Business Plan for Balepye and Selwane Community Rhino Conservation and Sustainable Game Ranching Project

March, 2014
ACKNOWLEDGEMENTS

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We would also like to thank both Balepye and Selwane Communal Property Associations for being active participants in assisting us with identifying government stakeholders and community leaders to be interviewed and would like to thank them for taking the time to meet with us for interviews.

Thank you also to the facilitating team comprising of Andries Mangokwana as the Team leader, Limplo Klu, Motlanalo Lebepe and Ruth Farrager as team members.

Finally and most importantly we would like to thank the DEA Staff members who gave us valuable insight into their experiences with regard to issues that affect rhino poaching and input into finalising this business plan.
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Executive Summary

The government of South Africa aims to increase tourism's contribution, both direct and indirectly, to the economy from the 2009 baseline of R189, 4-billion (7.9% of Gross Domestic Product) to R499-billion by 2020.

Today, South Africa is home to 25,000 Rhino, which constitute 80% of the world's Rhino population. South Africa is the best place to experience Rhino as a tourist or a hunter. To date, the Rhino populations have grown at a healthy 5% annual growth rate. But it is estimated that at current poaching rates; we will notice a decline in the species numbers as poaching incidents surpass the animal's reproduction rate; this will mark a tipping point that may lead to the predicted extinction of the entire herds of Africa's white and black Rhino populations by 2026.

Both the Balepye and Selwane Communities are beneficiaries of South Africa's land redistribution programme that seeks to address the social imbalances created by the Apartheid System.

This project is critical in sustaining local livelihoods for these rural communities living in an area of high unemployment. It has potential to create long and short term employment and stimulate the rural economy. This project addresses a key growth area for our economy – tourism and a key priority for the protection of our environment – the conservation of endangered wildlife, focusing on one of the most endangered species, the Rhino.

If we can control and eliminate poaching, by legalising controlled sales from de-horning and the efforts of our law enforcement agencies, Rhino ranching could generate significant wealth for the Balepye and Selwane communities. The Asset Forfeiture Unit (AFU) handed R8, 1 million to SANParks's Environmental Crime Investigation Unit (ECIU) in Nov 2013 to boost its anti-poaching capacity. These funds were forfeited from poaching and the illegal trade in Rhino horn.
“With the death rate of Rhinos set to exceed the birth rate in a few years’ time, unless we make a decisive intervention, it is bye-bye rhino without a question.” ¹

We have successful examples in our neighbouring countries - Khama Rhino Sanctuary Trust in Botswana and the Communal Areas Management Programme for Indigenous Resources (Campfire) in Zimbabwe. This project is well placed to pilot a community initiative to ranch rhino with potential for replication in similar areas.

The project mission statement is “Sustainable Rhino Conservation for the people with the people” It is underpinned by the key principles of community participation, awareness and empowerment and sustainability. Rhino Conservation and sustainable project is a multi-stakeholder initiative. Stakeholder engagement is already underway and will be continued. Stakeholder engagement has been underpinned by principles of collaboration, respect, commitment and learning from each other.

The results chain starting with impact with its focus on sustainable Rhino conservation and community empowerment, outcomes and outputs are clearly spelt out in the business plan. Some of the key outputs include setting up institutional arrangements, infrastructure development, sourcing and breeding White Rhino’s, employment creation as well as capacity building.

Various legal options have been explored and co-operatives have been identified as the preferred options given the benefits they offer. The registration of both the primary and secondary co-operatives has begun. Names have been reserved by the Companies and Individual Property Commission.

Co-management as the preferred management structure was chosen. It offers the ability to move beyond the limitations of either state, private or community management. It will combine the knowledge and strengths of various partners and transcend strictly defined property rights (state, private, communal).

¹ Interview with a key stakeholder.
A Memorandum of Understanding has been concluded between the two CPA’s and this provides a strong and solid foundation of this Rhino project. Both CPAs have a track record in this kind of project and their combined experiences will be fully utilised to make the Rhino project a success. More importantly, both CPA’s have land and some basic infrastructure, which is an essential requirement of a project of this nature.

It is envisaged that the key expenditure items would be developing proper infrastructure (fencing, water, electricity, and holding facilities) salaries for game rangers and capacity building costs for the effective and efficient business operation.
Conversation with John Hume (largest private rhino owner) who bought a farm in Mpumalanga with the idea of retiring 21 years ago. He bought some animals, which included, among other things, five Rhino’s. Today he has over 900. He’d have more if he hadn’t lost 12 to poaching over the past couple of years.

To combat the fact that Rhino populations were being steadily wiped out (and demand for Rhino horn being created) during the 60s, 70s and 80s, an internal moratorium was put in place in 2009, banning the sale of Rhino horn in South Africa. Before that, farmers were able to satisfy at least some of the demand from the East for the rare product by de-horning their animals or selling the horns of deceased Rhino.

Today the only way the demand can be met is for poaching to commence. Or as he suggests, to legalise the trade in Rhino horn. “The demand is still there,” he says, “and by stopping the supply, we’ve failed to satisfy it. “If it was legalised and ethically sourced from those that don’t kill Rhinos, that demand could be met.”

Hume says the solution lies in de-horning the animals, a painless process (as the horn is cut off above the quick, like a toenail) that takes under 20 minutes per animal. The horns furthermore re-grow, at a rate of 10cm per year. Extrapolate that over the lifetime of the animal and you’re talking about a yield of 40kg of horn per female Rhino and between 60kg and 80kg per male over a 45 year period.

“I furthermore believe that private sector farmers have the resources to protect the animals far better than the public sector. We just need to make it viable for them to do so,” he says.

Hume says that rural communities currently only supply a fertile ground for the recruitment of poachers. “Those communities could be a fertile ground for farming. They have done extremely well with livestock in the past. And they could generate a massive income from this. He points to a great case study for this, the South American vicuña (Vicugna vicugna) – a small llama-like animal – whose pelt was hugely sought after for Italian garments. The animal was nearly hunted to extinction (the population was as low as 6000 worldwide at one stage), but the moment communities learned to shear the wool from the animal and could derive an income from that, the population started bouncing back.

Today, 35 years after the animal was close to extinction, the population of vicuña has bounced back to well in excess of 300 000. Hume says he believes the same could be true of Rhino populations. Today, there’s an estimated 20-25 000 rhino left in Africa.
<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFU</td>
<td>Asset Forfeiture Unit</td>
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<tr>
<td>Campfire</td>
<td>Communal Areas Management Programme for Indigenous Resources</td>
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<tr>
<td>CPA</td>
<td>Communal Property Association</td>
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<tr>
<td>DEA</td>
<td>Department of Environmental Affairs</td>
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<tr>
<td>EC</td>
<td>Eastern Cape Province</td>
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<tr>
<td>ECIU</td>
<td>Environmental Crime Investigation Unit</td>
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<td>Environmental Management Inspectorate</td>
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<tr>
<td>FS</td>
<td>Free State Province</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GP</td>
<td>Gauteng Province</td>
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<tr>
<td>GDC</td>
<td>Gazankulu Development Corporation</td>
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<tr>
<td>KNP</td>
<td>Kruger National Park</td>
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<tr>
<td>KZN</td>
<td>KwaZulu-Natal Province</td>
</tr>
<tr>
<td>KRST</td>
<td>Khama Rhino Sanctuary Trust</td>
</tr>
<tr>
<td>LIM</td>
<td>Limpopo Province</td>
</tr>
<tr>
<td>LED</td>
<td>Local Economic Development</td>
</tr>
<tr>
<td>LEDET</td>
<td>Limpopo Department of Economic Department, Environment and Tourism</td>
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<tr>
<td>MP</td>
<td>Mpumalanga Province</td>
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<tr>
<td>NC</td>
<td>Northern Cape Province</td>
</tr>
<tr>
<td>NDT</td>
<td>National Department of Tourism</td>
</tr>
<tr>
<td>NPA</td>
<td>National Prosecuting Authority</td>
</tr>
<tr>
<td>NW</td>
<td>North West Province</td>
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<tr>
<td>PTY Ltd</td>
<td>Private Company Limited</td>
</tr>
<tr>
<td>SA</td>
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<tr>
<td>SADT</td>
<td>South African Development Trust</td>
</tr>
<tr>
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<td>South African National Defence Force</td>
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<td>SANParks</td>
<td>South African National Parks</td>
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<tr>
<td>SAPS</td>
<td>South African Police Services</td>
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<tr>
<td></td>
<td>Description</td>
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<td>---</td>
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</tr>
<tr>
<td>RDC</td>
<td>Rural District Councils</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>WC</td>
<td>Western Cape Province</td>
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</tbody>
</table>
1. Introduction

1.1 Background to the establishment of a Rhino Game Conservation and Sustainable Project

Both the Balepye and Selwane communities are beneficiaries of South Africa’s land redistribution programme that seeks to address the social imbalances created by the Apartheid System Native and Land Acts, which resulted in many indigenous communities being disenfranchised and systematically dispossessed of their ancestral lands for the benefit of the minority regime. The land owned by the Balepye and Selwane Communities reflects a variety of land usage sections: eco-tourism, game breeding & hunting, agriculture, residential, industrial and mining with pockets of mixed use areas. These communities are located in the Letaba Basin area of Limpopo Province and fall under the Ba-Phalaborwa Municipality although some farms fall under the Tzaneen Municipality.

In 2012, amid the continuing onslaught on the country’s Game Population, the Balepye Community responded to the urgent call by the South African government for the preservation of Game Species by allotting land in excess of 10,000 hectares for the sole purpose of Game Conservation and Sustainable Ranching. This project is critical in sustaining local livelihoods for rural communities living in an area of high unemployment. It has potential to tackle the issues of poverty and stimulate the rural economy. (Maenetja: 2013: Balepye Rhino Conservation – a Business Justification Case)

The Department of Environmental Affairs (DEA) has committed itself to assist the Balepye and Selwane communities in taking the initiative of the Rhino Game Conservation and Sustainable Ranching Project forward.

This project addresses a key growth area for our economy – tourism and a key priority for the protection of our environment – the conservation of endangered wildlife.

South Africa has earmarked tourism as a key sector with excellent potential for growth; the government aims to increase tourism’s contribution, both direct and indirectly, to the economy from the 2009 baseline of R189, 4-billion (7.9% of Gross Domestic Product) to R499-billion by 2020 (National Department of Tourism (NDT), 2012). Tourism supports one in every 12 jobs in South Africa.
1.2 The need for Balepye and Selwane Community Rhino Conservation and Sustainable Game Ranching Project

South Africa is home to 25 000 Rhino, around 80% of the world’s Rhino population. South Africa is the best place to experience Rhino as a tourist or a hunter.

The need for sustainable rhino conservation is outlined in the National Strategy for the Safety and Security of Rhinoceros Populations in South Africa. (DEA Strategy 2010)

Poaching has increased 5 000% between 2007 and 2012 and one Rhino was killed in Africa every 11 hours in 2013 according to the Zoological Society of London.

The international outcry to save the African Rhino has reached the point of celebrity endorsements - as part of the world’s largest campaign to reduce the demand for endangered species products, including ivory and Rhino horn, Prince William - The Duke of Cambridge, soccer star, David Beckham and NBA great Yao Ming’s² latest video aims to show you just how grim the situation for Rhino numbers are.

South Africa has about 400 private Rhino ranching reserves. These private reserves cover an area of just over 2.2 million hectares (this is 200, 000 hectares more than the Kruger National Park) and on this land over 5000 Rhinos are kept. This represents 28% of South Africa’s national herd and is more than the remaining herds on the rest of the African continent.

Over the years private Rhino reserves have invested R1 billion plus in the private Rhino enterprise. But sadly in the recent past over 1875 Rhinos have been butchered by poachers to supply the demand from Asia.

The loss in horn value at current market prices is representative of R3.5 billion. Other factors that are stacked against the Rhino in private reserves include the loss of herd range areas which has a direct negative impact on population growth. The increased poaching has also brought the species viability into question.

All indications point to a grim future for the Rhinoceros should the current trends continue, more so with the international ban on the legal trade in sustainable Rhino horns harvested in a humane manner. It is estimated that at current poaching rates; we will notice a decline in the species numbers as poaching incidents surpass the animal’s reproduction rate; this will mark a tipping point that may lead to the predicted extinction of the entire herds of Africa’s white and black Rhino populations by 2026.

On the other hand, according to the National Strategy of Safety and Security of Rhinoceros Populations in South Africa, the country has a proud track record of successful Rhino conservation. At the end of 2007 South Africa conserved 35% of Africa’s black Rhino in the wild and 93% of the continent’s white Rhino. To date the Rhino populations have grown at a healthy 5% annual growth rate, with the total Rhino population for the country estimated to be close to 20,000 by 2008 and over 20,000 animals in 2009. (DEA, 2010:2)

Progress is being made by law enforcement agencies to tackle the organised crime rings involved in Rhino poaching. In a News24 article it was observed that 285 alleged poachers were arrested in 2013 and according to the Department of Environmental Affairs 267 poachers were arrested in 2012. Anti-poaching efforts by SANParks rangers, SANDF, and the police are starting to bear fruit. By November 2013 the number of Rhino killed for their horns in South Africa since January has increased to 860. The majority of Rhino (521) have been killed in the Kruger National Park (KNP). According to earlier reports Rhino poaching between 2008 and 2013 has cost the South African economy R1, 1 billion. This is mostly due to loss of game land as a result of the risks of keeping Rhino and expensive security measures. (McDonald, D. 2013)

The National Prosecution Authority (NPA) has used its asset forfeiture powers to seize the assets of those involved in the poaching trade. The Asset Forfeiture Unit (AFU) has handed R8, 1 million to SANParks’s Environmental Crime Investigation Unit (ECIU) in Nov 2013. "The money will be solely directed by SANparks to enhance and support their ranger corps capabilities with much needed equipment, training and advanced technology for their counter-poaching operations," said NPA spokesman Nathi Mncube. The High Court in Pretoria found that the money came from the proceeds of illegal Rhino poaching by an alleged syndicate leader, Joseph Nyalunga. Nyalunga was also a former police official stationed at the Hazyview police station. The cash was seized in December 2011 when Nyalunga and another alleged poacher, Conrad Nkuna, were arrested while returning from Mpumalanga to Gauteng. (Staff Reporter, 2013)
The extent of the Rhino poaching problem seems to be on the increase as shown in the table below.

Table 1: Rhino poaching statistics

<table>
<thead>
<tr>
<th>South Africa</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tr>
<td>KNP (SANParks)</td>
<td>146</td>
<td>252</td>
<td>425</td>
<td>606</td>
<td>95</td>
</tr>
<tr>
<td>MNP (SANParks)</td>
<td>0</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>GP</td>
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<td>LIM</td>
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<td>4</td>
</tr>
<tr>
<td>KZN</td>
<td>38</td>
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<td>66</td>
<td>85</td>
<td>10</td>
</tr>
<tr>
<td>WC</td>
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<td>NC</td>
<td>1</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>333</strong></td>
<td><strong>448</strong></td>
<td><strong>668</strong></td>
<td><strong>1004</strong></td>
<td><strong>146</strong></td>
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Table 2: Rhino poaching arrests statistics

<table>
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<tr>
<td>KNP</td>
<td>20</td>
<td>133</td>
<td>73</td>
<td>82</td>
<td>67</td>
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<tr>
<td>MNP</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Gauteng (GP)</td>
<td>0</td>
<td>10</td>
<td>26</td>
<td>16</td>
<td>10</td>
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<tr>
<td>Mpumalanga (MP)</td>
<td>0</td>
<td>34</td>
<td>66</td>
<td>73</td>
<td>16</td>
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<td>Eastern Cape (EC)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>7</td>
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<td>Limpopo (LP)</td>
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<td>70</td>
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<td>34</td>
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<td>North West (NW)</td>
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<td>26</td>
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<td>2</td>
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<td>KwaZulu-Natal (KZN)</td>
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<td>Western Cape (WC)</td>
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<tr>
<td>Northern Cape (NC)</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>343</strong></td>
<td><strong>267</strong></td>
<td><strong>232</strong></td>
<td><strong>165</strong></td>
</tr>
</tbody>
</table>
1.3 Some lessons from similar initiatives

Botswana-Khama Rhino Sanctuary Trust (KRST) www.khamarhinosanctuary.org

Around the 1880s and the 1890s, Botswana’s Rhino population was on the brink of extinction due to illegal poaching. The government of Botswana, with the help of donor agencies, especially the Natal Parks Board, decided to reintroduce them in Chobe and Moremi game reserves in the 1960s. However, due to lack of monitoring and security, poachers killed nearly all the animals that had been reintroduced. As a result, there was a need to establish a protected area, which would offer security to try and increase the number of Rhinos in the country. (Sebele, 2005:13-14)

The KRST objectives are as follows:

• To protect the environment within the sanctuary and protect endangered species of Rhinos and other fauna and flora.
• To promote tourism
• To generate revenue for the local community from tourism and other uses of the sanctuary’s renewable resources.
• To take any necessary steps to raise finance for the sanctuary.
• To educate inhabitants of Botswana about nature conservation. (Sebele, 2005:13)

Zimbabwe - Communal Areas Management Programme for Indigenous Resources (CAMPFIRE) www.campfire-zimbabwe.org/

CAMPFIRE started in Zimbabwe in the 1980s with the aim of encouraging local communities to make decisions on wildlife management and control. CAMPFIRE is based on the notion of the devolution of power from central to rural district councils (RDCs) and is an answer to the failure of the top down approach to development.

The intention of CAMPFIRE is to help people manage natural resources in such a way that plants, people and animals, the whole ecosystem, benefit. The project’s objective is to raise income by using natural resources in a sustainable way, and this is achieved through participation in five activities, which are as follows:
• Trophy hunting- which contributes about 90% of the project’s income through the selling of hunting concessions to professional hunters and safari operators. This is considered a form of ecotourism, as hunters travel in small groups and cause minimal damage to the environment, yet provide large amounts of money.³

• Selling live animals- this is a new development. Areas with large animal populations, sell live animals to national parks and game reserves, e.g. the Guruve district has recently raised US$ 50 000 by selling 10 roan antelopes.

• Harvesting natural resources- some natural resources such as crocodile eggs, caterpillars, river-sand and timber are harvested and sold to the local community. Ivory and skins from ‘problem animals’ can also be legally killed and sold to locals.

• Tourism- in the past communities did not benefit from tourism, but since the 1990s many projects now benefit from tourism. In some communities locals are employed as guides and some run local tourism facilities.

• Selling wildlife meat- Some animals are killed and their meat and skins sold, especially where the species are plentiful. This, however, does not raise a lot of money. (Sebele, 2005:30-31)

³ Also referred to as low volume: high value tourism.
2. Key Stakeholders for Rhino Conservation and Sustainable Game Ranching Project

A stakeholder profiling was conducted with a focus to understand who the main stakeholders in the project are; assess their interests, concerns, contribution, level of participation and prioritise key stakeholders. Guided by the following principles-inclusiveness-ensuring that all stakeholders are consulted and their views expressed, participation and engagement, ownership and transparency, a list of stakeholders were identified and prioritised. The methodology that was adopted included one to one and group interviews to collect data. Four key elements were looked at, namely, participation intention, concerns, interests and contribution. The list of stakeholders that were consulted is attached as Appendix A.

3. The Business

3.1 Mission Statement

“Sustainable Rhino Conservation for the people with the people”

Key principles underpinning the Mission statement

- **Community participation**: community involvement and participation will be at the centre of the project.
- **Raise awareness and empowerment**: strive to educate, inform and train the community about the importance of the Rhino species.
- **Sustainability**: Whatever initiative the community embarks upon, should be long lasting and take care of the current generation needs without compromising the needs of the future generation.
3.2 Business Objectives

Impact

Community empowerment through sustainable Rhino conservation

Outcome

Legalisation of Rhino horn trade

Outputs

3.2.1 Stakeholder Mobilised and Engaged

Key activities
(a) Implementing the Stakeholder Mobilisation and Communication Plan. The Plan is attached as Appendix B.

3.2.2 Institutional Arrangements set up and Business operating effectively

Key Activities
- Establishing a Legal Structure for the Business - Finalising the registration of both primary and secondary co-operatives
- Setting up a co-management structure - conducting a workshop to understand and identify and select a strategic partner

3.2.3 Identification of Land and other resources

Key Activities
(a) Identify land availability, size, and ownership/title deed
(b) Assess the feasibility of the project- ecological study, proximity of the identified land parcels for future integration

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4 The name of Batladuku has been reserved for Selwane primary co-operative whilst Tloulepye has been reserved for Balepye until the 28th August, 2014. The secondary co-operative’s name that has been reserved is Balepye Dinoko.

5 An ecological study has been done for Balepye and there is only a need to conduct one for Selwane
3.2.4 Infrastructure development

Key Activities

(a) Identify infrastructure needs—water, fencing, accommodation, holding facilities, etc.
(b) Develop costing
(c) Develop a proposal

3.2.5 Animals sourced

Key Activities

(a) Identify potential partners for loan of iconic species
(b) Secure animals on a loan basis
(c) Identify the market for purchasing of species
(d) Identify the potential donors

3.2.6 Breeding of Rhinos

Key Activities

(a) Protecting the species through veterinary services
(b) Monitor the breeding processes by looking at the carrying capacity and stock

6 There are 3 options identified, purchase, loan and donations. The last two are the preferred options.

7 The preferred breed is white rhino for simple reasons that white rhinos are easy to work with, they eat grass and are relatively cheaper to maintain than black rhino. They are also readily available. The breeding of white rhino would need debushing camps in order for grass to grow easily, which assist in anti-poaching as the area would be easier for rangers to monitor and move around.
3.2.7 Short and long term employment created

Key activities

(a) Develop a database of unemployed persons within the two communities and their skills
(b) Develop a Memorandum of Understanding with potential service providers to prioritise the employment of the locals. In other words, whoever will be given work as part of the project, e.g. erecting a fence, should employ the locals first.
(c) Identify and select appropriate individuals for employment
(d) Monitor the implementation

3.2.8 Capacity Building enhanced

Key activities

(a) Identify training needs (personnel, Co-op executive, CPA, community or beneficiaries
(b) Source relevant institution
(c) Conduct training
(d) Monitor and Evaluate
(e) Conduct Information and Awareness raising workshops for community members

3.2.9 Develop business linkages/marketing and affiliation

Key activities

(a) Identify entities or organisations with similar objectives
(b) Explore areas for potential partnership
(c) Identify new markets and possible value chain activities

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8 A number of areas where employment would be created were identified. These include, fencing, construction of holding facilities, fire management, water infrastructure-reticulation, game ranging, operation and maintenance, tour guides and hospitality facilities
3.3 Business Structure

3.3.1 Legal Structure

The table below indicates the various options available to establish a Rhino Conservation and Sustainable Game Ranching Project.

Table 3: Types of enterprises and their advantages and disadvantages
<table>
<thead>
<tr>
<th>Type</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Company (Companies Act, 61/1973)</td>
<td>Shareholders have limited liability for the debts of the business</td>
<td>Contribution is limited to the contribution of a maximum of 50 members</td>
</tr>
<tr>
<td></td>
<td>Not compulsory to hold an Annual General Meeting</td>
<td>May not invite the public to buy shares in this company</td>
</tr>
<tr>
<td></td>
<td>Suited for smaller undertakings in which secrecy is important</td>
<td>Shares are not easily transferable</td>
</tr>
<tr>
<td></td>
<td>Has its own legal entity and has continuity</td>
<td>Time consuming and expensive to register this form of ownership because there are many legal requirements</td>
</tr>
<tr>
<td>Partnership</td>
<td>Easy and not expensive to start. No legal requirements except for an agreement between the partners</td>
<td>No continuity</td>
</tr>
<tr>
<td></td>
<td>Joint decision making and give better results</td>
<td>Ordinary partners are liable in an unlimited way for the debts of the business</td>
</tr>
<tr>
<td></td>
<td>Joint and several liability of partners increase the credit worthiness of the business</td>
<td>No audit of financial statements and fraud can occur</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Delay in decision making processes</td>
</tr>
<tr>
<td>Public Company (Companies Act, 61/1973)</td>
<td>Shares are freely transferable</td>
<td>Expensive to establish</td>
</tr>
<tr>
<td></td>
<td>Can create a large sum of capital because the capital is divided in smaller parts to be sold to the public</td>
<td>Takes a long time to register</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Must comply with the stipulations in the Act which means extra costs</td>
</tr>
<tr>
<td>Section 21-not for profit (Companies Act, 61/1973)</td>
<td>Organisation has perpetual succession</td>
<td>May not be particularly attractive to the donors because of lack of regulation and statutory control</td>
</tr>
<tr>
<td></td>
<td>It can sue, be sued and enter into contracts in its own name</td>
<td>Constitution may not protect members adequately</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Members and office bearers are liable although limited</td>
</tr>
</tbody>
</table>
| **Trust**  
(common law and the Trust and Property Control Act 57/1988) | Highly flexible and could be designed to suit each party's needs.  
Trust property is protected and trustee acting in that capacity is not liable for trust debts (except in extreme circumstances if s/he has committed fraud).  
Protect assets- litigation and political instability are two of today's biggest threats to one's assets. | It can be expensive to set up and take a long time  
Cannot distribute losses, only profits |
|---|---|---|
| **Co-Operative**  
Provide easy access to needed services  
Pay less for inputs, marketing, distribution and selling of produce  
Process products if necessary  
Profit is distributed to member patrons in proportion to their use “patronage” of the cooperative’s services.  
Jointly owned and democratically controlled enterprise. | • Lack of finance, skills, infrastructure and capacity  
• Poor organization among members  
• Lack of understanding of what the market requires  
• Lack of market readiness  
• Competition from established enterprises  
• Lack of information and poor communication with those who provide support |
Preferred Option

Both Selwane and Balepye Communal Property Associations decided to establish primary co-operatives (agricultural type) individually to pursue the business objectives outlined above. The second phase would be to establish a secondary co-operative where the two will merge. As stated earlier, names have already being reserved and registration is being finalised on or before 31st March, 2014.

The characteristics of a co-operative include the following:

- It is an association of persons
- Membership is voluntary
- Mutual or common economic, social and cultural needs
- Jointly owned and democratically controlled by the members
- Operate according to Co-operative principles

The principles underpinning the co-operatives include the following:

- Democratic member control
- Voluntary and open membership
- Autonomy and independence
- Educational training and information
- Co-operation among co-operatives
- Concern for community
- Member economic participation

It is also important to see the preferred option against the background of existing legal structures that both Selwane and Balepye have. See the management structure organogram below.
3.3.2 Management structure

Three options were identified and discussed. These include:

Option 1- Co-operatives running the business by themselves.
This will involve the secondary co-operative employing management and staff and running the business themselves. It will need the management and staff as depicted below in the organogram.

2. Option 2: Leasing
This involves the two communities making land available through a long term lease to a potential investor who does not get involved in the running of the business. Income would be earned through rental of the property.

3. Option 3: Co-Management
The two primary co-operatives will each nominate and elect seven members to serve as executive members for their respective beneficiaries. The secondary co-operative-Balepye-Dinoko will have three members each from the primary co-operative, which will constitute a Board of Directors. The Board will have a mandate to identify and select a strategic partner for the effective and efficient business operation.
Preferred Management Structure

Agreed that the co-management would be preferable and has the following advantages:

- Ability to move beyond the limitations of either state, private or community management. It combines the knowledge and strengths of various partners;
- It transcends strictly defined property rights (state, private, communal) and combining them in imaginative ways to build productive, mutually beneficial relationships.

There are three main phases for this option, viz

1. Preparation for the partnership. This should involve a co-management workshop to be offered by DEA
2. Negotiating co-management plans and agreements
3. Implementing and revising the plans and agreements (learn by doing).

The structure will be as follows:
MANAGEMENT STRUCTURE

SELWANE CPA

BALEPYE CPA

BATLAKUDU CO-OPERATIVE

TLOULEPYE CO-OPERATIVE

BALEPYE DINOKO SECONDARY CO-OPERATIVE

STRATEGIC PARTNER

Rhino Conservation Business
The relationship between the Co-operative and the CPA

- CPA is the owner of the land and a shareholder in the co-operative
- Primary co-operative to report quarterly to the CPA
- Secondary co-operative to report quarterly too to the CPA via the primary cooperative.

### 3.4 Commencement Capital

<table>
<thead>
<tr>
<th>Item</th>
<th>Selwane CPA</th>
<th>Balepye CPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>Farm Kondowe&lt;br&gt;Farm Waterbok</td>
<td>Ndzalama and Adjacent farms</td>
</tr>
<tr>
<td></td>
<td>Size-4003 hectares</td>
<td>Size-23,000 hectares</td>
</tr>
<tr>
<td></td>
<td>Value -R40 million with improvements</td>
<td>Value-R160 million with improvements</td>
</tr>
<tr>
<td>Game&lt;sup&gt;9&lt;/sup&gt;</td>
<td>Value- R3,1 million</td>
<td>Value-R4million</td>
</tr>
<tr>
<td>Loose assets</td>
<td>Value- R1,5 million</td>
<td>Value-R1,5 million</td>
</tr>
<tr>
<td>Total value Estimate</td>
<td>R44,6 million</td>
<td>R165,5 million</td>
</tr>
</tbody>
</table>

<sup>9</sup> Both communities have a wide range of species including impala’s, koedoe’s, zebra’s, giraffe, waterbuck, blue wildebeest, and lions (Balepye)
3.5 Competitive Advantage

The uniqueness of the business includes the following:

- This would be the first community initiative to deal with Rhino conservation and therefore serve as a pilot that could be replicated in other parts of South Africa.
- The targeted species is one of the big five and is under threat of extinction. Therefore its preservation is of national and international interest and
- Finally, the geographical location of the business in Mopani District is conducive for conservation and tourism.

The following are the strengths, weaknesses, opportunities and threats facing the project.

Strengths

- There is a signed Memorandum of Agreement between Balepye CPA and Selwane CPA, which bodes well for a collaborative business venture such as this one;
- Both communities have more than adequate land with the required vegetation, which will enable Rhino to move freely;
- There is availability of the general labourers that could be trained;
- Both CPA’s have been able to create more than 118 jobs (Selwane created 66 and Balepye 56 respectively) and the Rhinoceros ranching system will further create opportunities for game rangers, operations and maintenance staff as well as tourism and conservation staff;
- Maintenance costs are low. The main costs will be the patrolling of fences and scouts for anti-poaching
- Highly skilled staff not needed. The maintenance costs for fences and water does not need skilled staff.
- There is support from the communities regarding the initiative.
- The communities have some of the species (e.g. game species)
- There are some facilities that are already operational (e.g. Kondowe lodge at Selwane community)
Weaknesses

- Start-up capital will be needed- One of the big expenses is to put up a perimeter fence
- There is a lack of commitment from some CPA Executive members;
- Inadequate management and financial skills.
- Inadequate infrastructure such as fencing.
- Lack of motivation
- Conflict of interest
- Dishonest
- Fraud

Opportunities

- There is a legal framework which supports the initiative;
- There is political will;
- The project has potential to create both short and long term employment addressing one of the key problems confronting South Africa;
- Opportunity for members to be educated about the importance of Rhino species and generally about the environment;
- Opportunity to preserve heritage-cemeteries and graves
- Opportunity for species donation
- The project has potential to attract investors and tourists

Threats

- Poaching
- Trade restrictions on Rhino horn
- Rhino breeding is a long term investment and therefore it takes time to realise the financial benefits;
- Established commercial farmers could be threatened and not supportive;
- The Majeje community, which is landless could pose a threat;
- The continued functionality of the CPA and its related business structures such as co-operatives
• Financial constraints
• Natural disasters
• Corruption

3.6 Critical success factors

The following are critical success factors for Rhino Conservation and Sustainable Game Ranching Project:

3.3.1 Ownership of game

The project can only be successful if the community owns the wildlife. The Strategic partner will bring management expertise and financial resources.

3.3.2 Farming and Management skills from neighbours

The experience of the local farmers is critically important and it is therefore ideal to bring it to the fore for the benefit of previously disadvantaged communities.

3.3.3 Government and private sector participation

The government and private stakeholders should not only buy into the concept but actively support it

3.3.4 Management and community participation

Community participation is essential but it should be through proper channels such as Communal Property Association and Co-Operatives Meetings. The community must not interfere with managers and structures of management

3.6.5 Opportunities and Sense of ownership

First and foremost, the business should create opportunities for both Balepye and Selwane. This would contribute towards a feeling of a sense of ownership and pride amongst these two groups.
3.7 Owner’s Profiles

3.7.1 Historical Background of the Balepye Community

The history of Balepye Community is entwined with the history of the South African people and linked to the history of migration in Africa. With the development of the iron blade, reaping of food became easier and agriculture took on a whole new meaning. Populations grew faster than before and people were encroaching on each other’s land.

This necessitated an enlargement of territory, which led to a mass migration of African people from the Great Lakes in central Africa, to the north, east and southern African, known as the Southern Migration. The group split into two major linguistic branches, the eastern and western language branches.

When the Balepye under Chief Rathelu moved across Southern Africa; they were part of the group of the Kharangas (Ba-Kgalaka). The Chieftaincy of the Balepye Ba ga Maenetja, or Balepye tribe, was founded by Chief Rathelu Maenetja and he was part of the Karanga tribes which had powers in rain making. In the 17th century he migrated with his followers to what is presently known as Tubatse. But before they settled there, they stayed in what is known as the Thabanchu and later Tubatse, this is the time when they were moving around looking for a place to settle as part of the biggest migration of the 12th to the 18th century. Upon the arrival of other tribes in Sekhukhune they travelled up north via the Tubatse River (Steelpoort).

As they were travelling King Rathelu passed away and the son from the upper house Kgosi Mokgale Maenetja succeeded his father’s throne and they crossed the Lepelle River (Olifants River) into the Phalaborwa area. When they arrived in Phalaborwa, in the northern parts of South Africa around the year ±1800, the land which they occupied and settled in was the mountain of Kasteel or Kasteelkop (Moshate) and the immediate areas at the bottom of the mountain which is known as Bolepye. The Bolepye Mountain is divided into six parts which have cultural and traditional

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10 This has been taken from a report of the Fact Finding Mission- Balepye Communal Property Association, CITES COP 16-Bangkok, Thailand 2013
significance namely Melepye, Ntopele, Lefalala, Fologela, Tswenyagane and Tshapare.

Chief Mafedi had eight known wives and about 42 children but an upper house of the family was from the Ramoshaba (wife family grouping). It is this family that is a lineage of the Balepye Chieftaincy. Chief Mafedi has different sons under those eight wives but they could not be Chiefs in terms of succession and cultural norms. The son from the upper house who was supposed to succeed Chief Mafedi was Seanego Mankhowe Maenetja. Seanego Maenetja did not assume the chieftaincy because he was a minor at the time when his father (Mafedi Maenetja) passed away. The period for his passing away was between the 1914 and 1918 and this is the period of the First World War.

Seanego's uncle Dipati Maenetja who was the second born of Makutuma Maenetja assumed the role of the Regent Chief in the period 1922 to 1930 and the last “Bjale” and” Koma” were done by Dipati Maenetja in the year 1922/23.

Dipati Maenetja’s chieftaincy suffered hardship at the hands of the apartheid government as he was moved around until he passed away. Seanego Mankhowe Maenetja was the first son of Mafedi Maenetja and moved from place to place and settled in the present day Ga Khashane Village in the Dzumeri area. During this time the Royal Balepye’s Chieftaincy was lost.

The Maenetja Chieftaincy under Mafedi Maenetja ruled from the Selati River Range (never crossed the railway), Rubbervale along the Letaba River stretch until where the Letaba river meets Black Hills. It cuts through Croc Ranch to the present Selwane Locations. The community occupied an area between the Great Letaba River to the north, the Selati River to south, Letsitele station to the west and part of Mashishimale and Mathipa Mountains to the east.
3.7.2 Historical Background of the Selwane Community

In the beginning, the whole area between Letaba and Olifants river belonged to the original unified Ba-Phalaborwa tribe. During the latter half of the 19th century, the original Ba-Phalaborwa tribe divided into four separate tribes, each with his own Kgosi. They did, however, remain in close contact with each other and agreed on the boundaries of their respective territories.

The Ba-Phalaborwa tribal community comprises a family of four tribes, viz, Ba Ga Makhushane, Ba Ga Selwane, Ba Ga Maseke and the Ba Ga Shai also known as Ba Ga Mashishimale. The Ba-Phalaborwa people are able to trace their history to the 16th century. It is one of the oldest communities in the old Transvaal and currently has more than 62 000 members. Their land claim, covering 65 farms as well as a portion of the Kruger National Park and the Phalaborwa town and mines, is one of the largest and most complicated claims lodged under the Restitution Act. It is alleged that until at least 1913 the Ba-Phalaborwa people had undisturbed occupation of the whole of this area but that they were dispossessed without compensation by the then apartheid Government by virtue of the provisions of the Land Act 27 of 1913 and other discriminatory laws. They alleged that the Ba-Phalaborwa land was surveyed during 1922 and that the first white farmers settled on the Ba-Phalaborwa land from 1923.

The Selwane tribe occupied the northern part of the Ba-Phalaborwa territory. Their northern border was the Letaba river. From the confluence of the Groot Letaba river and Masalal spruit eastward to where the rapids started east of the confluence of the Mukweni spruit. The northern neighbours of the Selwane people were the Shangaans of the Makhuva tribe. Their southern neighbours were the Mashishimale and Makushane tribes. The northern portion of their western border was marked by a stream known by different names, i.e. Masalal or Reshewe or Vygeboom spruit. It was also marked by the tributary of the Masalal spruit known as Mashabele. The southern beacon of their western border was a cluster of hills known as Kasteelkoppies. Inside the area known as the Kruger National Park, the Selwane tribe

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11 This was provided by the CPA and has been summarised.
occupied the area along the southern bank of the Letaba river, in what can be described as the Letaba valley basin.

Until the end of the 19th century, the mainstay of their economy was mining and metal work. From the end of 19th century, mining activities went into decline and cattle farming played a bigger role in their economy which was supplemented by hunting, agricultural and garden plots and other natural resources.

Over time, up to 1930, the area along the Letaba river including these farms - Masalal, Kondowe, Waterbok, Nondweni, Mahale and Belasting were leased out to white farmers and all people from the Selwane tribe were forced off the land and moved to the area where they are currently residing. After all, the Selwane farms had been leased out to white farmers, these farms remained unregistered in the deeds office. It was government land but not government-owned land. The transfer of ownership of these Selwane farms started in 1929 and ended in 1982. During this period, 16 farms (as now claimed by Selwane) were transferred to private ownership, the South African Development Trust and South African government. The land was developed into highly productive and well known citrus and cash crop production farms with water for irrigation taken from the perennial Letaba river.

During the early 1970's, the South African government purchased back all the farms previously transferred to private white ownership including disbursing those farmers on leased farms belonging to SADT and South African government. The land was incorporated under the then Gazankulu homeland and placed under the management of the Gazankulu Development Corporation.

Since then, no further farming activities were undertaken or any existing activities maintained with the result of the land being unproductive for the last 40 years. Under the management of GDC, ownership of the land remained with the South African government. Included were the farms Masalal, Waterbok, Nondweni, Mahale and Belasting in excess of 5000 hectares, all situated on the Letaba river. The area is situated east of Eiland on the road towards and up to the border of the well-known private game reserve, Letaba Ranch.

The Restitution of Land Rights Act which was promulgated in 1994 activated the first land claim which was lodged by the Selwane tribe during 1996 and the farms Kondowe
and Waterbok were successfully transferred and are now being administered by the Selwane Communal Property Association. Kondowe is currently a game farm development and Waterbok is a community irrigation development project.

### 3.7.3 Past performance

<table>
<thead>
<tr>
<th>Balepye CPA</th>
<th>Selwane CPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>It owns 10 farms, viz (Grootfontein, BlackHills, Chester, Thiergarten, Eden Portion 1 &amp; 2, Beacon, Riverhead and Vygeboom) which forms part of Ndzalama and managed to do improvements and buy furniture in some of the farms</td>
<td>It has successfully negotiated for a strategic partner at Waterbok farm and have an interim management structure in Kondowe</td>
</tr>
<tr>
<td>It has established more than one Pty Ltd, one being Surgoway that has grown their start-up herd of cattle from 708 to 814 in seven months.</td>
<td>It has established a Seloane Pty, Ltd</td>
</tr>
<tr>
<td>It has created 56 jobs</td>
<td>It has created 62 jobs</td>
</tr>
<tr>
<td>The executive committee of the CPA has been consistent and accumulated a wealth of experience</td>
<td>New executive committee that came into power in November, 2013 and managed to rescue Kondowe from being repossessed</td>
</tr>
<tr>
<td>It has internal audit management capacity which resulted in a clean audit done by external auditors</td>
<td>Successfully negotiated a grant of R2,5 million from the Department of Rural Development and Land Reform</td>
</tr>
</tbody>
</table>
3.8 Industry Analysis

Key political, economic and social factors that have potential to affect the business operation were identified.

3.8.1 Political Factors

- The imminent national and provincial elections may result in a change of political leadership, which may affect the support that the business initiatives enjoys; and
- The political affiliation of CPA members in their individual capacity and the positions they hold at the municipal level may also impact both ways at the business operation.

Economic Factors

- Trade restrictions on Rhino horn;
- The slow economic growth rate and the recession; and
- The rigid labour laws that prescribes the minimum wages

Social factors

- Traditional authority that is being disputed;
- The de-registration process that is underway that will result in some who were identified as beneficiaries being taken off the list;
- Power relations within and amongst community structures; and
- Individuals who are residents in Selwane but not necessarily beneficiaries.

3.9 Risks assessment and Risks Management

In managing risk, the business will adopt a three (3) –phased approach, namely:

- Risk identification
- Risk analysis
- Risk response/mitigation strategy

Each potential risk has been assessed in terms of probability (high; medium and low) and impact/severity (low; medium and high). Furthermore, the business used the Risk
Assessment Matrix below to identify which risks require development of a plan for further action (i.e. the development of a mitigation strategy)
<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Analysis</th>
<th>Mitigation Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restriction on Rhino horn trade</td>
<td>High probability, high impact (Poaching, extinction of the Rhino species, loss of income)</td>
<td>*Lobby for relaxation or uplifting of moratorium/legalisation of Rhino horn trade</td>
</tr>
<tr>
<td>Poaching</td>
<td>High probability, high impact (Loss of income, risk lives, extinction of Rhino species)</td>
<td>*Lobbying for legalisation of Rhino horn trade, *Game rangers should be well trained, *Ensure that there is community buy-in, *Raise awareness about the Rhino species and generally about the need to protect the environment and its benefits to communities, *Establish strong partnerships with law enforcement agencies, *Erect an electric fencing –P3 (type of fence required)</td>
</tr>
<tr>
<td>Inability to secure adequate funding</td>
<td>Medium probability, high impact (Cannot even start to operate)</td>
<td>*Identification and selection of a strategic partner with good financial backing, *Develop a marketing strategy and implement it vigorously, *Convene a donor conference and present the business plan</td>
</tr>
<tr>
<td>Natural disaster –flood, drought, veld fire</td>
<td>Medium probability, high impact (Infrastructure damage –fencing, grazing land &amp; animals)</td>
<td>*Disaster management plan which incorporates fire management plan as well, *Take out a comprehensive Insurance to transfer the risk to the 3rd party</td>
</tr>
<tr>
<td>Threat Description</td>
<td>Risk Level</td>
<td>Low Risk Impact</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------</td>
<td>------------</td>
<td>---------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Selection of a “fly by night” strategic partner</td>
<td>Medium</td>
<td>High (Loss of faith by the community and it may delay the business to generate income)</td>
</tr>
<tr>
<td>Conflicting interests, infighting within CPA and between CPA and community structures</td>
<td>Low</td>
<td>Medium (Vandalism, damage to property, reputational damage)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Theft, fraud and embezzlement of funds</td>
<td>Medium</td>
<td>High (Dented corporate image, investors pull out)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Financial Strategy

The estimated financial resources needed to start and operate the business over the next 3 years have been attached as Appendix C.

List of References


2. The Social Impacts of Community-Based Tourism: A case study of Khama Rhino Sanctuary Trust in the Central District of Botswana by Lesego Senyana Sebele Master of Arts Wits 2005


