more than 11 employees. The small numbers of employees certainly does not warrant the huge capital investment made towards job creation. The annual turnover of operating establishments is also too small to warrant such an investment. In fact, the turnover at most operating establishments is so small that it will take many years, if ever, to reach a break-even point, make a profit, and become sustainable entities. The financial situation is clearly reflected in Table 5.

Table 5: Annual turnover of operating establishments

Turnover categories	Number of establishments
R50 000- R300 000	7
R300 001-R500 000	0
R500 001-R800 000	1
R800 001-R1000 000	0
>R1 000 001	1
Total	9

Source: Constructed from survey results

Most tourism projects generate between R50 000 and R300 000 per annum. Several of these establishments were not even certain of the precise income, and could only guess. One project generates an annual turnover of between R500 001 and R800 000 and one generates a turnover of more than R1.5 million, the one operated by the private sector. Most of these establishments had been operating for more than three years without any significant increase in income. This is of great concern simply because these establishments face an uphill battle to survive unless proper business expertise was injected. The likelihood that most of them will fail is, therefore, real. It is already clear that the contribution in terms of economic development that planners had hoped for is a pipe dream and, from an investment point of view, the whole tourism development and promotion scheme is already at risk. Unless the Eastern Cape Government comes up with a proper turnaround strategy, the scheme will be disastrous.

- *Management qualifications and experience*

Responses from the operators show that only three respondents were in possession of a relevant qualification: one had a diploma in tourism, while another had a B.Com degree in finance, and a third had a BTech degree in nature conservation. Some respondents had undergone short courses, which was technically part of the requirement for government funding. However, it seems doubtful that skills acquired during such short courses can properly equip managers to successfully operate a tourism establishment. A total of six respondents had no qualifications, and were mostly community members. Table 6 reflects the number of years of experience in a business environment.

Table 6: Years of experience in a tourism or hospitality business operation

Years of experience	Number of respondents
No experience	4
1-3 years	1
4-6 years	2
>7 years	2
Total	9

Source: Constructed from survey results

It is evident from the data in the Table that most respondents had very little, if any, management experience in tourism related business. This is a major concern and a key issue to address in any turnabout strategy.

Staff qualification problems are not limited to managerial levels, but are a general concern. Some managers took over facilities with the existing staffing component and then discovered that they could not get rid of untrainable staff because of the Labour Relation Act (SA.DL, 1995). This appears to be one of the reasons why some projects are without operators.

- *Operational problems*

Certain problem areas, as reflected in Table 7, were experienced by operators. Some of these were not operational issues but nevertheless impacted on the businesses, and respondents could select more than one of the problem areas.

Given the modus operandi followed during planning and funding allocations, it not surprising that all the respondents had identified funding as a concern. The funding issues revolved mostly around outstanding elements not completed during the initial phase of implementation, while skills shortages appeared as a fundamental area of concern among rural communities. Two projects were affected by burglary where assets were stolen by community members. This had happened during management changes where community members used the opportunity to acquire items for their private households. There is a concern that communities are sabotaging their own projects, where eight projects had experienced community infighting. These are communities and members who battle for power in the executive, employment benefits and status. Some members of trusts are also city councillors who are accused of politicising the projects.

Table 7: Problems experienced during operations

Problem areas	Number of respondents
Lack of funds	9
Lack of skills	6
Crime	2
Community infighting	8
Other	0
Total	25

Source: Constructed from survey results

Conclusions

The pattern that emerges from the preceding discussions paints a dark picture of the efforts made to establish tourism facilities in the Eastern Cape. The objective of the PGDP was to drive economic growth, employment creation and poverty alleviation by investing more than R500m in tourism assets. These objectives were certainly not met. In fact, the investments can only be described as fruitless and wasteful as defined by the Public Finance Management Act (SA. National Treasury, 1999:7). The reasons for this are manifold: at the outset feasibility studies were not properly done or even ignored; consultants used were often not qualified and had very little, if any, experience of tourism developments; and proper management and control systems were largely absent. Most notable among these was the absence of quantity surveyors to supervise projects and control budgets on behalf of the funder. In most cases business plans were not developed, or adhered to, by operators. Another serious omission was the non-involvement of suitably qualified operators from the outset and the lack of supporting infrastructure, especially access roads, water, electricity and telecommunication systems. Several of the projects were subject to political influence, especially by local chiefs. Such interferences affected the location and operational efficiency of projects. The role of local chiefs in development projects of this nature should be carefully

scrutinised and monitored by funding organizations. Finally, the reliance on communities to operate tourism plants should be questioned. Community members living in rural areas of the Eastern Cape generally lack the expertise to successfully manage tourism plants. Private sector operations appear to be vastly more successful. The overarching impression, however, is that funder-organisations as well as the provincial and local government authorities involved in the tourism projects in the Eastern Cape acted irresponsibly, resulting in wasteful expenditure of public funds.

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