Fair Trade in Tourism South Africa (FTTSA)

Strategic Analysis and Business Plan

March 2005 to February 2008 (3 years)

CONTENTS

EXECUTIVE SUMMARY

Fair Trade in Tourism South Africa (FTTSA) is an existing initiative that requires grant funding to expand its activities, so that the benefits of 'Fair Trade in Tourism' certification can be spread more widely. These benefits include improved access to niche markets for FTTSA-certified tourism enterprises; improved linkages with international and domestic tourism channels; and a suite of organisational development benefits linked to the rigorous certification process and the 'information dividend' associated with FTTSA, an expert, supportive organisation.

Key beneficiaries to FTTSA are community-based and other emerging tourism enterprises that are assisted to access certification and related support services, and whose viability is increased through affiliation to FTTSA. Other beneficiaries are staff, suppliers and communities of 'mainstream' FTTSA-certified establishments, which in order to qualify and re-qualify for certification must maintain high labour standards and invest in local economic development through employment, procurement and corporate social investment.

More widely, FTTSA is contributing to an enabling environment for community-based tourism and other types of tourism that explicitly seek to alleviate poverty and inequality in South Africa. This is achieved largely through the ongoing expansion of the FTTSA brand, which consciously embraces both mainstream and emerging tourism enterprises to create space for the practice of fairer tourism – tourism that respects people *and* the environment and contributes positively to the ongoing transformation of post-apartheid society.

The activities described in this document will enable FTTSA to broaden the scope of its certification and branding activities, with an emphasis on increasing not only the total number of certified establishments, but also the proportion of 'emerging' tourism businesses within the growing FTTSA product portfolio. As a sufficient critical mass of certified establishments is achieved (~25+ clients), FTTSA will be able to leverage off its product portfolio to establish commercial partnerships to bolster the FTTSA brand and expand FTTSA's consumer reach. To achieve this, FTTSA will develop an expanded range of knowledge-based products and services that can be marketed to the industry and related stakeholders.

This document is divided broadly into three parts. The first part is a strategic analysis of the environment in which FTTSA operates, paying particular attention to the role played by FTTSA in South African tourism. Part two describes the mix of products and services offered by FTTSA, currently and in future. And part three provides an assessment of FTTSA as an organization.

ADMINISTRATIVE INFORMATION

Name of Organisation   Fair Trade in Tourism South Africa (FTTSA)

Company Number   2004/034455/08 (Association incorporated under Section 21)
Non Profit Registration Number: 040-021-NPO

Directors   <u>Non-executive Directors</u>: Percy Mkhosi (Chairperson)
Saliem Fakir (Deputy Chairperson); Des Mahony; and
Nozipho January-Bardill. <u>Executive Director</u>: Jennifer Seif

Vision   A fair, participatory and sustainable tourism industry in South Africa.

Mission   To facilitate the integration of Fair Trade principles and criteria into South African tourism, so that the industry is more sustainable.

Values   Fair Share, Democracy, Respect, Reliability, Transparency and Sustainability

Main activities   Awareness raising and advocacy; certification; tourism enterprise support

Geographical Focus   South Africa (national project)

Banking Details   ABSA Bank, Hatfield Branch, Account No. <u>40 6140 0871</u>

Auditor   Ashok Valjee & Associates

Financial Year   Ends last day of February each year

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1 INTRODUCTION

Fair Trade in Tourism South Africa (FTTSA) is a young non-profit company that promotes sustainable and equitable tourism development in South Africa. FTTSA achieves this primarily by certifying and supporting tourism enterprises from throughout the country that 1) comply with globally recognized Fair Trade principles and criteria; and 2) contribute positively to socio-economic transformation in South Africa.

In turn, the FTTSA certification Trademark (label) assists qualifying establishments, especially community-based tourism enterprises (CBTEs) and 'emerging' black-owned enterprises, to access niche markets, gain exposure and credibility, improve internal systems and operations, and establish commercial partnerships with mainstream operators. In this manner, FTTSA boosts the viability and integrity of specific tourism enterprises, for the benefit of staff, owners, suppliers of goods and services, communities and other stakeholders. More indirectly, FTTSA is contributing to an enabling environment for community-based tourism, cultural tourism and other forms of 'new' tourism that have been identified as critical to poverty alleviation and to the long-term sustainability and competitiveness of South Africa as a tourism destination (DEAT, et al. 2004a; Steyn and Newton, 2004).

2 STRATEGIC ENVIRONMENT

2.1 The South African Context

Following the 1994 democratic elections, South Africa's new government began developing policies and interventions to promote the widespread transformation of post-apartheid society and economy. This ongoing process is guided by a number of key policies, most notably the 1996 *Constitution of the Republic of South Africa*, which specifically prohibits discrimination based on any number of grounds, and provides for affirmative action to advance previously disadvantaged groups (Government of South Africa, 1996a).

Transformation objectives are also embedded in the country's macroeconomic policy framework, known as *Growth, Employment and Redistribution* (GEAR). In contrast to its predecessor, the 1994 Reconstruction and Development Programme (RDP), GEAR is a neo-liberal strategy that calls for a competitive, market orientated system that explicitly addresses the need to transfer the control of economic assets to black people (Government of South Africa, 1996b). GEAR has however been criticized for not addressing the informal sector, for not appreciating the diversity of rural livelihoods in a balanced and integrated way, and for benefiting primarily a black bourgeoisie (Turner and Meer, 2001; Bond, 2000).

These and other criticisms of GEAR are largely validated by macroeconomic indicators revealing growing poverty and inequality, with strong spatial, racial and gender biases. According to the 2004 United Nations Development Programme (UNDP) *South Africa Human Development Report,* the 2002 official unemployment rate of 30.5 percent is substantially higher than the 1995 figure of 16.4 percent (UNDP, 2003: 20). In 2002, 21.9

million or nearly half (48.5 percent) the population was living below the national poverty line of ZAR 354 per month (about US$2 per day) [1] (UNDP, 2003: 41). Growing inequality is further evidenced in the country's high Gini coefficient, which rose from 0.596 in 1995 to 0.635 in 2001 (UNDP, 2003: 43).[2]

Growing inequality and poverty have given rise to the 'two economy' thesis based on a diffusion model of development, as articulated by President Thabo Mbeki and others. This thesis holds that South Africa is comprised of a First Economy (formal, largely industrial and urbanized) and a Second Economy (informal, poor and largely rural or peri-urban). According to this thesis, government's role is firstly to create an enabling market environment and secondly to create the conditions for growing numbers of people including the poor to access employment and other opportunities associated with economic growth driven by fiscal restraint. For people to move from the Second to the First Economy requires ongoing GDP growth, massive investment in education and skills development, the expansion of basic and social infrastructure, and a range of interventions to nurture entrepreneurship and small business development.[3]

Against this backdrop, tourism is viewed as a priority sector: The industry has over the past decade grown faster than the economy as a whole, and tourism currently contributes roughly 10 percent of GDP and directly employs more than half a million people (DEAT, et al. 2004b: 6-7). More widely, tourism is seen to be a sector especially well-suited to poverty reduction, based on a number of factors including the labour intensive nature of the industry; its dependence on natural and cultural assets, which are assets that poor people often have access to; the diversity of the industry, which facilitates wide participation including the participation of women; as well as the fact that the customer comes to the product, which creates considerable opportunities for formal and informal linkages e.g. souvenir-selling (Ashley, Boyd and Goodwin, 2000; WTO, 2002).

The *Tourism White Paper* (Government of South Africa, 1996c) draws on these insights to provide the policy framework for national tourism development. The *White Paper* highlights the enormous potential of the tourism industry to create jobs, alleviate poverty, stimulate Black Economic Empowerment (BEE) and promote the development of small, medium and micro enterprises (SMMEs). The *White Paper* also draws attention to South Africa's rich natural and cultural diversity, and the potential of tourism to generate income and livelihoods, and alleviate poverty for rural as well as urban communities.

This potential is however constrained by the legacies of apartheid, manifest in uneven access not only to markets and market knowledge, but also to business finance, skills, technology and other resources. The *White Paper* and subsequent tourism development strategies including the *Tourism Growth Strategy* (South African Tourism, 2002) and the recent *Global Competitiveness Project* (DEAT, et al., 2004a, 2004b) have identified a

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[1] The poverty line is calculated according to the Income and Expenditure Survey (1995).
[2] The Gini coefficient is a statistical measure of inequality in a population. Gini values range from a minimum value of zero (total equality in a population) to a theoretical maximum of one. http://mathworld.wolfram.com/GiniCoefficient.html. A rise in the Gini coefficient is thus evidence of growing inequality.
[3] For the most recent articulation of this thesis, see President Mbeki's 2005 State of the Nation Address, available at http://www.info.gov.za/speeches/2005/05021110501001.htm

number of key factors hindering the tourism industry's potential to achieve national transformation imperatives, including:

- Limited integration of communities and previously neglected groups;

- Lack of market access and market knowledge;

- Lack of interest on the part of existing operators to build partnerships with communities and non-traditional suppliers;

- Lack of information and awareness; and

- Lack of appropriate institutional structures.

Many of these gaps have not been adequately addressed by the various public-sector-led initiatives to promote community-based tourism over the past decade or so. These initiatives have tended to focus on the 'supply-side' (e.g. infrastructure and product development), with relatively little emphasis on marketing and commercial partnerships, which are critical to business viability and sustainability. The net effect is that the majority of our country's rural and urban community tourism ventures remain on the margins of the 'tourism mainstream', which is clearly unsustainable.

The ongoing marginalization of emerging black-owned businesses is a key factor motivating the publication of an industry-specific Black Economic Empowerment (BEE) balanced scorecard and charter.[4] Government defines BEE as 'an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities' (DTI, 2003: 12). Current thinking on BEE advocates a combination of direct and indirect empowerment (DTI, 2003). Direct empowerment includes asset or share ownership and direct management control, while indirect empowerment encompasses affirmative procurement or tendering and cooperation in business development. BEE also involves human resource development through preferential training and education and affirmative action (DTI, 2003; Sykes, 2004). In tourism as in other sectors, favorable BEE credentials will increasingly become a necessity for firms seeking to do business not only with government but more broadly in areas of the economy affected by BEE charters including mining, financial services and agriculture.

There is a risk, however, that BEE and in particular the focus on black ownership of business assets will overshadow or crowd out other developmental priorities. Research commissioned by the Tourism Business Council of South Africa (TBCSA) shows that BEE objectives can and often do conflict with other priorities like developing small business, supporting local business, supporting good labour practice and encouraging environmental sustainability (Sykes, 2004: 10). This research raises a number of timely questions concerning the tradeoffs companies make when pursuing specific policies. While the current emphasis on BEE is understandable given the legacies of apartheid, BEE growth

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[4] The Minister of Environmental Affairs and Tourism gazetted a draft version of the BEE Charter in January 2005. The final version will be launched in May 2005 at the annual Tourism Indaba.

may ultimately occur at the expense of local or 'pro-poor' or women's economic development, with potentially negative implications for alleviating poverty, inequality and unemployment. Particularly in tourism, there is also a risk that the growing national focus on BEE will obscure broader, even global debates about sustainability, labour standards, corporate citizenship and the like. This is particularly worrying in an industry such as tourism, which is characterized by poor wages and working conditions, reliance on casual labour, high resource inputs per customer, and low levels of corporate social responsibility (Kalisch, 2002; Beddoe, 2004).

FTTSA's role within this dynamic environment is to advocate for a culture of fairness and inclusion within the industry, and to help create the conditions for the practice of Fair Trade within South African tourism. To date, FTTSA's work has focused largely on educating the industry and raising awareness about the principles of Fair Trade, on the one hand; and promoting a voluntary, destination-specific 'Fair Trade in Tourism' certification system, on the other hand. In turn, FTTSA certification provides qualifying enterprises with improved access to niche markets and other benefits, as described in greater detail below.

In this fashion, FTTSA offers tourism establishments – emerging and established, small and large – a practical framework for internal and external transformation that specifically benefits both labour and historically disadvantaged communities. According to independent research commissioned by IUCN-South Africa, the FTTSA Trademark is helping to create a fairer economic environment for community-based tourism and for the successful entry and integration of emerging entrepreneurs into the industry more generally (Steyn and Newton, 2004).

2.2   The Global Context

Globally, the tourism industry is characterized by conditions of change and uncertainty. In the mid-1990s, tourism practitioner Auriela Poon (1993) coined the phrase 'new' tourism, to signify a widespread shift away from mass tourism. Mass tourism originated in the 1960s with the popularization of the jet airplane, and typically takes the form of packaged travel at low prices and in big groups. According to Poon and others, the mega-drivers of the 'new' tourism are technology and globalization, which are changing and standardizing business practices throughout the world and also influencing consumer tastes and buying behaviors.

In parallel to these structural shifts, there has emerged a powerful intellectual critique of mass travel and other forms of travel that impact negatively on destinations and communities. This critique, led primarily by academics and NGOs, has given rise to such concepts as 'ethical travel', 'responsible travel' and 'fair trade in tourism', all of which are located within broader debates about sustainable trade and development and the requisite nexus of sustainable supply and demand (Kalisch, 2002; Jenkins, 2002; Assadourian, et al., 2004; Beddoe, 2004).

Globally, more and more consumers are seeking out alternatives to cheap, mass-produced goods, as exemplified by the growth of organic foods as well as the expansion of the global Fair Trade movement, which supports producers in developing countries through trading partnerships, certification and other interventions (Assadourian, et al, 2004; Kocken, 2003). Since the mid-1980s Fair Trade labelled goods have gained considerable market share especially in European markets (Ericson, 2002: 10; DFID, 2004: 72). And as Table 1 below

illustrates, research conducted primarily in Europe shows that these 'new' consumers are also pre-disposed to sustainable and responsible travel and leisure products, which in turn points to a range of new opportunities (and threats) to organizations located throughout the tourism value chain.

Table 1: Consumer attitudes to the environment and sustainable tourism (Source: Spenceley, 2003)

ISSUE	PROPORTION OF SAMPLE	SOURCE AND SAMPLE SIZE (INDICATED WHERE KNOWN)
IMPORTANCE OF ENVIRONMENTALLY SENSITIVE POLICIES AND PRACTICES		
More likely to book hotels with a good environmental attitude	87% British 60% Australians 54% Americans	IHEI study, cited in Anon (2002) (n=300 travellers at airports in UK, Australia and US)
Important that their holiday does not damage the environment	71%	Stueve, Cook and Drew (2002) (n=4300 adults in the USA)
	2000 – 85% 2002 – 87%	MORI study for ABTA, cited by Goodwin and Francis (2003) (n=963 British public in 2000; n=713 in 2002)
At least fairly important to use a company that accounts for environmental issues when arranging holidays & business trips	1995 – 52% 1997 – 61%	Martin and Stubbs (1999) (British Public)
IMPORTANCE OF SOCIALLY RESPONSIBLE POLICIES AND PRACTICES		
More likely to book holiday using company with a written code guaranteeing good working conditions, protection of the environment and support of local charities in the tourist destination	1999 – 45% 2001 – 52%	Tearfund (2001; 2002) (1999: nationally and regionally representative sample of n=2032 adults in the UK; 2001 n=927)
Knowing that they had booked with a company with good ethical practice made their holiday enjoyable	24%	Mintel (2001) (n=2028; UK holiday makers=1636) July 2001
Important that holidays benefit people in the destination (e.g. through jobs and business opportunities)	2000 – 71% 2002 – 76%	MORI study for ABTA, cited by Goodwin and Francis (2003) (n=963 British public in 2000; n=713 in 2002)
Respect towards the ways of living and the traditions of the local host population is the most important criteria when booking a holiday	95%	Forschungsinstitut für Freizeit und Tourismus (FIF), Müller and Landes (2000) (German tourists)

2.2.1 FAIR TRADE – ALSO IN TOURISM?

In the early 1990s, Tourism Concern, a London-based advocacy organization, facilitated a three-year international networking process that considered the extent to which Fair Trade interventions could and should inform tourism development, both internationally and within destinations (Evans and Cleverdon, 2000; Kalisch, 2001; Pluss, 2003). Some 200-odd individuals and organizations participated in this network, which came to define Fair Trade in Tourism (FTT) as 'a key aspect of sustainable tourism [that] aims to maximize the benefits from tourism for local destination stakeholders' (Kalisch, 2001: 11).

This process to define and promote FTT and related concepts is ongoing, and has been keenly informed by 'southern' perspectives and experiences of development, drawn from countries like India, Brazil, The Gambia, Uganda, Namibia and South Africa. In these and other developing countries, where conditions of poverty, inequality and exclusion are prevalent, there is a marked push to develop FTT practically and to tackle such issues as how to define 'community benefit' and how to (re)structure conditions of supply to achieve local development imperatives. These destination-based methodologies complement the type of approach conventionally taken within tourist generating countries like Switzerland, where the logical emphasis is on raising public awareness and influencing the behaviour of independent travellers and outbound tour operators (akte, 2003), as illustrated in Table 2 below.

Table 2: Principles and Criteria for FTT.

FTT PRINCIPLES DEFINED BY SWISS 'FAIR TRADE ON HOLIDAY' CAMPAIGN	FTT CRITERIA DEFINED BY THE INTERNATIONAL FTT NETWORK	FTT CRITERIA DEFINED BY FAIR TRADE IN TOURISM SOUTH AFRICA (FTTSA)
A fair exchange with my hosts matters a lot to me.	Fair Trade partnerships between tourism and hospitality investors and local communities.	Fair wages and working conditions.
My holiday should benefit the local population to the best extent possible.	Fair share of benefits for local stakeholders.	Fair operations and purchasing.
I make sure that I pay fair prices.	Fair trade between tourists and local people.	Fair distribution of benefits.
I appreciate the beauty of nature and respect the attractive landscape as the place where my hosts live and earn their livelihoods.	Fair and sustainable use of natural resources.	Respect for human rights, culture and environment.
I take time for my holidays.	Fair wages and working conditions.	Ethical business practice.
Sources: akte (2003); Kalisch (2001: 12); Seif (2003)		

The South African context, with its emphasis on post-apartheid transformation, provides particularly fertile ground for applying Fair Trade principles and practices to the tourism industry. It is not surprising, then, that FTTSA is at the forefront of efforts to implement

FTT practically, having developed the first destination-specific certification system based on quantifiable criteria. Tourism development stakeholders based in a number of other destinations, especially in southern Africa, have expressed an interest in replicating the FTTSA model, or alternatively in drawing upon FTTSA learning and experience to help widen the scope of existing eco-label schemes to include more social and economic criteria, most notably in Latin America where a strong network of ecotourism certification stakeholders has emerged (Honey, 2003).

2.3 Opportunities and threats

The foregoing discussion illustrates that FTTSA is facing a number of opportunities and threats, as summarized in Table 3 below. Certain threats like terrorism and economic recession are well beyond the control of FTTSA, while others can be more closely managed through effective communications and positioning, and efficient resource and knowledge management. On the other side of the score sheet, FTTSA is facing a number of opportunities deriving from the strategic environment. The manner in which FTTSA responds to these (and other) opportunities will depend largely on internal capacity as well as on further changes to this dynamic environment.

Table 3: FTTSA Opportunities and Threats

OPPORTUNITIES	THREATS
SA industry strongly focused on transformation issues following tourism BEE scorecard	BEE could crowd out other transformation-related initiatives like FTTSA
Growing emphasis globally on sustainability and corporate citizenship in tourism industry	The tourism industry could contract, either globally or in South Africa specifically
Growing interest globally in tourism certification – most systems to date lack social criteria	Corruption (assessors, product owners, certification panel members)
International tour operators increasingly under pressure to become more sustainable and to promote sustainability in destinations	Theft or loss of FTTSA intellectual property or specialist knowledge
Growth of responsible consumerism in Europe, North America and Pacific Rim	Competition from other initiatives could lead to brand confusion / brand dilution
Markets where 'Fair Trade' is well established e.g. Netherlands, Switzerland, Germany, UK and other European markets represent more than 50% of South Africa's annual overseas arrivals	Unfair / unethical companies could hijack Fair Trade in Tourism / FTTSA concept
More and more South Africans traveling domestically (new market/s)	The Tsunami disaster could divert international donor funding away from Africa (and specifically South Africa)
Interest in FTT / FTT certification in other southern African destinations – potential to expand FTTSA Trademark and create regional label (long term)	

3   FTTSA INNOVATION

3.1   Background

FTTSA was initiated in early 2001 by the South African Country Office of the IUCN-World Conservation Union, following a two-year pilot project that tested the relevance of global Fair Trade / FTT principles for the South African tourism industry. The pilot, known as the 'Fair Trade in Tourism Initiative' (FTTI), entailed extensive stakeholder consultation including a two-day national workshop held in May 2000 and the establishment of four community-based networks (northern Limpopo; Wild Coast, Cape Town and southern Drakensberg). The FTTI pilot was generously funded by the Swiss Agency for Development Cooperation (SDC), local grant-maker Interfund, and the national Community Public Private Partnership (CPPP) Programme.

The FTTI pilot mandated IUCN-South Africa to proceed with developing a country-specific certification system and establishing a new non-profit company to drive and sustain implementation over the longer-term. FTTI was transformed into Fair Trade in Tourism South Africa, or FTTSA, with a focus on 1) the technical aspects of certification (designing tools and procedures, training assessors, elaborating costs and benefits); and 2) generating basic awareness within the industry about Fair Trade, Fair Trade in Tourism and, in particular, FTTSA certification. Communications and awareness raising activities in turn provided a platform for identifying, attracting and acquiring clients, including community-based and other emerging tourism enterprises. This formative work was financed largely by international donors, most notably the British Department for International Development (DFID), Hivos, and the Swiss Berne Catholic Church Community.

Figure 1: (left) FTTSA Assessor Training Workshop, February 2003; (right) Indaba 2003.

The conclusion of FTTSA's developmental phase was marked by the registration of a new non-profit company in November 2004 (Company Number 2004/034455/08).[5]   This company operates independently of IUCN-South Africa, and may legally engage in a broad range of activities related to the field of sustainable tourism, including advocacy and

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[5] Pursuant to the requirements of the South African Companies Act, the seven founding members of FTTSA are: Xolile Caga; Saliem Fakir; Adrienne Harris; Percy Mkhosi; Miguel Misteli; Sheryl Ozinsky; and Jennifer Seif. FTTSA-certified establishments are not members, but rather clients of the company.

awareness raising aimed at a broad range of audiences; training and education; small business development and support; certification; marketing and communications; and research. FTTSA is a registered Non-Profit Organisation (NPO) and is awaiting its registration as a Public Benefit Organisation (PBO).

Table 4: Phased development of FTTSA over time

TIME-PERIOD	STATUS	KEY CHARACTERISTICS
End 1999 to mid-2002	Pilot phase (FTTI)	• Facilitated by IUCN-South Africa • Involved in international network facilitated by Tourism Concern • Focus on awareness raising & consultation • Mandate for future work • Loosely defined structure • Funded largely by Swiss donors and Interfund • Part-time Project Manager + 1 volunteer • Annual budget ~ ZAR 300,000
2002-2004	Developmental phase	• Facilitated by IUCN-South Africa • Improved strategic focus • Development & testing of certification tools & systems • Educating industry about Fair Trade & FTTSA certification • Key funders: DFID & Hivos • Donor funding used to leverage in-kind resources locally • First 4 certified enterprises in Oct 2003. • By end of 2004, 10 businesses had qualified for certification including 2 community-based enterprises. • Staff complement grows from 2 to 7+ • Annual budget grows to ~ ZAR R2,5 million
2005-2007	Expansion & company development phase	• FTTSA operating as an independent non-profit company with board of directors. • Expanded portfolio of certified products • Improved use of Information & Communications Technology (ICT) • New products and services • New types of partnership to generate revenue & bolster brand • Piloting of satellite office/s starting with Eastern Cape • NPO / PBO status used to diversify funding base • 7-10 staff members & annual budget of ~ ZAR 3,5 million

3.2 Rationale for an Independent Company

The rationale for separating FTTSA from IUCN-South Africa and for creating a new non-profit company was three-fold. Firstly, FTTSA needed to position itself more strongly as a local, South African initiative. Previously, while operating under the auspices of IUCN-South Africa (an inter-governmental organization with quasi-diplomatic status), FTTSA was not always able to satisfy local donor requirements and expectations. For example, IUCN-South Africa does not have a board of directors, which is a key feature of good corporate governance. The transformation of FTTSA into a non-profit company will thus strengthen corporate governance and transparency, while the company's new, official non-profit (NPO)

status will in time boost FTTSA's capacity to tap into local networks and to diversify its resource base, with a new emphasis on local sources of civil society and charitable funding from 2006 on.

Secondly, IUCN-South Africa recognized that a separate company would strengthen the credibility and independence of the FTTSA certification Trademark and the procedures that underlie it. This need to create an independent FTTSA was underscored by the fact that IUCN (both in South Africa and globally) is not an accepted certifying body.

Thirdly, the new non-profit company will serve as a vehicle for enabling the long-term sustainability of FTTSA. The company is currently tasked with consolidating FTTSA's achievements to date, and developing new products and services, new forms of partnership, and new revenue streams to enable expansion and future financial security. That FTTSA's core business activities are located well beyond IUCN's scope of served to strengthen the case for an independent organization.

3.3 Industry Overview (in brief)

3.3.1 TOURISM DEMAND

In the immediate post-apartheid era (1994-2000) the South African tourism industry experienced unprecedented growth and expansion, manifested in a compounded annual growth rate (CAGR) of 8 percent (South African Tourism, 2002: 6). Although growth rates began to slow from about 1998, South Africa captured additional international market share post September 11th, based on the country's ability to re-position itself as a comparatively 'safe' destination and due also to ZAR (Rand) depreciation against major currencies.

Currently South Africa is experiencing flat growth in international arrivals, due in part to ZAR appreciation. Total international arrivals to the country are steady at about 6,6 million per annum, resulting in direct spend of about ZAR 40 billion annually (South African Tourism, 2005). About 39 percent of these arrivals are deemed to be leisure travelers, which is low in comparison to competing destinations like Kenya, Australia and Thailand (DEAT, et al., 2004b: 11). A key goal for South African Tourism is thus to grow the proportion of leisure travelers to the country by diversifying the country's product offering, for example by facilitating the development and packaging of high quality, sophisticated and 'authentic' cultural tourism attractions and experiences (DEAT, et al., 2004a: 69; South African Tourism, 2005).

A fairly small group of countries comprise South Africa's top inbound markets, accounting for approximately 18 percent of arrivals and 40 percent of revenue: United Kingdom, Germany, Netherlands, France, Italy, Australia, United States and Canada (South African Tourism, 2002: 20). Other important source markets for South Africa outside of Africa are Switzerland, Belgium and India (South African Tourism, 2002: 20). That Fair Trade is a well established or rapidly growing concept in most of these markets bodes well for the implementation of Fair Trade in Tourism in South Africa.

More than half of South Africa's foreign arrivals derive from intra-regional travel, including labour migrants as well as often high-spending business and leisure travelers from throughout southern Africa (DEAT, 2004a). In addition to these traditional markets, South

African Tourism believes there is growth potential in a number of other markets, most notably the People's Republic of China, which in February 2003 awarded South Africa with Approved Destination Status (ADS), as well as Kenya, Nigeria, Egypt, Tanzania and Mauritius (South African Tourism, 2002: 20).

In contrast to many other developing countries in Africa and in other parts of the world, South Africa has a strong domestic tourism market, on par with the international market in terms of both size and value (South African Tourism, 2004: 3). Research indicates strong potential to grow domestic tourism (currently about 50 million trips valued at ZAR 50 billion per annum), which in turn will help spread the benefits of tourism more widely throughout the country while also combating seasonality and providing an 'insurance policy' against negative shocks to the external environment (South African Tourism, 2004: 3). The enormous potential to grow the domestic market is underscored by the realization that only about one-third of the total South African population can be defined as 'travellers', due in part to the legacies of apartheid, which constrained the mobility and leisure of black people in their own country (South African Tourism, 2004: 6). There are enormous opportunities for tourism suppliers to develop new products aimed at the domestic market, especially the black emerging market, defined as South Africans who travel but lack a strong culture of holiday travel. Black emerging tourists are according to South African Tourism (2005: 5) keen to travel but require more information, motivation and access to appropriate products and packages. Awareness raising and promotions aimed at certain groups of domestic consumers is thus critical to the long-term viability of FTTSA.

3.3.2 TOURISM SUPPLY

Tourism supply in South Africa has expanded dramatically since 1994. The country today boasts world-class leisure and business facilities, and a range of tourist attractions ranging from large-scale resorts and theme parks, to small-scale operations located in townships and rural communities. Nonetheless, research facilitated by government (DEAT, et al., 2004a, 2004b) indicates a number of supply-side gaps that are hindering destination growth and competitiveness and creating barriers to transformation of the industry, including:

- Lack of sufficient airlift capacity during peak seasons especially from UK and France;

- Lack of good quality, 'authentic' cultural tourism products and experiences;

- Lack of hotel capacity in the 2-3 star range;

- The inbound market is dominated by a handful of large inbound tour operators (ITOs), which constrains ability of small / new players to compete on price and volume;

- Small / new players lack source market knowledge, market linkages, and marketing skills and resources.

- Over-supply in certain sub-sectors e.g. game lodges

- Available pool of human resources is not sufficient to meet industry needs and is leading to high operating costs

- South African workforce is facing an HIV / AIDS pandemic, which has implications for training, skills development and productivity

The tourism distribution channel presents a number of challenges to transforming South African tourism. The channel is important for both package and independent travelers. Within source markets, travel agents and tour operators act as gatekeepers, able to exercise a strong influence over decision-making by end consumers (DEAT, et al., 2004a: 61). Attracting international tourists firstly to South Africa and secondly to specific tourist destinations within South Africa is thus highly dependent on developing business linkages within the travel channel. This is also true, albeit to a lesser extent, for the domestic tourism market. Although technology, in particular the widespread use of the Internet, is changing tourism distribution patterns and systems, the majority of inbound visitors to South Africa are likely to continue using traditional channels for bookings and advice, to avert risk and also to obtain good value for money (DEAT, et al., 2004a: 63). This suggests a need for practical mechanisms and strategies to integrate community-based and other emerging enterprises into travel packages and itineraries, which tour operators can sell-on to clients. The expansion of FTTSA will help to address this gap by providing assurances to travel organizations located in the channel, and by offering tour operators opportunities to combine co-branded community-based and mainstream products in a single package.

In addition to the gaps and constraints noted above, the tourism industry remains fragmented, not only along racial and spatial lines but also between and even within sub-sectors. This sense of division and opposition will likely be exacerbated by the forthcoming roll-out of the industry Black Economic Empowerment (BEE) balanced scorecard, due to lack of industry knowledge about BEE and, more particularly, an absence of concrete and widely available tools and models to facilitate internal and external transformation by the entire industry ranging from large corporations to family-owned businesses. While not BEE-specific, FTTSA criteria and procedures speak to key transformation issues pertaining to employment, business ownership and control, procurement, community investment and ownership.

3.4 FTTSA Target Market

FTTSA is an industry-wide initiative that plays a facilitating role, designed to integrate and advocate Fair Trade principles and practices within South African tourism, so that the benefits from tourism are more equitably distributed and, in turn, the industry is more sustainable. To achieve this, FTTSA seeks to influence and engage with both tourism supply and demand, as illustrated in Figure 2 below.

To date, FTTSA has focused mainly on the industry itself (and specifically on product owners as potential FTTSA clients), so as to establish a portfolio of products that can be promoted to the travel trade and/or to consumers, domestically as well as internationally. From mid-2005 FTTSA will more actively engage with the travel trade and develop new forms of partnership with inbound as well as outbound tour operators, as a means of raising brand awareness and delivering concrete benefits to clients. In 2005 FTTSA will also accelerate its communications with consumers, through advertising and media partnerships with industry and consumer magazines and other publications. Success in future will be defined by growth in awareness, support and usage across all three markets.

Figure 2: FTTSA Target Markets – medium-term goals and objectives

Product	Travel Trade	Consumer
USAGE	**SUPPORT**	**AWARENESS**
• Grow portfolio of FTTSA-certified products – target is 25 by end of 2005 and 35 by end of 2006. • Achieve good geographic spread of certified products • 25% of portfolio comprised of community-based or other emerging enterprises • 100% client retention rate	• Elicit support for FTTSA and FTTSA-certified products from targeted trade channels in South Africa and internationally • Form strategic partnership with at least one major inbound Tour Operator • Focus on independent outbound tour operators in key source markets	• Significantly raise brand profile through below the line marketing & focused advertising • Focus primarily on domestic consumers • Reach international consumers through channels and where possible targeted marketing with sister organizations

Figure 3: Actions and Tactics for Reaching Target Markets

| Product	Travel Trade	Consumer
USAGE	**SUPPORT**	**AWARENESS**
• Research to identify potential clients • Personal selling e.g. presentations & site visits • Own workshops and events • Participation in industry workshops and events • Direct mail & Newsletters • Via associations • Word of mouth • Free publicity and focused advertising • Internet	• Research to identify potential supporters • Trade shows e.g. Indaba • Free publicity in travel media (print and Internet) • Personal selling • Direct mail • Via FTTSA-certified products • Via partners in Europe and North America e.g. NGOs, Green Travel Market	• Via travel channels • Below the line marketing e.g. competitions • Via FTTSA-certified products • Via partners in Europe and North America • Internet • Publicity – SA and limited international • Focused advertising in SA • From 2006, consumer shows e.g. Reise Pavillon

3.5 Competitor Analysis

Within the South African tourism industry there exist a number of certification and membership initiatives that are potential competitors to FTTSA. Although FTTSA is not a membership body, it competes with other national organizations (e.g. the Southern African Tourism Services Association, or SATSA) to the extent that the private sector, especially small business, is often reluctant to affiliate to multiple bodies due to the costs involved. To differentiate and position itself within the industry, FTTSA has developed a unique value proposition based on the innovative and developmental nature of its certification programme as well as the market benefits associated with use of the FTTSA Trademark over the longer-term, as described in greater detail below.

In addition to membership bodies, a handful of certification-type programmes are on offer to the tourism private sector. The majority are fairly small, environmental rating and management schemes. Figure 4 below illustrates FTTSA's current market positioning in relation to the various certification / certification-type initiatives on offer.

Figure 4: FTTSA Market Positioning
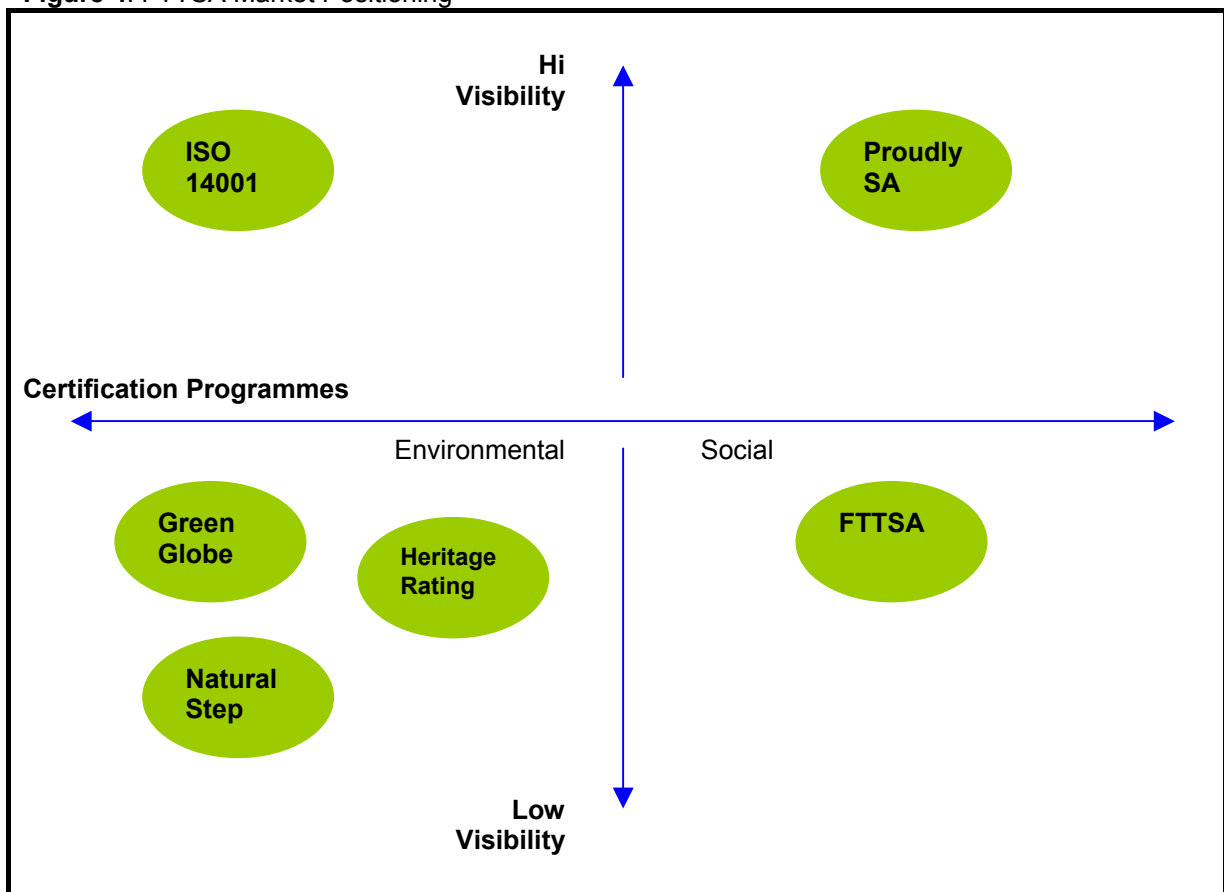
ISO and Natural Step are local offshoots of international quality assurance / quality promotion programmes, while the Heritage Environmental Rating Scheme is operated in southern Africa by a private consulting firm. The main benefits associated with environmental schemes revolve around cost-savings through analysis and reduction of resource inputs like water and electricity.

PSA is a type of import substitution initiative endorsed by government and organized labour, which offers members use of an attractive logo and runs high profile media campaigns. PSA members must comply with four basic criteria: i) local content; ii) fair labour practice; iii) quality; and iv) environment. PSA 'verifies' compliance with these criteria through a fairly loose process of self-declaration, self-evaluation and self-monitoring – in a nutshell, 'self-certification' (Proudly South African, 2001). This aspect of PSA is a function of its strategy, which is to 'certify' as many possible goods and services, from throughout the South African economy, as quickly as possible – which is in sharp contrast to the incremental approach adopted by FTTSA and the 'prestige' value of the FTTSA Trademark. Significantly, PSA has not made serious inroads into the tourism industry since its inception in October 2001, which could be attributed to the lack of a compelling value proposition for tourism suppliers.

The existence of so many 'labels' (and membership organizations) for tourism is engendering market confusion – and client fatigue. This situation is exacerbated by the fact that government and industry are strongly pushing the national tourism grading system, which is a conventional, voluntary quality assurance programme funded by government. This emphasis will continue until at least the 2010 Soccer World Cup and is likely to draw attention and resources away from smaller tourism certification schemes like FTTSA.

To position itself effectively within this context, and to grow its client base, FTTSA must manage a number of challenges, including: 1) The problem of building brand awareness with limited resources; 2) The need to minimize costs of certification especially for small and community-based enterprises; and 3) The need to create partnerships (synergy) with potential competitors, in particular the Tourism Grading Council, without losing identity and independence. These challenges are not unique to FTTSA, nor are they peculiar to South Africa as a destination. The extent to which FTTSA is able to meet these challenges will depend largely on:

- The organization's ability define and consolidate its niche within the industry;

- Its capacity to form win-win partnerships and synergies with key bodies like the Tourism Grading Council; and

- The extent to which FTTSA is able to grow and retain its client base on par with peers like Heritage, which has acquired about 40 hotel clients since 2001 (Heritage, 2005).

3.6 FTTSA Niche

FTTSA possesses a number of unique attributes that have enabled it to carve out a specific niche within the South African tourism industry. These attributes are summarized in Table 5 below.

Table 5: FTTSA Competitive Advantage

KEY ATTRIBUTE	ATTRACTIVE TO	ADVANTAGES
Non-profit status	Private sector, government, donors, media	• FTTSA able to attract good-will, support from key personalities, in-kind contributions, media coverage and other resources not available to for-profits • FTTSA able to form partnerships with the tourism private sector – not seen as a competitor to e.g. tour operators • FTTSA is the industry's leading NGO
FTTSA is global-facing: linked to FT / FTT networks and knowledge base	Clients and potential clients, government, media	• FTTSA positioned as local expert apropos global issues and debates • FTTSA can leverage off networks and contacts to facilitate linkages with international travel trade, media and consumer networks – to drive core business and support clients
FTTSA is South Africa-facing: linked to local debates and imperatives e.g. transformation of industry, BEE	Clients and potential clients, government, industry associations	• FTTSA seen as contributing to more enabling environment for community-based tourism and helping to implement other aspects of the 1996 White Paper • FTTSA provides incentives and practical framework for transformation by private sector • FTTSA emphasis on social standards strongly aligned to post-apartheid political and development imperatives – major strength versus traditional eco-certification programmes
Independent and rigourous assessment process	Clients and potential clients, tour operators and consumers	• FTTSA provides 'hard' assurances to tour operators looking to sell fair / responsible products to clients, and to consumers keen to travel more responsibly • FTTSA seen as highly credible • FTTSA seen as an expert organization • Key strength versus PSA and other membership programmes
Developmental nature of assessment and certification service	Clients and potential clients, donors, government, industry associations	• FTTSA positioned as a learning organization • FTTSA seen as a helpful group of experts • FTTSA enables applicants and clients to improve operations and boost compliance with labour and other legislation as well as with industry requirements • FTTSA offers clients more than use of a logo – especially valuable for small, emerging enterprises
Unique rights-based approach to empowerment and development	Labour, communities, donors, government	• FTTSA does not duplicate role of other supportive organizations – creates opportunities to partner rather than competition • FTTSA seen as leading champion of community-based tourism • FTTSA seen as champion of improved labour standards in tourism
Sources: Steyn and Newton (2004); Tholin (2004a)		

One of the main strengths of FTTSA is the rigour and independence of its assessment process. Research commissioned by IUCN-South Africa indicates that tourism industry stakeholders consistently point to the credibility, professionalism and integrity of the FTTSA Trademark (Steyn and Newton, 2004: 9-10; Tholin, 2004a). In contrast to the 'self-certification' offered by other ethical and responsible tourism initiatives, the FTTSA mark (like Fair Trade labels more generally) provides consumers, product owners, tour operators

and the industry in general with the assurance that a product complies with globally and nationally recognized standards of fair and sustainable tourism (Harris, 2003: 40). This feature of the FTTSA system as well as the unique content of the Trademark help to position the FTTSA relative to other initiatives on offer.

The developmental and advocacy role played by FTTSA creates a further niche for the organization. FTTSA is viewed by industry stakeholders as a helpful and accessible expert organization that empowers individuals and organizations through knowledge and information sharing, and through its unique rights-based approach to transformation and development (Steyn and Newton, 2004: 10-11). FTTSA will in future strengthen its advocacy role within the industry, to comment more regularly on such issues as the role and empowerment of women in tourism; broad-based Black Economic Empowerment (BEE); and Public Private Partnerships (PPPs). To some extent this advocacy role is fulfilled by FTTSA participation in key industry bodies and events, however a more active stance would strengthen FTTSA's niche and help to advance fair economic development within South Africa more widely. However improved advocacy requires stronger research and human capacity within FTTSA, so that empirically grounded opinion pieces and other publications can be disseminated strategically via the local media and other channels.

Box 1: Sample of local industry opinion on what it means to be certified with a FTT mark.

'.. . it affords a guarantee to potential tourists that the product they are using is genuinely concerned about its place in society and its effect on the people and the environment it is part of.' – Hog Hollow Country Lodge

'It means that you practice the correct way of operating your business that is fair to all involved and in accordance to the principles set by the Fair Trade in Tourism organization.' – Cape Town Tourism representative

'Fair working conditions, no exploitation of locals / culture / staff.' – African Frontiers

'Although many companies might employ Fair Trade practices, certification is a viable and credible recognition. The establishment should be proud to broadcast that it is a practitioner of Fair Trade, which has a positive contribution to the development of our community and our country.' – Bill Harrop's 'Original' Balloon Safaris

Source: Tholin (2004b)

4   FTTSA PRODUCTS AND SERVICES

4.1   Key Result Areas

FTTSA's mix of products and services contributes to six inter-dependent Key Result Areas (KRAs), which support FTTSA's Mission and Vision. The KRAs are illustrated in a Logical Framework, attached as Table 6 below. This framework provides a basis for the planning, implementation, monitoring and evaluation (M&E) of specific projects and activities. M&E information is collected on a monthly, quarterly, bi-annual and annual basis, either in-house or by external consultants. FTTSA staff use M&E data to manage, report on, and refine project implementation (Muthui and Seif, 2003; refer also to Section 5.8 below).

TABLE 6: FTTSA PROJECT PLANNING MATRIX (LOGICAL FRAMEWORK)

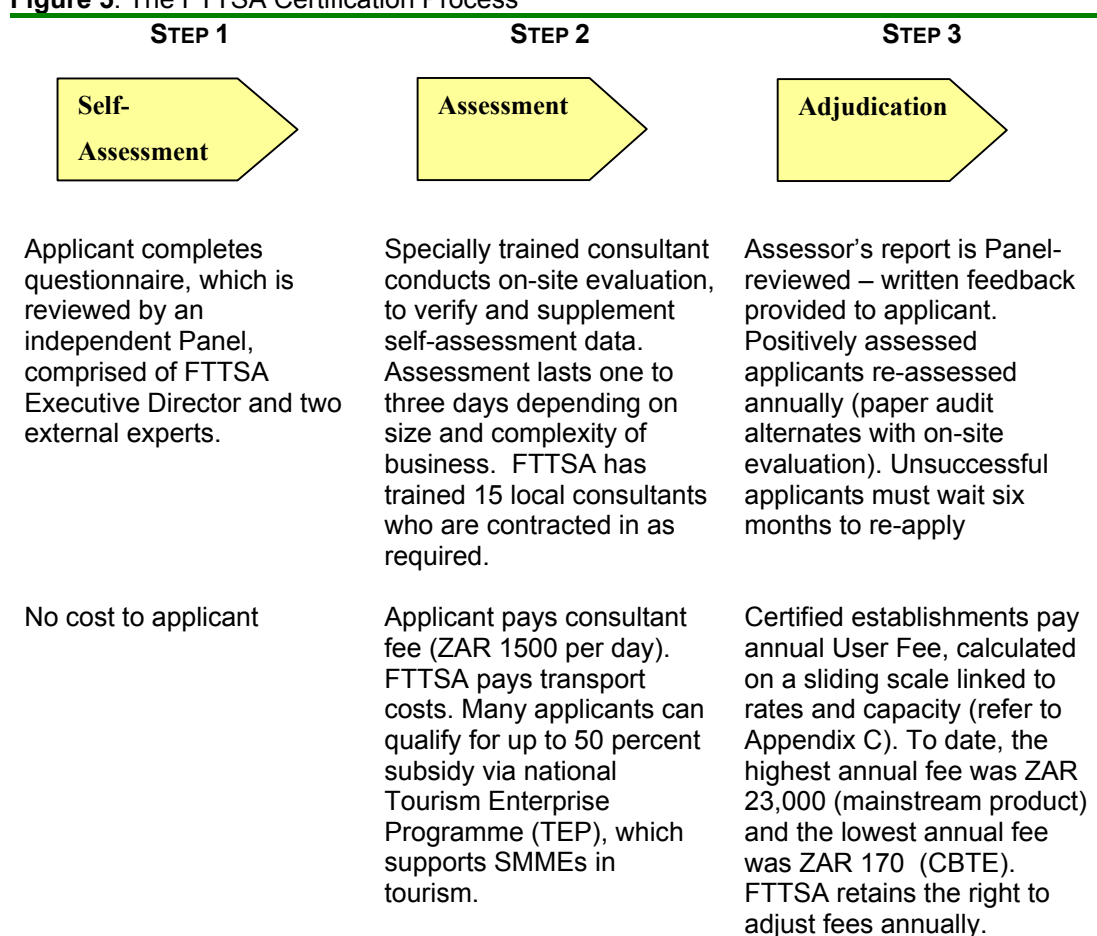|		INTERVENTION LOGIC	INDICATORS	MEANS OF VERIFICATION	RISKS AND ASSUMPTIONS
Project Goal		Benefits from tourism are equitably distributed and industry is more sustainable.	No. of practices promoted by FTTSA that can be demonstrated to reduce negative impacts of tourism on host populations and the natural environment; and that can be demonstrated to facilitate access to markets and resources	Impact assessment reports; reports of Inequality reduction analysis and threat reduction analysis	Critical factors: The gains associated with fairer market conditions are eroded by other factors, e.g. inflation, political instability. Assumption: Disadvantaged communities will be able to benefit from increased access to markets; that fair trade labelling will impact significantly on poverty reduction and wider sustainability of industry.
Project Purpose		The conditions necessary for the practice of Fair Trade in Tourism (FTT) are established.	The extent to which the tourism industry has been made fair as indicated by existence of supportive policy, the establishment of a new and sustainable institution, the growth of the FTTSA brand, the growth and no. of certified establishments; no. of viable new entrants and the no. of partnerships between "emerging" and "mainstream" businesses.	Project reports and documents	Risk - Competition from other initiatives could lead to brand confusion / brand dilution; tourism industry could contract. Assumption - That a new entity can be established and sustained.
Results	1	Target groups have improved awareness and understanding of FTTSA.	The extent to which tourism industry stakeholders are aware of and have accurate knowledge about FTTSA as indicated by growth in brand awareness; the no. of SA product owners and other industry players that know about FTTSA; the no. of hits on the FTTSA websites; the no. of requests for information; the no. of requests for presentations; the no of Trademark applications received; no of requests for partnership.	Reports of annual rapid assessment at Durban Tourism Indaba; media analysis and reports; traffic analysis reports; sales reports; TM Panel reports and minutes	Risk - Competition from other initiatives could lead to brand confusion / brand dilution. Assumption - That there is demand for FTTSA label and that this demand can be sustained. That a new brand can be created with limited resources and sustained. That industry and other bodies will want to partner with FTTSA.
	2	FTTSA has acquired and retained a diverse portfolio of clients for its certification services.	Growth in product acquisition as indicated by the total no. of products certified; the no. of emerging / community-based clients in relation to the total client base (proportion of total clients). The extent to which clients value the Trademark as indicated by no. of clients that re-apply for certification after 12 months; no. of clients that are re-certified; client satisfaction levels.	TM Panel reports and minutes; assessment reports; sales reports; reports of client satisfaction surveys; case studies.	Risk - The tourism industry could contract. Assumption: That there is demand for the FTTSA label; and that this demand can be sustained. That clients will continue to pay for FTTSA certification. That FTTSA can demonstrate and communicate the benefits of certification.
	3	The FTTSA Certification system is institutionalized.	The extent to which the FTTSA Trademark is being used and the extent to which the certification system is functioning effectively as indicated in client satisfaction levels, positive quality assurance assessments, absence of appeals by applicants and absence of negative consumer / industry feedback about clients. The extent to which FTTSA is known globally as a leader in certification as measured by the no. of requests for partnership, no. of requests for presentation, no. of mentions of FTTSA in research and other reports; no. of requests for FTTSA to participate in technical publications, conferences, workshops etc.	Trademark Panel records and reports; reports of client and applicant satisfaction surveys; no of requests for partnership; no. of requests for FTTSA to participate in events; no. of mentions of FTTSA in technical and other publications.	Risk – corruption, competition from other initiatives both in SA and globally. Assumptions - that businesses will pay for the certification process / use of the Trademark. That social standards will be emphasized more and more in certification programmes worldwide.
	4	FTTSA has contributed to the wider transformation and sustainability of the tourism industry.	The extent to which the industry values FTTSA as measured by the no. of requests for FTTSA to participate in industry initiatives and forums; demand for FTTSA products and services that speak to imperatives of Tourism White Paper; no. of mentions of FTTSA in external publications, review articles, media reports, technical reports, policies and so forth.	Records and reports of media and other coverage of FTTSA; records of meetings and events	Risk - Competition from other initiatives. FTTSA could be seen as a 'foreign' intervention. Assumption - That FTTSA can become the leading responsible tourism organization in SA.
	5	All projects and activities are effectively managed and monitored.	The extent to which projects and activities are operating within time-frames and budgets.	M&E reports; donor and financial reports	Risks - staff turnover; loss of funding; mis-management of funds.
	6	FTTSA is sustainable.	A new non profit company has been formed and the conditions for its operations and financial security are established.	Business plans, capacity assessment reports, funding proposals, financial statements, annual reports	Risk - State of non-profit sector in SA; competition from other initiatives. Assumption - A new entity will be feasible and can be sustained
Inputs		Financial resources, human resources, technical expertise, in-kind support			

4.2 Assessment and Certification Services

4.2.1 CURRENT STATUS

Historically, the main product offered by FTTSA has been assessment and certification services. The certification system is based on a rigorous assessment process culminating in an on-site evaluation of the applicant's business, conducted by a specially trained consultant.

Qualifying businesses are re-assessed every 12 months to maintain the credibility of the Trademark. The broad criteria for certification are: 1) Fair wages and working conditions; 2) Fair operations including purchasing; 3) Fair distribution of benefits; 4) Ethical business practice; and 5) Respect for human rights, culture and environment. Certification is voluntary and intentionally targets both established and emerging enterprises, so as to mainstream Fair Trade principles while also contributing to a more enabling environment for community-based and other emerging tourism enterprises. FTTSA actively targets select enterprises that are good candidates for certification, and the pool of potential applicants is constantly updated by research and referrals.

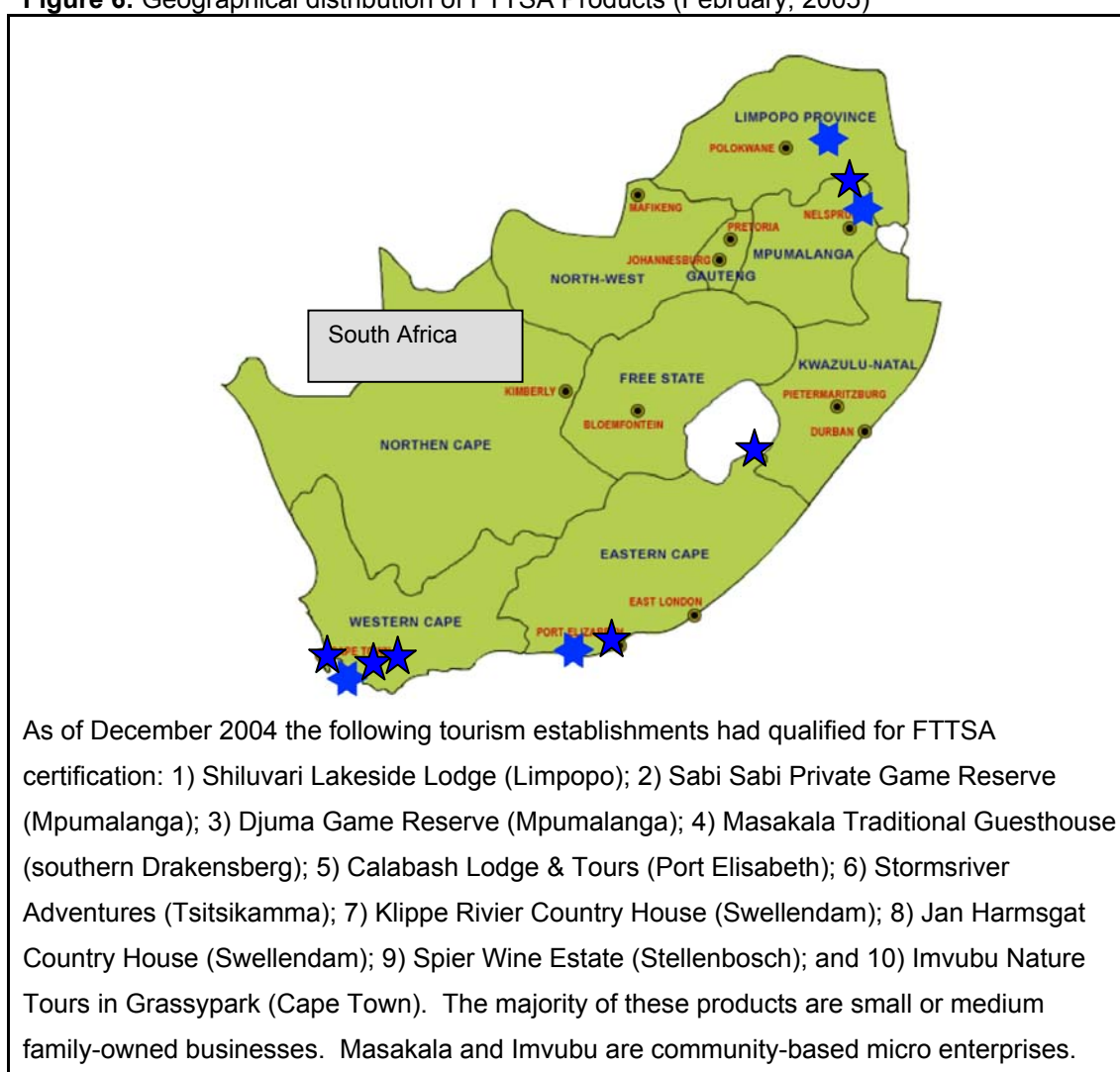**Figure 5**: The FTTSA Certification Process

STEP 1	STEP 2	STEP 3
Self-Assessment	Assessment	Adjudication
Applicant completes questionnaire, which is reviewed by an independent Panel, comprised of FTTSA Executive Director and two external experts.	Specially trained consultant conducts on-site evaluation, to verify and supplement self-assessment data. Assessment lasts one to three days depending on size and complexity of business. FTTSA has trained 15 local consultants who are contracted in as required.	Assessor's report is Panel-reviewed – written feedback provided to applicant. Positively assessed applicants re-assessed annually (paper audit alternates with on-site evaluation). Unsuccessful applicants must wait six months to re-apply
No cost to applicant	Applicant pays consultant fee (ZAR 1500 per day). FTTSA pays transport costs. Many applicants can qualify for up to 50 percent subsidy via national Tourism Enterprise Programme (TEP), which supports SMMEs in tourism.	Certified establishments pay annual User Fee, calculated on a sliding scale linked to rates and capacity (refer to Appendix C). To date, the highest annual fee was ZAR 23,000 (mainstream product) and the lowest annual fee was ZAR 170 (CBTE). FTTSA retains the right to adjust fees annually.

Source: Seif and Gordon (2003); http://www.fairtourismsa.org.za

Enterprises that qualify for certification sign an annual Use Agreement with FTTSA enabling them to use the FTTSA Trademark (brand) as a marketing and quality assurance tool. As illustrated by the logic contained in Table 6 above, brand growth and positioning contributes to the expansion of the FTTSA product portfolio, and vice versa.

FTTSA began certifying tourism enterprises in October 2003, when the first four 'Trademark Users' were announced. To date, another six enterprises have qualified for the Trademark, and four have been re-certified according to FTTSA's rules. Of these, two (20 percent) are community-based tourism enterprises (CBTEs). CBTEs as well as small businesses more widely benefit strongly from affiliating to FTTSA, which conveys new and cost-effective branding, marketing and industry positioning opportunities as well as access to a range of capacity building activities (refer to case studies, Appendix B).

Figure 6: Geographical distribution of FTTSA Products (February, 2005)

As of December 2004 the following tourism establishments had qualified for FTTSA certification: 1) Shiluvari Lakeside Lodge (Limpopo); 2) Sabi Sabi Private Game Reserve (Mpumalanga); 3) Djuma Game Reserve (Mpumalanga); 4) Masakala Traditional Guesthouse (southern Drakensberg); 5) Calabash Lodge & Tours (Port Elisabeth); 6) Stormsriver Adventures (Tsitsikamma); 7) Klippe Rivier Country House (Swellendam); 8) Jan Harmsgat Country House (Swellendam); 9) Spier Wine Estate (Stellenbosch); and 10) Imvubu Nature Tours in Grassypark (Cape Town). The majority of these products are small or medium family-owned businesses. Masakala and Imvubu are community-based micro enterprises.

4.2.2 BENEFITS AND COSTS OF CERTIFICATION

In mid-2004, FTTSA performed a number of client and stakeholder surveys to determine ways in which the certification system could be improved, and to obtain a better

understanding of how and why clients value their affiliation to FTTSA. This research provided a useful and timely opportunity to test its initial hypothesis that FTTSA would attract and retain clients based primarily on the market benefit/s associated with certification. Interestingly, the research findings indicated that in practice, market benefit is not as strongly associated with FTTSA certification as initially assumed, neither in terms of what Trademark Users want (Tholin, 2004a) nor in terms of where key industry stakeholders including the Department of Environmental Affairs and Tourism (DEAT) and the Tourism Business Council of South Africa (TBCSA) believe the longer term impacts of FTTSA are likely to lie (Steyn and Newton, 2004).

Rather, the main benefits to certified establishments appear to revolve around knowledge and empowerment through such activities as information sharing, networking and benchmarking. More widely, FTTSA is seen to be creating space and opportunity in the industry for entrepreneurs and employees to take risk and initiative, for example by insisting on 'Fair Trade' procurement and community investment (Steyn and Newton, 2004: 10). FTTSA itself is realistic about the market at this stage, but believes that demand for fair travel will grow over the long term, and that in the meantime certification will enable FTTSA Trademark Users to access niche markets, no matter how small.

This last feature of FTTSA certification is especially salient to community-based and other emerging tourism enterprises, which generally struggle to find and sustain entry points into industry. The likely positive impact of FTTSA on demand for community tourism is validated by a recent Pro-Poor Tourism (PPT) survey of UK independent tour operators active in South Africa: Tour operators interviewed concurred that consumer take-up of community tourism will likely improve with expanded use of the FTTSA logo (Jackson, et al., 2004: 3).

A major concern globally about certification in all sectors including agriculture and forestry products is that the associated costs create barriers to market entry, particularly for small-scale producers and community-based ventures (Vorley, et al., 2002). As illustrated in Figure 5 above, there are two types of cost associated with FTTSA certification: assessment costs and certification or 'user' fees. In principle, assessment costs are payable by clients, although FTTSA has to date borne a significant proportion of the 'real' costs, in an attempt to kick-start the process. In addition, assessment fees are currently subsidized both by the independent assessors themselves, who work at discounted rates, and by the South African Tourism Enterprise Programme (TEP), which may co-finance assessment costs up to 50 percent for TEP-registered SMMEs. To date, 10 out of 20 assessments (50 percent) facilitated by FTTSA have been subsidized by TEP, which renders certification more attractive to smaller businesses.

Based on the above, FTTSA clients perceive the assessment as a valuable learning and organizational development tool, and as good value for money (Tholin, 2004a). However a capacity analysis conducted by FTTSA points to various weaknesses in the existing system that are impacting negatively on data collection and analysis, and also creating high transaction costs for FTTSA (Seif, 2004). To some extent these weaknesses can be attributed to the 'low cost' nature of the assessment service (i.e. the consultants do not prioritize report writing as it is not well paid). For this and other reasons, FTTSA proposes a number of changes to the assessment system, as discussed below.

Regarding the annual user fees collected from clients, FTTSA has developed a differentiated fee structure, so that fees do not create undue hardship for small, emerging businesses. FTTSA user fees are calculated on a sliding scale based on the size of the company and its public rates (rack rates). This system ensures that larger, more established clients pay more than their smaller, less established peers. This formula has worked well to date for accommodation-based products, but less well for activity-based products. FTTSA will from 2005-on introduce additional formulas for calculating annual fees, for example for touring products, in response to client demand.

4.2.3   CHANGE REQUIREMENTS

At the end of 2004, FTTSA undertook a capacity analysis of its assessment and certification services, which noted a number of systemic and organizational weaknesses in the current system (Seif, 2004).

Firstly, the capacity analysis attributed the slow rate of product acquisition recorded over the past fourteen months to a number of factors, including: lack of awareness and understanding amongst potential clients; lack of time and/or skills required to complete questionnaire; lack of industry compliance with labour legislation and other basic requirements e.g. insurance or permits; and the generally slow process of translating individual / business awareness into action. In addition, the seasonal nature of the tourism industry tends to constrain FTTSA's product acquisition activities during peaks in the tourist calendar. To accelerate product acquisition, FTTSA must develop auxiliary products and services aimed at prospective and existing clients, which can empower business owners and managers with the knowledge, confidence and capacity required to attain (and maintain) FTTSA-certified status. Examples of such auxiliary products would include checklists, manuals, a help-desk type facility for applicants, and possibly pre-questionnaire training workshops targeting potential clients.

The extent to which FTTSA should offer training to applicants – either on how to complete the questionnaire or how to meet FTTSA criteria – must still be determined. FTTSA obviously has a stake in capacitating emerging product owners, to grow its future client base but also as a means of contributing to wider transformation of the industry (KRA 4). Arguably, a structured training programme designed to achieve certain milestones within the business environment (e.g. compliance with basic labour legislation; development of workplace policies; review of insurances and licenses; development of a training plan for staff) would help to accelerate product acquisition rates, particularly amongst emerging product owners, suggesting that FTTSA should pursue this avenue further. Indeed, FTTSA has learned from experience that community-based enterprises and other community stakeholders value and respond positively to activities that can enable them to better grasp and act upon opportunities like FTTSA certification. Such support activities typically take the form of educational workshops, site visits, exchange visits and short-term consultancies.

However, FTTSA must be careful not to compromise its independence (i.e. by acting as both coach and referee), given that independence and objectivity are critical to any certification body. Accordingly, out-sourcing of pre- and even post-assessment training interventions may ultimately be the way forward for FTTSA. Another option, provided demand for training is sufficient, would be to establish a separate or quasi-independent entity to act as FTTSA's training 'wing'.

Secondly, the capacity analysis found that FTTSA must make the application process user-friendlier. This will entail not only revisiting the self-audit questionnaire but also, and more importantly, developing an integrated electronic data management system to expedite the submission, verification and analysis of client data. FTTSA's goal is to link the various questionnaires and reports to a single database. This system will initially be developed in Excel format, however FTTSA ultimately envisages a web-based system where applicants and re-applicants are able to enter and verify data and receive feedback online.

Thirdly, the capacity assessment recommended that FTTSA internalize its assessment function, which up until now has been out-sourced to independent consultants as required. This recommendation is based on an analysis of current assessor performance and the strengths, weaknesses and costs of out-sourcing, as illustrated in Table 7 below. The capacity analysis determined that by bringing the assessment function in-house, FTTSA would 1) improve data collection and analysis capacity; 2) reduce transaction costs; 3) recover a greater proportion of the real costs of certification from clients; and 4) generate a new revenue stream through payment of assessment fees directly to FTTSA.

Table 7: Advantages and Disadvantages of the Independent Assessor System

ADVANTAGES	DISADVANTAGES
Independence of assessment is enhanced	FTTSA not able to guarantee quality / timely submission of assessment data
Assessors become FTTSA ambassadors	FTTSA bears costs of training and re-training assessors
Assessment fees are distributed widely	FTTSA does not retain assessment fees
	Most assessors are busy with own consulting businesses – often not available to conduct FTTSA business when called upon
	Third party creates additional transaction and administration costs – very time intensive. May require hiring of additional administration personnel as number of assessment increases over time.
	Some consultants drop out due to other commitments, which means new assessors must be recruited and trained

The recommendation to internalize the assessment function was approved by the FTTSA board in January 2005, and FTTSA will as soon as finances allow appoint a dedicated Certification Manager who will be responsible for performing assessments, coordinating quality assurance activities, and refining tools and procedures. According to FTTSA's calculations, this post will become self-financing after three years, which means that the assessment and certification component of FTTSA's business (KRA 3) will in time become sustainable (Seif, 2004).

Table 8: Funding of new position over time

	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Donor finance	75%	50%	75%	0%
Self-finance - via assessment fees collected	25%	50%	25%	100%
	100%	100%	100%	100%

In summary, the expansion of the FTTSA certification (Trademark) programme requires changes to internal systems, the development of auxiliary products and services, as well as the appointment of new staff. FTTSA is confident that it will be able to effect these proposed changes, to create a sound platform for sustaining the assessment and certification services over time and for extending the benefits of FTTSA certification to a growing proportion of small and emerging tourism businesses including CBTEs.

Table 9: Required actions to improve assessment and certification services

INTERVENTION	FINANCIAL YEAR		
	2005	2006	2007
INTERNALIZE ASSESSMENT FUNCTION	Appoint & train certification manager	Develop business plan for profit centre	Implement business plan
DEVELOP AUXILIARY PRODUCTS AND SERVICES TO SUPPORT APPLICANTS	Develop and disseminate checklists and case studies	Feasibility study for pre-assessment training i.e. workshops, manuals, help-desk. Develop financial model and fund-raise.	Implement training programme in partnership with accredited service provider
UPGRADE INTERNAL SYSTEMS AND TOOLS TO CREATE INTEGRATED, USER-FRIENDLY SCHEME	Retool panel scorecard, assessor report and SAQ in Excel format Develop user fee formulas for additional industry segments Develop draft FTTSA standard/s	Test and refine tools and standards Explore accreditation options e.g. ISO 65	Develop online database to expedite data collection, analysis & verification Publish FTTSA standard/s Feasibility study for expansion of FTTSA to neighbouring destinations

4.3 Enterprise Support Services

4.3.1 DEVELOPMENT FACILITATION AND SUPPORT

The FTTI pilot project (1999-2000) provided direct support to a fixed pool of small-scale tourism enterprises, grouped within various networks around South Africa. This support ranged from infrastructure and new product development, to training, to the actual marketing of community-based tourism ventures. This very broad approach proved difficult and expensive to manage, and was ultimately abandoned in favour of a more centralized structure and approach when FTTSA was constituted in 2001.

Subsequently, FTTSA has assumed the role of a development facilitator or matchmaker, providing a spectrum of direct and indirect support to clients and prospective clients. The most direct and active forms of support are aimed at community-based tourism ventures and other emerging tourism enterprises, which are key beneficiaries of FTTSA that often lack operational capacity and may need help to complete the assessment and certification process. For this client segment, FTTSA also offers product and organizational development

support as well as marketing support, for instance the facilitation of media familiarization trips.

That a good deal of this support is 'intangible' is a function of FTTSA's approach to empowerment through knowledge and facilitation. FTTSA support to clients and potential clients typically takes the form of information dissemination; referrals and advice; and the facilitation of networking, exchange, capacity building and other forms of organizational and market development. To some extent, these emphases derive from FTTSA's limited human and financial capacity and its centralized operations, which preclude extensive fieldwork or field operations. At the same time, however, FTTSA has self-consciously positioned itself in this fashion to avoid competition with other organizations operating at grassroots level. By playing a facilitating role, FTTSA has established itself as a complementary rather than a competing source of development support for communities and emerging tourism entrepreneurs.

Whereas these aspects of FTTSA add definite value to particular tourism enterprises, and to the industry more widely, FTTSA's focus on empowerment through learning, networking and exchange, as well as its centralized operations, is constraining FTTSA's capacity to impact on poverty and livelihoods (Steyn and Newton, 2004). This observation has led FTTSA to re-think the extent to which it should decentralize is operations, as a means of deepening stakeholder and client relations and of spreading the benefits of FTTSA certification more widely. Based on this analysis, FTTSA will in 2005 establish a pilot satellite office in East London (Eastern Cape), in partnership with the Eastern Cape Tourism Board (ECTB) and New Zealand Volunteer Services Abroad (VSA). The objectives of the pilot office are three-fold: 1) To explore the extent to which an organization like FTTSA is able to add value to local and regional tourism development initiatives; 2) To test the hypothesis that a stronger, local presence will create future demand for FTTSA certification in the Eastern Cape (core business); and 3) To develop a financial model for the further development of satellite offices in other parts of South Africa. It is envisaged that FTTSA's East London office will develop its own business plan to elaborate the mix of products and services that FTTSA could offer locally.

4.3.2   THE QUESTION OF TRAINING

Training and other forms of skills development are critical to transforming the South African tourism industry, and to improving destination competitiveness. As a knowledge and learning organization, FTTSA should play a role not only in incentivizing skills development (a pre-condition for certification) but also in facilitating specific training interventions for clients and other stakeholders. Such interventions must complement existing training offerings and be managed in a way that does not detract from FTTSA's core business.

The term 'training' is commonly used to refer a range of interventions, ranging from formal, accredited learning to on-the-job training and other forms of vocational instruction. 'Training' also encompasses coaching, mentoring and other types of formal and informal capacity building.

Over the past year, FTTSA has developed an informal training workshop programme, targeting staff employed at FTTSA-certified establishments. These awareness workshops

are offered to clients as part of the certification fee and are intended to stimulate internal marketing and communications. Based on client feedback and continued demand, FTTSA will in 2005 develop high quality educational materials that can be used to train staff and community-based stakeholders about the concepts of Fair Trade in Tourism and sustainable tourism, and the roles of individuals, communities and businesses in achieving fairness and sustainability in tourism. These professionally developed materials will be integrated into flexible training kits that can be sold to clients as well as non-clients. In addition, this exercise will provide a basis for further materials development e.g. for use in schools.

In 2005 FTTSA will also activate a new partnership with the Centre for Corporate Citizenship (CCC) at the University of South Africa (UNISA). This partnership is to co-develop accredited, credit-bearing educational products in the form of co-branded workshops and short courses. The first two-day workshop on sustainable tourism will be offered from mid-2005, on a profit-sharing basis. The workshop is aimed at owners and managers of tourism businesses, public sector officials, consultants and other tourism practitioners. FTTSA and UNISA will in turn develop an advanced three-day workshop (2006) and a certificate programme in sustainable tourism (2007-08), all of which will generate revenue and market exposure for FTTSA. A similar partnership may be possible with UNISA or another institution, for example the Teacher Training College at the University of Pretoria, to co-develop formal teacher training, given that responsible tourism is now part of the commercial subjects curriculum for secondary schools in South Africa.

Table 10: Proposed Rollout of Training Products (2005-2007)

ACTIVITY	FINANCIAL YEAR		
	2005	2006	2007
IMPROVED TRAINING WORKSHOPS FOR STAFF, COMMUNITIES AND OTHER AUDIENCES	Develop high quality, flexible training toolkit – produce 500 copies for use by FTTSA staff and for sale to other users	Refine toolkit Feasibility study for development of toolkits for use in schools and/or teacher training programmes	Further development of training kits
DEVELOPMENT OF TERTIARY EDUCATION PRODUCTS	Two-day workshop offered in partnership with UNISA	Addition of advanced three-day workshop to UNISA offering	Development of Certificate programme in Sustainable Tourism with UNISA

4.3.3   ACCESS TO FINANCE

Access to finance remains a serious problem in South Africa, especially for the poor but also for entrepreneurs looking to borrow relatively small amounts of capital. Whereas initiatives exist to assist entrepreneurs to access loans of ZAR 50,000 or more, smaller loans tend to be seen as risky and difficult to secure and are thus not attractive to commercial lenders. That tourism is seen to be an especially risky sector only exacerbates the dilemma facing small-scale tourism enterprises.

The micro-lending sector in South Africa is fairly well established and subject to regulation through the Micro Finance Regulatory Council (MFRC). A number of NGOs operate in this

sector, usually in specific regions and/or sectors. There are currently no NGOs operating in the tourism industry, per se. This suggests an opportunity for an organization like FTTSA to develop micro-finance / poverty-lending products aimed specifically at tourism businesses. This opportunity should be pursued in partnership with a commercial bank, which would provide capacity in terms of assessing, administering and monitoring loans or other products like transaction accounts (e.g. to manage insurance payments). Ideally, FTTSA will be able to offer its clients preferential access to certain financial services, which will drive core business while also contributing to the aims and objectives of the *Tourism White Paper* (KRA 4).

FTTSA has been prompted by experience in other 'Fair Trade' sectors (e.g. coffee) to investigate the possibility of developing new mechanism/s to improve access to finance for tourism SMMEs in South Africa, including but not limited to community-based tourism enterprises (CBTEs). Such new mechanisms would be linked to FTTSA's ongoing work of facilitating improved business linkages between CBTEs and international as well as South African inbound tour operators, i.e. to use these linkages as a basis for making and paying back low interest loans (commercial loans or loans made via a new Fund – to be determined). FTTSA plans to complete research in 2005 that will scope the sector and provide guidance on future products including pricing, payback mechanisms, funding criteria, ancillary services and institutional arrangements. This research will inform a pilot project to be implemented in 2006.

4.4 Marketing and Communications

4.4.1 HISTORY AND CURRENT STATUS

To date, FTTSA's marketing and communications activities have been designed to support the core business of acquiring, certifying and retaining clients. Marketing activities help to create demand for certification, firstly by raising brand awareness within the industry, and secondly by indirectly supporting clients through, for example: 1) showcasing on FTTSA website; 2) facilitating media exposure; and 3) enabling clients to create linkages with international and domestic tour operators keen to support FTTSA and FTTSA-certified products. FTTSA's marketing activities also provide bottom-line benefits to clients, by facilitating business linkages to new tour operators and showcasing products to the domestic market.

In carrying out these activities, FTTSA does not act as a marketing service or agency for its clients. Rather, certified establishments benefit from their affiliation to the FTTSA brand. Small, emerging product owners seem to benefit most strongly from this affiliation, given that they generally lack presence in the industry. For this group of beneficiaries especially, FTTSA provides a critical entry point into an increasingly crowded marketplace.

In further developing its marketing and communications portfolio of work, FTTSA must address a number of challenges: 1) How to recover a greater proportion of marketing costs from clients; 2) How to convert marketing from a revenue-consumer into a revenue-generator; and 3) How to measure and optimize growing brand equity. Ideally, the FTTSA Marketing Unit should operate as a profit centre, increasingly able to sustain itself through sponsorships, cause related marketing partnerships, fund-raising events, cost-sharing with

clients, the selling of advertising space in FTTSA publications, in-kind contributions and even consultancy fees. Fixed costs including salaries would continue to be allocated to the profit centre via a central budget, however the proportion of total funding that derives from donor finance must ultimately decrease over time.

4.4.2   CHANGE REQUIREMENTS

In order to realize this vision, two specific changes must occur. Firstly, FTTSA must accelerate its product acquisition rate and assemble a diverse, critical mass of clients (~25) that can be used to attract sponsors, tourism suppliers, tour operators and other potential partners. Secondly, FTTSA must begin to think of its brand and brand image as assets (albeit immature ones) capable of leveraging new forms of partnership and mobilizing new resources. Marketing activities should wherever possible seek to enhance the value of these assets, for instance by leveraging off global Fair Trade brand equity and by co-branding with reputable partners within the tourism economy broadly defined (tourism + financial services, tele-communications etc.). To achieve this FTTSA must develop a creative and flexible partnership policy to guide and optimize its interactions with business, government and civil society. Further, FTTSA must find ways of measuring the value of its brand and the added value it is able to convey to clients, sponsors, media partners, commercial partners and other stakeholders.

Box 1: FTTSA Brand Awareness, 2004-5 (Source: Tholin, 2004b; de Lijser, 2005)

In April 2004 and 2005, FTTSA conducted a survey to assess brand awareness amongst the South African tourism industry. The survey was distributed as an electronic mail shot just before the annual Tourism Indaba trade fair, which takes place every May. The target group was the listed Indaba exhibitors from South Africa (1200 in 2004; and 1066 in 2005). Unfortunately some exhibitors did not receive the survey due to Spam protection. The response rate was 16% in 2004 and 11,7% in 2005.

This research shows that FTTSA brand recognition is growing. In 2004, 26% of respondents recognized a visual representation of the FTTSA Trademark (left). This figure increased to 49,1% in 2005.

Of the respondents who knew the Trademark, about 70% indicated they know what the Trademark stands for. This figure was the same in both years. Many respondents also wrote down a brief explanation, which in most cases was accurate. Key words used to describe the mark were: integrity, professionalism, quality, transparency, equality and credibility.

In 2004, 40% of total respondents had heard previously about FTTSA as an organization. This figure rose to 51,7% in 2005. Interestingly, some respondents visually recognized the Trademark but had not heard of FTTSA. Most of these people belonged to the group that could not explain what the Trademark stands for.
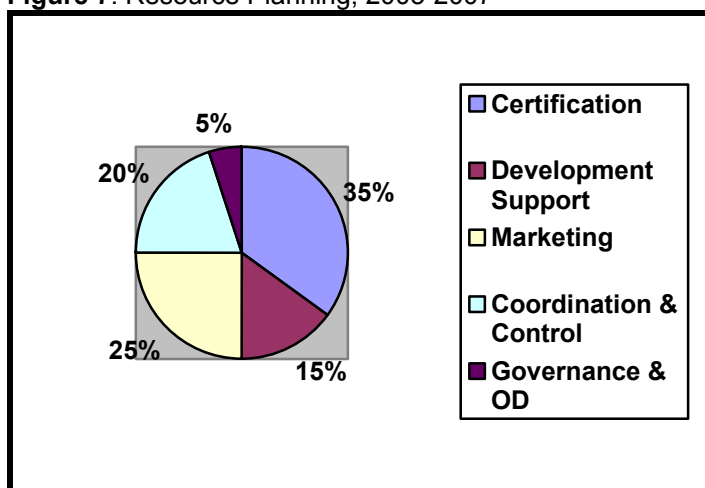
4.5 Resource Planning

The foregoing discussion has elaborated a number of strategic actions and change requirements that FTTSA must effect in order to extend the benefits of FTTSA certification and related services as widely as possible. These actions and changes will be phased in over the next three years, so that organizational capacity increases in relation to the proposed expanded market offering.

To grow the organization over the next three years, FTTSA will continue to mobilize a wide range of financial and non-financial resources, ranging from donor finance, to own-income, to in-kind contributions by the private sector. Over this period, resources will be allocated to five cost/profit centres, as illustrated in Figure 7 below: 1) Project Management; 2) Certification; 3) Marketing; 4) Development Support; and 5) Governance and Organizational Development. The figure illustrates FTTSA's focus on core business (certification) supported by marketing and communications. As core business is strengthened, FTTSA will be able to focus more on development support / special projects, as illustrated in Figure 8.

Figure 7: Resource Planning, 2005-2007

Figure 8: Resource Planning, 2008-2010
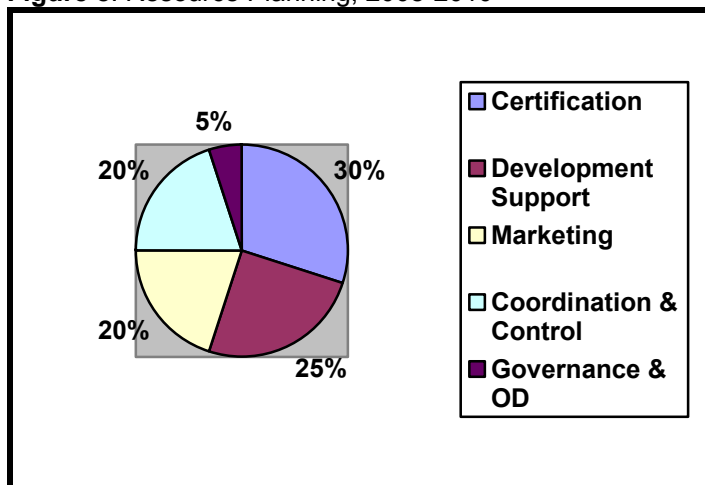
Table 11: Anticipated Evolution of FTTSA Products and Services

| 2003	2004	2005	2006	2007
Certification	Certification	Certification	Certification	Certification
	Assessment services out-sourced to consultants	FTTSA offers assessment services directly (retain fees & learning)	Assessment services	Assessment services
Collective marketing	Collective marketing – donor-funded	Collective marketing – improved cost sharing with clients	Collective marketing – improved cost sharing	Collective marketing – cost sharing
	Staff training (clients only) – donor financed	Staff training (clients only) – combination of donor and user financing	Expanded forms of training on cost recovery basis	Expanded forms of training on cost recovery basis
		2-day training workshop with UNISA	Expanded workshop offering with UNISA	Expanded offering with UNISA
		Micro-finance (feasibility and pilot)	Micro-finance – expanded project	New micro-finance products
				Social enterprise link to core business (feasibility)

5   ORGANISATIONAL ANALYSIS

5.1   Management Team

FTTSA's Executive Director (Jennifer Seif) has more than five years experience in the South African tourism industry, and has led FTTSA since July 2001. Ms. Seif has excellent planning, coordination and resource mobilization skills, and she holds a number of tertiary qualifications in economics, history, social anthropology and business management. She is currently completing a Ph.D. in Tourism Management at the University of Pretoria, and sits on a number of industry boards and forums.

The Executive Director is supported by a senior Marketing Manager (Lindsay Daniller) who has more than 20 years of experience working in the tourism industry. Also reporting to the Executive Director is a Development Officer (Tatia Currie), who is fairly new to tourism but brings to FTTSA knowledge and experience of small business development and sustainability.

The management team is supported by a highly capable Project Administrator (Christa van Zyl) who acts as the Board Secretary and is also responsible for day-to-day financial, personnel and office administration. Mrs. Van Zyl has been with FTTSA for nearly three years and worked previously for DEAT. The entire management team is comprised of women.

Figure 9: FTTSA – Current Structure
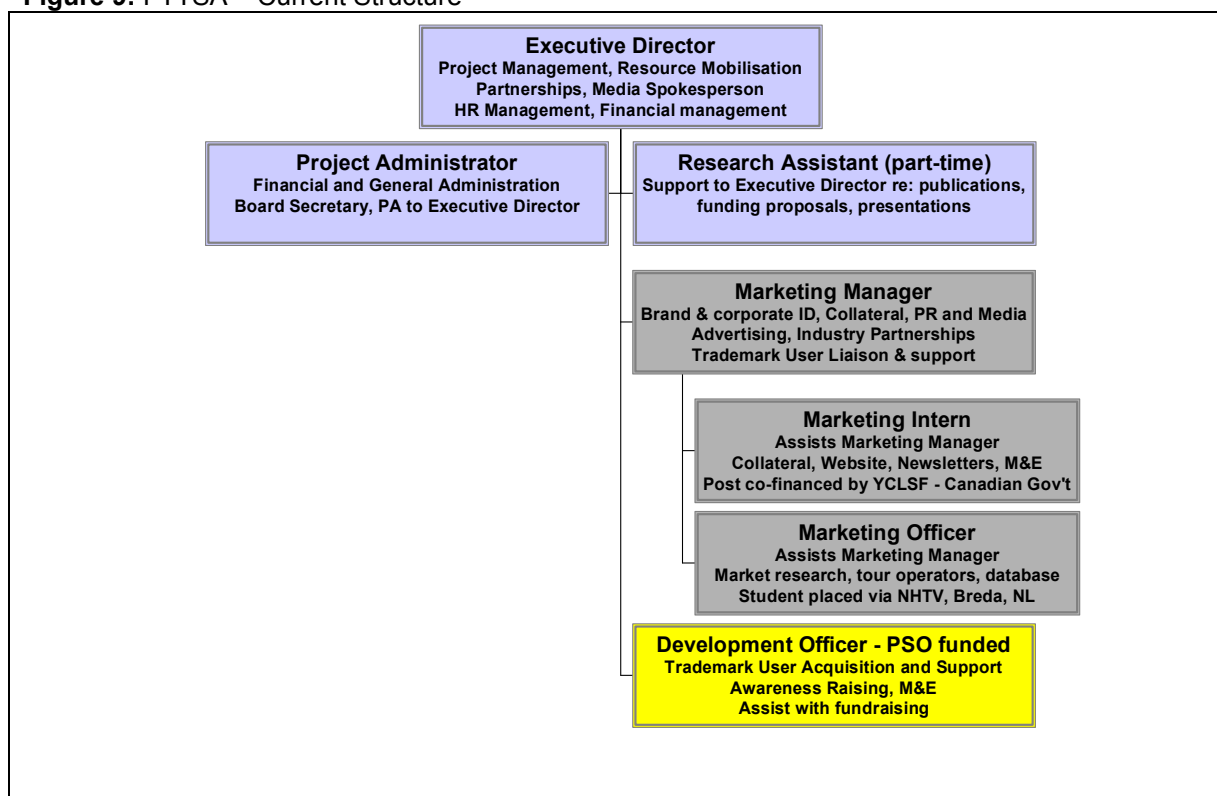
5.2 Organisational Structure

FTTSA's current structure is illustrated in Figure 9 above. Staff are clustered into three main units: 1) Project Management; 2) Marketing; and 3) Development. Internal communications and teamwork are facilitated formally as well as informally. In addition to monthly management meetings, all staff participate in weekly status meetings and quarterly operational planning sessions. While the current system is functioning effectively, FTTSA requires additional human capacity to meet its operational goals and objectives.

5.3 Human Resource Change Requirements

5.3.1 NEW POSTS

In order to achieve the vision and objectives described above, FTTSA must increase its human resources. FTTSA will in 2005 create, grade, advertise and fill two new posts:

1. Certification Manager (senior post, approximately Grade 11)
2. Fieldworker, based in East London satellite office (approximately Grade 7)

The Fieldworker will be supported by a technical expert from New Zealand, appointed and funded by Volunteer Services Abroad (VSA) for a two-year period. These appointments will bring the total staff complement to ten staff, as illustrated in Figure 9 below.

In addition, FTTSA will in 2006 upgrade the Research Assistant position to a full-time post, to boost its advocacy and industry-educational roles.

5.3.2 IMPROVED DEPLOYMENT OF INTERNATIONAL VOLUNTEERS AND INTERNS

Over the years, FTTSA has relied strongly on international personnel cooperation as a means of acquiring human resources. Since 2000, the initiative has hosted a diverse mix of interns and volunteer professionals from Canada, Sweden, Netherlands and the USA. Whereas the hosting of international personnel has enabled FTTSA to stretch its operating budget, the regular turnover of staff does not allow for consistency and tends to constrain the internalization of learning. The advantages and disadvantages of international personnel cooperation are summarized in Table 12 below.

Table 12: Advantages and Disadvantages of International Personnel Cooperation

ADVANTAGES	DISADVANTAGES
Salary bill is reduced	Staff turnover impacts negatively on consistency and retention of knowledge and learning
International personnel bring foreign language skills to FTTSA	Large numbers of foreign staff constrain positioning of FTTSA as a South African initiative
Foreign volunteers and interns tend to be highly motivated	Opportunities for practical work experience diverted away from young South Africans
International personnel bring fresh perspectives to FTTSA	Foreign personnel need time and support to adjust to living and working in South Africa.
International personnel are able to represent and promote FTTSA back home	Supervision of international staff can be especially time intensive.

Based on the above analysis, it is clear that FTTSA should utilize international personnel as strategically as possible. From 2005 on, all key posts will be filled on a permanent basis by locally based staff. Interns and volunteers will be allocated to specific projects or used to fill short-term capacity gaps – the type of work that would otherwise have to be out-sourced to consultants or contractors. The immediate implications of this change are that:

- A black South African will be appointed as soon as possible to the Marketing Officer position, up until now filled by interns from Canada. The Marketing Officer will work alongside foreign interns as and when placements become available to FTTSA. The filling of this post on a more permanent basis is dependent on funding.

- The East London satellite office will be established jointly by a technical expert from New Zealand and a local counter-part. The expert will be responsible for ensuring that the fieldworker will be able to run the office independently after the two-year placement has come to an end.

Figure 10: FTTSA – Ideal Structure
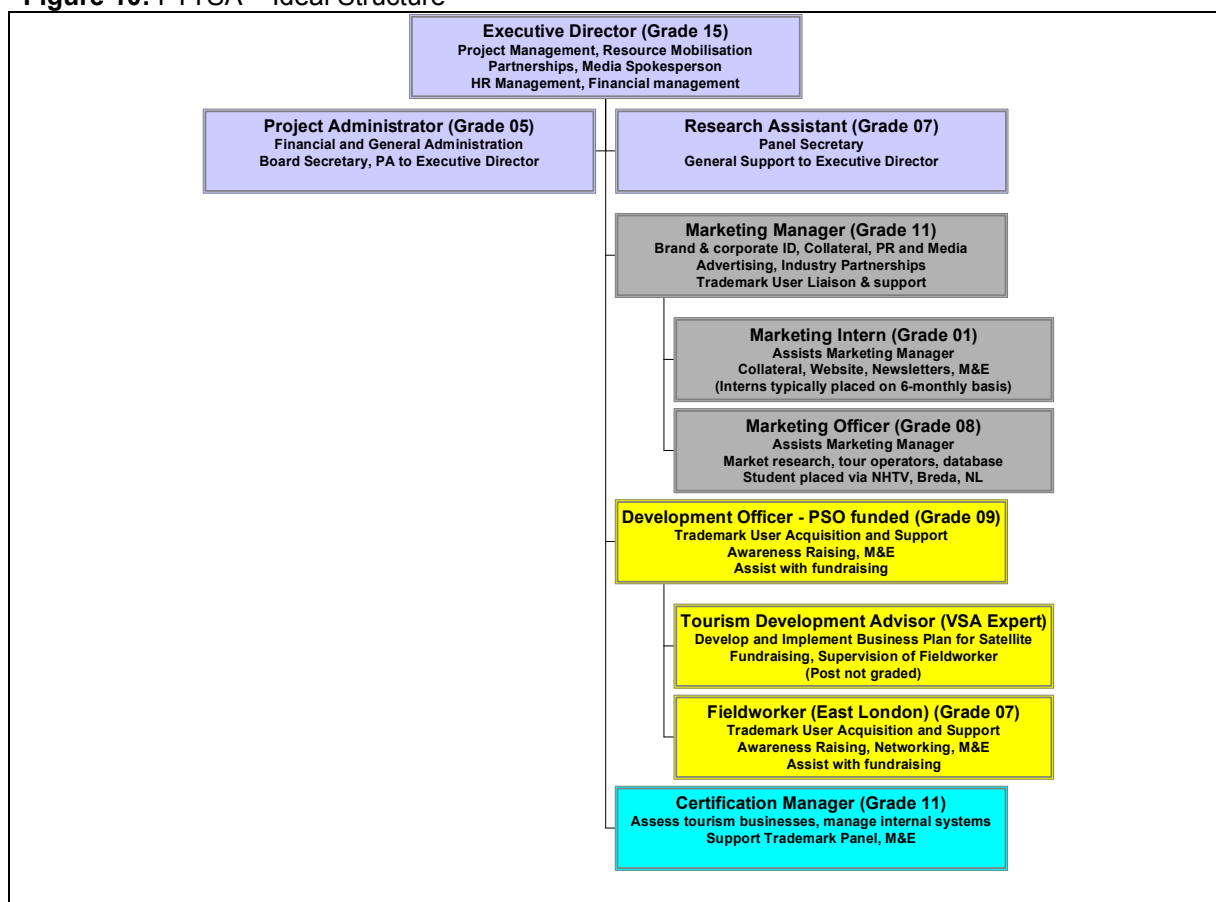
5.3.3 EMPLOYMENT EQUITY AND SKILLS DEVELOPMENT

A third and final change requirement concerns the need to improve FTTSA's performance regarding the employment and development of black staff.[6] FTTSA scores well in terms of gender however only one of six current staff (17 percent) is black. This low proportion is due in part to staff turnover (including the conclusion of a six-month internship), but also to some degree could be attributed to the fact that FTTSA and other NGOs are unable to compete effectively with government and the private sector for senior black staff.

In 2005 FTTSA will be able to increase the proportion of black staff by: 1) filling the vacant Research Assistant position (which was previously filled by a black male); 2) treating at least two of the three proposed new hires as affirmative action appointments; and 3) continuing to request personnel-sending partner organizations like IISD in Canada, to place non-white interns with FTTSA wherever possible. This is usually acceptable to partners as it helps them to meet their own equity targets.

FTTSA has also decided in principle to allocate five percent of its gross salary bill towards staff training. Staff are required to motivate personal training objectives and proposals at the

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[6] In terms of South African Employment Equity legislation, 'black' refers to African, Indian and Coloured people.

beginning of each year, for consideration and approval by the board. In implementing this policy, FTTSA will prioritize training for black staff.

5.4 Advisors

FTTSA certification is managed by a panel of experts, chaired by the FTTSA Executive Director. The panel is responsible for: 1) reviewing applications and assigning assessments; 2) reviewing assessment data; 3) assigning quality assurance assessments; 4) providing feedback to applicants; 5) making decisions regarding certification and re-certification of applicants; and 5) providing guidance to FTTSA on how to improve the entire system.

The two external experts who sit on this panel are Xolile Caga, who is a Director at the National Business Initiative (NBI) who specializes in small business development; and Lee-Anne Bac, a Director at management consultancy Grant Thornton who possesses extensive experience in tourism development and played a key role in establishing the Tourism Grading Council of South Africa. Both Ms. Caga and Ms. Bac provide their time and expertise to FTTSA on a pro bono basis.

The legal advisors to FTTSA are Adams & Adams, international trademark and patent lawyers. Nelia Hickman (partner) provides advice and support on the certification trademark, while Ike Papageorge (senior partner) handles company-related matters. Adams & Adams staff contribute time to FTTSA on a pro-bono or discounted basis.

5.5 Financial Management

Previously FTTSA's finances were managed by its parent organization, IUCN-South Africa. The new company's financial policies and procedures have been modeled on those of IUCN and comply with globally and nationally recognized standards of accounting and management. FTTSA has purchased Pastel software, which will be used by the Project Administrator to manage and report on FTTSA's finances. The company has registered as a voluntary VAT (Value Added Tax) vendor and the VAT number is currently pending. The company auditor is Ashok Valjee, a Chartered Accountant, and the financial year ends annually on the last day of February.

The Project Administrator will be assisted by IUCN-South Africa's Accountant (Ardeel Le'Tang), who will provide support and accounting services to FTTSA during 2005-06 (while FTTSA continues to share offices with IUCN-South Africa). As the project expands over time, FTTSA will acquire the services of a part-time accountant to assist with financial administration

5.6 Governance

As noted above, a key factor motivating FTTSA's recent registration as a non-profit company (association incorporated under Section 21) was the need to improve governance and strategic oversight. FTTSA's Board of Directors is accountable to the company's founding members, who meet annually to approve the annual report and confirm the

appointment of Directors. The Directors are responsible for the day-to-day running of the company and for ensuring high standards of corporate governance. During 2005 the board will meet every two months to oversee the start-up of the company. Board meetings will likely be reduced to a quarterly basis from 2006.

Currently the Chairperson of the Board is Percy Mkhosi, who is employed as a Tourism Specialist at ABSA Bank and worked previously as a consultant to the national Tourism Enterprise Programme (TEP). Mr. Mkhosi was appointed by the Minister of Environmental Affairs and Tourism to help draft the industry's Black Economic Empowerment (BEE) Charter and Scorecard. The Deputy Chairperson of the Board is Mr. Saliem Fakir, the Director of IUCN-South Africa. Mr. Fakir has been associated with FTTSA since its inception in 1999 and was previously the Chairperson of the South African National Biodiversity Institute. Des Mahony is a Director at African Alliance Limited, where he is responsible for asset management, development finance and financial services to corporate clients. Mr. Mahony worked previously as the Group Financial Manager for Conservation Corporation Africa (CC Africa), a well-known group of lodges with operations throughout southern and east Africa. Ambassador Nozipho January-Bardill is the Director of the Foreign Service Institute. She previously served as South Africa's Ambassador to Switzerland where she actively engaged in promoting Swiss outbound tourism to South Africa.

5.7 Physical Resources

FTTSA will continue to share offices with its 'parent' (IUCN-South Africa) until January 2006 when an existing lease comes to an end. IUCN-South Africa plans to relocate to Johannesburg, which means that FTTSA must identify alternate premises and purchase office infrastructure that is currently shared (e.g. server, switchboard, refrigerator, reception furniture). If possible, FTTSA will continue to share premises with one or two NGOs, to save costs and create a mutually supportive environment. If cost sharing is not possible, the monthly office overhead cost to FTTSA is likely to double.

The East London field office will also require physical resources including computers, a printer / fax machine, and basic office furniture. The VSA technical expert will be allowed the use of a VSA vehicle, however a replacement vehicle must be obtained before the end of 2007. This vehicle will hopefully be sponsored, either wholly or in part, by one of the several automobile manufacturers located in the Eastern Cape Province. Overhead costs for the satellite office will be shared with the host organization, Eastern Cape Tourism Board.

5.8 Monitoring and Evaluation

FTTSA has developed a Monitoring and Evaluation (M&E) plan, which specifies the monthly, quarterly, bi-annual and annual collection of specific M&E information (Muthui and Seif, 2003). This information is collected by FTTSA staff or, in some instances, external consultants. FTTSA staff use this data to manage, report on and refine project implementation.

5.9 Strategic Partners

FTTSA works in partnership with a variety of organisations including government departments and agencies; industry associations; local and international NGOs; local and international media; and the tourism private sector including international and domestic tour operators. Some of FTTSA's most important partners are indicated in Table 13 below. These alliances help to position FTTSA and afford access to information, research, networks and other resources. FTTSA is a member of TBCSA and SATSA, and the FTTSA Executive Director is an elected member of the TBCSA board.

Table 13: Key FTTSA Partner Organisations

LOCAL PARTNERS	INTERNATIONAL PARTNERS
Cape Craft and Design Institute (CCDI)	Arbeitskreis Tourismus & Entwicklung (akte) – Switzerland
Department of Environmental Affairs and Tourism (DEAT)	Ashoka Citizens Base Initiative (CBI)
Department of Labour	DFID – Business Linkages Challenge Fund
Department of Trade and Industry (DTI)	ECEAT – Netherlands
Eastern Cape Tourism Board (and other provincial bodies)	Green Development Foundation (GDF) – Netherlands
Interfund	Hivos
IUCN-South Africa	NHTV – Netherlands
South African National Parks (SANParks)	Swiss Import Promotion Agency (SIPPO)
South African Tourism	The Institute for Sustainable Development (IISD) – Canada
Southern African Tourism Services Association (SATSA)	The International Ecotourism Society (TIES)
Tourism Business Council of South Africa (TBCSA)	Tourism Concern – UK
Tourism Enterprise Programme (TEP)	UNEP Tour Operators Initiative (TOI)
	United Students for Fair Trade – USA

In addition, FTTSA works with NGOs and community-based organizations (CBOs), provincial and local authorities as well as tourism consultants to identify and support tourism enterprises that are strong candidates for FTTSA certification. Such partnerships are critical to FTTSA's success, and FTTSA is hopeful that its newfound NPO/PBO status will help to facilitate broader linkages into South African civil society. These linkages should open up access to new networks and resources; foster linkages between tourism and other sectors like craft; and help FTTSA to penetrate specific segments of the domestic tourism market.

5.10 Strengths and Weaknesses

The foregoing analysis indicates that FTTSA is characterized by a number of strengths and weaknesses, which must be addressed to improve ongoing project implementation and boost organisational sustainability.
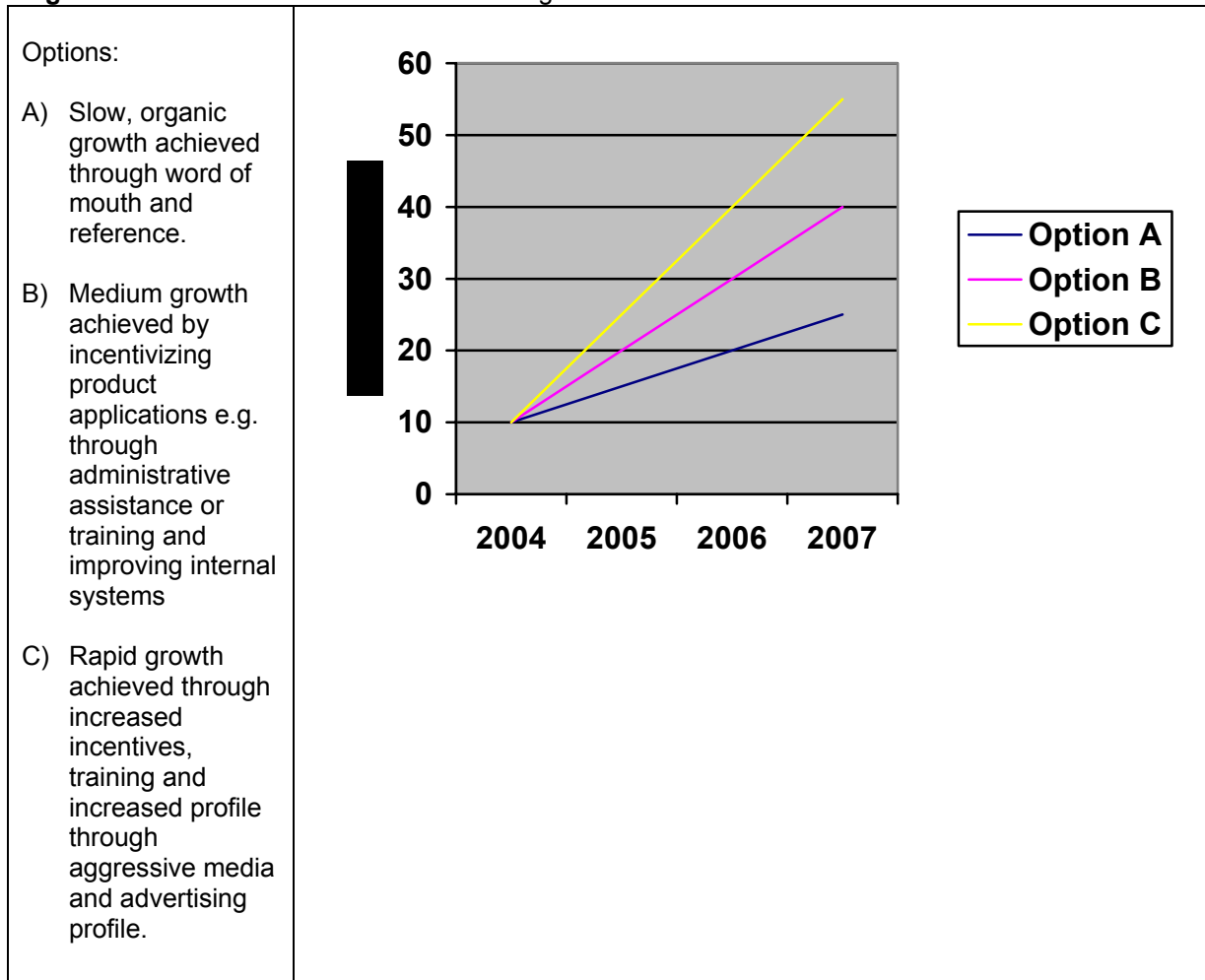
Table 14: FTTSA Strengths and Weaknesses

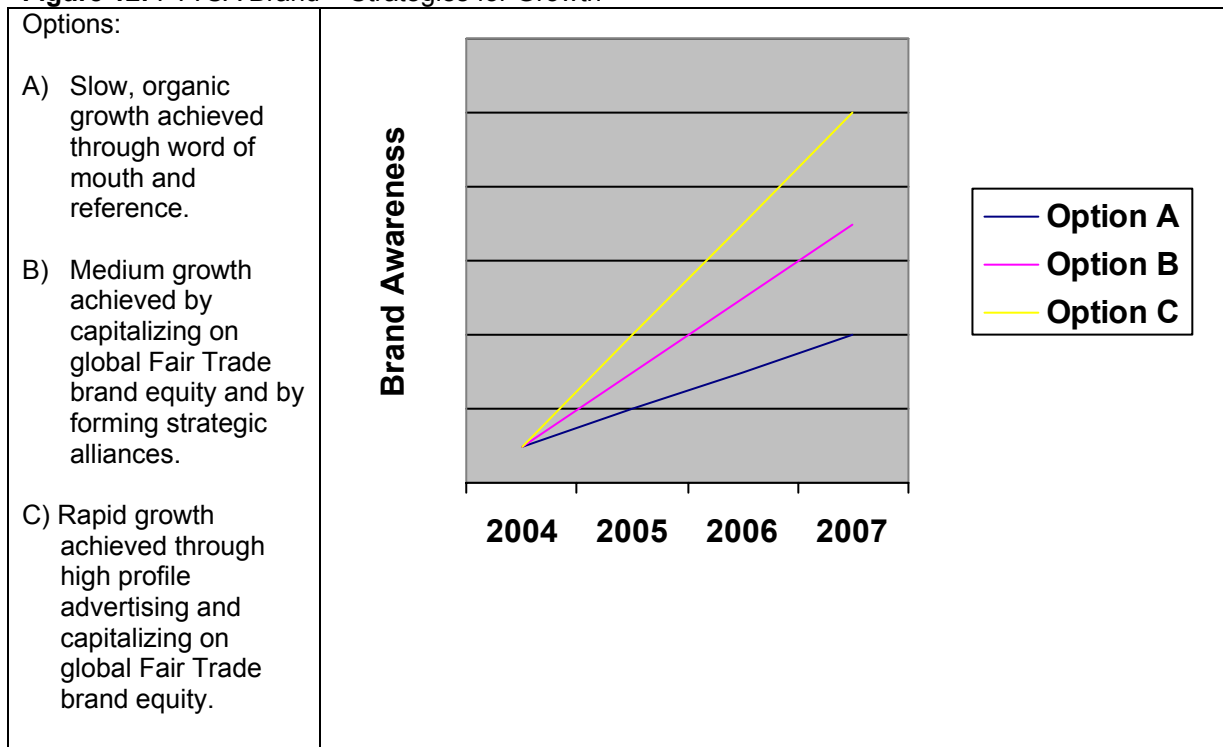| STRENGTHS	WEAKNESSES
Rigorous assessment process	Very dependent on donor funding
Credible reputation in industry	Lack of long-term financial security
Independent stamp of approval	Inadequate human resources
Unique rights-based approach to empowerment	Low brand awareness in industry
Capable and entrepreneurial team	Slow rate of product acquisition
Strong leadership	Idealistic concept – intangible
Strong internal communications	Fair Trade not well known in South Africa
Strong external communications	Certification limited to certain segment of industry
New status as NPO / PBO enhances fund-raising efforts especially with local donors	Centralized organisation – difficult to connect with local / community stakeholders
Corporate governance improved through establishment of Section 21 company	So many labels out there already
	Not another membership based organisation!
	Not a high profile or emotive product
	Non profit but not a 'charity'
	Lack of succession planning

6   GROWTH PLANS

To date FTTSA has achieved slow, organic growth, not only as an organization but also in terms of product acquisition and brand awareness. FTTSA is at a critical juncture in its development, where it can continue to grow slowly and organically or attain higher growth rates, as illustrated in Figures 11 and 12 below. FTTSA seeks to fast-track both aspects of growth and believes it is possible to achieve medium or middle growth (option B) by the development and implementation of auxiliary products and services, as described above, and through more creative forms of marketing and communications. Table 15 below indicates the expected results of accelerated growth.

Figure 11: FTTSA Product Portfolio – Strategies for Growth

Options:

A) Slow, organic growth achieved through word of mouth and reference.

B) Medium growth achieved by incentivizing product applications e.g. through administrative assistance or training and improving internal systems

C) Rapid growth achieved through increased incentives, training and increased profile through aggressive media and advertising profile.

Figure 12: FTTSA Brand – Strategies for Growth

Options:	
A) Slow, organic growth achieved through word of mouth and reference. B) Medium growth achieved by capitalizing on global Fair Trade brand equity and by forming strategic alliances. C) Rapid growth achieved through high profile advertising and capitalizing on global Fair Trade brand equity.	 **Brand Awareness** 2004 2005 2006 2007 — Option A — Option B — Option C

Table 15: Some Expected Results of Business Expansion (Middle level growth) over three years

	Performance in financial year ending in…			
	Feb 2005	Feb 2006	Feb 2007	Feb 2008
Total Number of FTTSA-certified establishments	10	25	35	42
Total Number of "emerging" / community based clients	2	6	10	14
Emerging clients as proportion of total	20%	24%	28.6%	33%
Total income to FTTSA from User Fees collected in financial year (new clients + renewals)	R50,000	R140,000	195,000	250,000
User fees as proportion of total FTTSA income (known and expected)	2%	3.8%	5.3%	6.5%
Assessment fees to FTTSA	Nil	R55,000	130,000	195,000
Assessment fees as proportion of total income	0%	1,5%	3.5%	5,1%
Combined Assessment and certification fees as a proportion of total income	2%	5.3%	8.8%	11,6%
Brand recognition (industry only – measured through rapid assessment conducted annually at Indaba)	26%	40%	60%	78%
No. of international outbound tour operators actively promoting FTTSA / selling FTTSA-certified products	8	15	22	30
No. of local inbound / domestic tour operators actively promoting FTTSA / selling certified products	0	5	10	15

7   FINANCIAL INFORMATION

As a new company established only in November 2004, FTTSA lacks its own financial track record. However during the period that FTTSA operated under the auspices of IUCN-South Africa, the project received unqualified audit reports.

A critical success factor for FTTSA during the coming three years will be the extent to which the company is able to grow the proportion of total expenditure that derives from own income, to reach a target of fifteen percent by February 2008. This is the threshold set by the South African Receiver of Revenue for Public Benefit Organizations (PBOs). If and when FTTSA is able to surpass this threshold, the organization may need to revisit its PBO status.

8   RISK ANALYSIS

In implementing this business plan, FTTSA is faced with a number of risks. Certain risks are insurable including loss of physical assets (covered through short-term insurance) and third-party claims for damages incurred on FTTSA premises (covered through general

public liability insurance). Other business risks, which are more difficult to guard against, are summarized in Table 16 below.

Table 16: Business Risks faced by FTTSA

RISKS THAT CANNOT BE INFLUENCED BY ACTIONS OF MANAGEMENT	RISKS THAT CAN BE INFLUENCED BY ACTONS OF MANAGEMENT
Tourism industry could contract, due to various exogenous factors e.g. terrorism, economic recession, health scares	Loss of key staff – can be managed through succession planning
The gains associated with fairer market conditions could be eroded by other factors like inflation, natural disasters, corruption – this pertains to SA context as well as to specific business contexts	Loss of funding – can be managed through planning and effective controls and through scenario and contingency planning
	Knowledge theft – can be managed through actions to protect intellectual property / work product, and through scenario and contingency planning
	Attacks by competitors – can be managed through environmental scanning, and through scenario and contingency planning
	Resource theft or mis-management – can be managed through effective internal controls, checks and balances

9   CONCLUSION

FTTSA is an existing initiative that is poised to expand its certification and related services, so as to spread the benefits of FTTSA certification more widely. This expansion will lead to FTTSA acquiring the all-important 'critical mass' of FTTSA-certified products upon which a viable branding and communications platform can be grown. A suitably diverse and credible portfolio of products and a stronger brand will in turn provide FTTSA with a basis to negotiate commercially orientated partnerships and explore new forms of social enterprise within the wider tourism economy. Ultimately, it is this expanded portfolio of products and services that will drive the long-term financial sustainability of the company.

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