



Department of Environmental Affairs & Tourism
Department of Trade and Industry

HANDBOOK: SUPPORT PROGRAMMES FOR TOURISM BUSINESSES



in partnership with



This handbook will provide you with information on tourism funding programmes from the Department of Environmental Affairs and Tourism, Department of Trade and Industry, DBSA, IDC, TEP and Khula Enterprise.

The handbook is aimed at providing you with information regarding the different types of programmes aimed at assisting SMMEs within the tourism industry; the criteria for funding; the process for applications and the contact details of the relevant institutions.

This is the first edition of the handbook. Please contact us if you would like to include your organisation's information in this handbook.

We hope that you will find this handbook useful in accessing funding for tourism from the various organisations.

Wishing you the best of luck in your business ventures.



DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND TOURISM



INTERNATIONAL TOURISM MARKETING AID SCHEME (ITMAS)

What is ITMAS?

The ITMAS program is aimed at partially compensating SMMEs for certain costs incurred in respect of activities aimed at promoting tourism to South Africa. The following types of assistance is provided:

- International exhibition assistance
- Production and distribution of international marketing material.

Criteria for selection

1. Applicants must be trading for commercial gain and be a registered member of an official tourism trade organization
2. Be formally approved by SA Tourism to participate in a future international marketing exhibition
3. Emerging enterprises that have at least three of the following characteristics shall qualify for funding:
 - a. Owned by Previously Disadvantaged Individuals
 - b. Disabled Owned
 - c. Age (1-4)
 - d. Turnover (<R 1.0m)
 - e. Operational Assets (<R 1.0m)

Programmes funded

1. Exhibition Assistance
 - Reimbursement of certain costs incurred by companies when participating in international travel and tourism exhibitions organized or acknowledged by SA Tourism
 - A percentage of the real cost of an economy return air ticket (discounted or

full fare) and a daily subsistence allowance for 1 person for the duration of the exhibition

- A percentage of the real cost of the stand rental, construction of shell, etc. (as indicated in the application form) up to a maximum of R 20 000 for the first trip.
- The application should be submitted to the Department 2 months prior to the exhibition.

2. Production and distribution of international marketing material

- Reimbursement with regard to the design, compilation, production, printing, reprinting, and distribution of material to market the product internationally.
- Funding is available as follows:

Emerging	Non-Emerging
Year 1: R15 000	Year 1: R8 000
Year 2: R10 000	Year 2: R5 000
Year 3: R 5 000	
- These allowances will also be available for the production of materials to be used in respect of exhibition participation.
- The application must be submitted to the Department 2 months prior to the production and / or distribution of the marketing material
- Assistance will only be provided for materials that were specifically produced to market the tourism product(s) in foreign countries and not in South Africa

Application and Approval Procedure

- Applications for assistance for the period 1 April of one year to 31 March of the following year (financial year) are evaluated and approved in principle by the Department on an annual basis.
- The in principle application must contain the following:

- Details of the proposed exhibition
- A full motivation for financial assistance for the mission, with reference to the marketing plan. This includes the objectives of the mission, the potential of the market explored, market research undertaken and reasons why the organizers believe the mission will succeed
- A statement detailing the estimated cost of the mission, i.e. economy air tickets, accommodation, etc.

- In the case of marketing material, Examples of materials claimed for must be provided

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Claiming Procedures for Reimbursement

- One consolidated claim of permissible expenditure should be submitted by the participant to the Department within 1 month of the date of return from the trip abroad or the attendance of the exhibition.
- Claims for production and distribution of marketing materials should be submitted within 1 month of the last distribution and within 1 months from the date of approval of maximum amount. A set of claim documents and instructions will be made available with the approval of the application.
- Copies of the tickets for the trip should be provided as proof of travel costs and dates traveled, and must be in the name of the claimant
- Certified copy of a passport clearly showing:
 - Personal particulars
 - Departure date stamp from South Africa
 - Re-entry date stamp into South Africa
 - The stamp of the country being visited should be indicated
- Statement of expenditure and documentary proof of stay, eg. hotel bills.
- In the case of exhibition assistance, payment is subject to the provision of proof of expenses incurred and will only pertain to the official duration of the exhibition

POVERTY RELIEF PROGRAM

The Poverty Relief Fund was established by government to alleviate poverty in South Africa. The Tourism Branch within the Department of Environmental Affairs & Tourism was allocated funding to support projects of a tourism nature. The fund is aimed at:

- Creating jobs through the development of tourism infrastructure
- Development of new tourism products
- Provision of training and capacity building
- Ensuring that the projects are sustainable in the long term

Criteria for selection

1. The type of entity that should benefit from the funds must be community-based and not be individually owned. Only Community Trusts or Section 21 Companies that have adequate community representation shall be considered for funding.
2. Projects located in the following areas shall be considered for funding:
 - Kruger Park Transfrontier Conservation Area (TFCA)
 - Vhembe-Dongola/Mapungubwe/Ivory Route
 - Richtersveld
 - Lubombo
 - Maloti-Drakensberg TFCA
 - Pondoland National Park
 - Addo Park
 - Baviaanskloof
 - Aghullas Plains
 - Cape Peninsula National Park
 - South African Coastline
 - Should any project not fall in one of these areas, strong motivation is necessary to show evidence of tourism growth from such a project.
3. The following types of tourism infrastructure shall be considered for funding:
 - Roads (must be linked to tourist attraction or within PATII or SDI)
 - Information centers
 - Tourism signage
 - Fencing (tourist attraction)

- Accommodation (includes conference, catering linked to accommodation)
- Craft Centres (must be located in tourism node or mobile clinics)
- Hiking trails
- Interpretive centers
- Cultural attractions
- Eco-tourism attractions

4. At least 2% of the project budget must be allocated towards training and capacity building
 - All training must be accredited to enable the trainee to either manage the funded project or seek employment elsewhere
5. 90% of temporary jobs must be given to the local community. 60% of temporary and permanent jobs must go to women
6. Projects utilizing SMMEs must appoint 50% of SMMEs that are owned by HDIs
7. Projects that obtain the support of the local and provincial government authorities will be an added advantage when considered for funding, subject to satisfying the above criteria.

Application and Evaluation procedure

1. Applications must be submitted in a proposal format to the Project Management Unit (PMU) of the Department before 30 November 2002. The format for proposals can be obtained from the PMU.
2. Proposals will be evaluated against the above criteria during December 2002 and January 2003.
3. The provincial authorities will also evaluate the proposals based on their tourism development strategies. Only projects supported by the provincial authorities will be considered for funding.
4. The approval process is finalized by the end of February 2003 and the successful projects will be notified during March 2003.
5. The applicants are required to submit detailed business plans for the project to the PMU. The format for the business plan is also available from the PMU.

6. Once the business plans have been received by the department, a contractual agreement is entered into between the Implementing Agent and the department. The Implementing Agent must be approved by the PMU and is responsible for completing the project.

7. Funds are transferred to the applicant's bank account as outlined in the business plan and in the contractual agreement.

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DEPARTMENT OF TRADE & INDUSTRY

Small Medium Enterprise Development Programme (SMEDP)

What is SMEDP?

The Enterprise Organisation offers a cash grant to tourism related enterprises within South Africa. These enterprises may be new or undergoing significant expansions of their operations.

Do you qualify for SMEDP?

- Are you an enterprise located within South Africa?
- Are you planning to set up your business or have you been in operation for less than 6 months?
- Do you intend to increase your capacity through investment in buildings, furniture, equipment and tourism vehicles by more than 25% in the next few months?
- Will you realize a substantial increase in your annual turnover as a result of your expansion?
- Are you classified as a provider of short-term accommodation, e.g. hotels, bed and breakfasts, lodges and chalets?
- Are you a tour operator solely serving tourists?
- Do you own any of the following: funicular or private railways, aerial cableways, water transportation vehicles on dams, lakes, etc.?

What do you get?

- A tax free cash grant for two years based on the value of your qualifying investment in buildings, furniture, equipment and tourism vehicles.
- The grant is designed to give a substantial return to qualifying enterprises.
- Enterprises with high labour costs may receive an extension of the cash grant for a third year.
- A maximum of R3, 050, 000 per annum for enterprises with an investment in qualifying assets of up to R100 million.

How do you calculate the grant?

Level of investment	Cumulative Grant Receivable (as a percentage of investment)
For the first R5m investment	-10% p.a
For the next R10m investment (above R5m up to R15m)	-6% p.a
For the next R15m investment (above R15m up to R30m)	-4% p.a
For the next R20m investment (above R30m up to R50m)	-3% p.a
For the next R25m investment (above R50m up to R75m)	-2% p.a
For the next R25m investment (above R75m up to R100m)	-1% p.a

For further details contact Tel: 012 310 9953/1192/1017 Fax: 012 322 0011 E-mail: enterprise@dti.pwv.gov.za Website: www.dti.gov.za

DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)

Role of DBSA in tourism

The DBSA is actively supporting tourism within its mandate as a regional development bank by:

- Investing in infrastructure and facilitating the provision of infrastructural development;
- Financing sustainable development in partnership with the private and public sectors; and
- Responding to development demands and acting as a catalyst for investments.

Priority areas

The priority areas of focus for tourism-related projects are as follows:

- Transformation of the tourism sector to include marginalised people, such as communities who wish to use their skills and assets through tourism;
- Skills, knowledge and insight including tourism information;
- Tourism policy, planning, programming and project management;
- Tourism management capacity and institutional systems including support programmes and monitoring and evaluation of tourism initiatives;
- Programme and project packaging and implementation including innovative institutional arrangements, special forms of project organisation and funding, and participation of role players such as local communities;
- Innovative ways of responding to new market opportunities; and
- Linkages and networks with other role payers.

The DBSA provides a package of support to both private and public sector clients. The funding of tourism infrastructure investment is done through financial instruments such as equity, loans and grants. Project preparation assistance is provided as part of such funding. In addition to funding, the DBSA also provides agency services, knowledge and information, consultancy and technical assistance.

Criteria for selection

Principles guiding the operations of DBSA include:

- **Additionality:** The DBSA acts as a catalyst partnering with governments, the private sector, development finance institutions and civil society.
- **Development impact:** The DBSA is committed to improvement of the quality of life, contributing to broad socio-economic goals and monitoring and evaluation of development impact.
- **Financial sustainability:** The DBSA emphasises financial sustainability of investments and projects; notes the affordability of services by communities and borrowers and pursues full cost recovery on its initiatives.

Products supported by DBSA

The type of tourism investment supported by the DBSA includes the following categories:

- Attractions (natural, cultural or man-made);
- Facilities and services (e.g. accommodation);
- Transport (air, road, water, rail);
- Supportive services (e.g. safety, information);
- Enabling infrastructure (e.g. transportation, telecommunication, water); and
- Institutional infrastructure (e.g. education and training, capacity building).

Application process

A letter of application stating the type of assistance required and providing some information on the project is sufficient to activate the DBSA project cycle.

For further details contact Danie Swart
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TOURISM ENTERPRISE PROGRAMME (TEP)

The TEP, a countrywide initiative of the Business Trust, is implemented under contract by ECI (Pty) Limited. The main aim of the TEP is to encourage and facilitate the growth and expansion of small enterprises in response to the increasing demand for tourism activity. The key outputs of the programme are job creation and human capacity development in the tourism economy.

Criteria for participation

The TEP works with SMEs predominantly, but not exclusively, owned and operated by previously disadvantaged individuals. To qualify for assistance from the TEP, the SME should meet the following criteria:

- Have an annual turnover not exceeding R25m;
- Have total assets, excluding fixed property, of less than R10m;
- Employ fewer than 200 people;
- Have been in operation for a minimum of two years and meet all statutory requirements. In exceptional cases, assistance will be provided to start-ups.

The TEP works with two main categories of SMEs:

- Those that fall directly within the tourism sector, for example travel agents, B&Bs, tour operators;
- Those that supply goods and services of any nature to the formal tourism economy, for example a transport operator contracting with a hotel.

Method of operation

The TEP helps build the capacity of SMEs so that they can operate more effectively. This assistance can take many forms, for example training, marketing, development of business plans, and so forth. Specifically excluded are loans and the purchase of assets. A training and technical assistance fund, which is used on a cost sharing basis with the SME, is available for this purpose. The TEP also facilitates linkages with partners in the tourism economy by helping the SMEs secure contracts.

In all cases, the TEP will evaluate the SME's potential to generate additional revenues and create jobs before approving any assistance.

Having provided assistance, the TEP will monitor the SME's performance in this regard. This is a key aspect of the programme.

Process for applications

An SME requiring assistance should contact a representative of the TEP. Registration with the TEP is a prerequisite to receiving financial support or other assistance from the programme. In addition to registration, the SME should provide the TEP with the following information:

- A company profile indicating the nature of the business, sector, prospects, etc;
- A letter of acceptance of the conditions of the TEP. These will be explained fully during the first contact with the TEP representative.

The SME then submits a specific request for assistance. This request should be well motivated in terms of the nature of the assistance required as well as the costs thereof. A minimum of two quotes from alternative service providers should also be submitted. The motivation must also address the revenue generation and job creation potential of the SME. This is an important step in the process as the TEP will evaluate all requests according to these criteria.

Once the request for assistance has been approved, a contract between the TEP, the SME and the chosen service provider will be drawn up and signed. Once the service has been provided, the SME must certify that he/she is satisfied with the service, following which TEP will make payment for its share direct to the service provider.

For further details contact Shireen Patel
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INDUSTRIAL DEVELOPMENT CORPORATION (IDC)

The IDC's Tourism Business Unit finances institutions offering accommodation to bona fide tourist & other capital intensive tourism projects with potential to significantly impact on the growth of the tourism industry.

Criteria for selection

- The type of projects that would qualify for funding include:
 - Accommodation facilities
 - Buildings
 - Furniture, fittings & equipment
 - Renovations
 - Refurbishments
 - Expansions
 - Immediate infrastructure
 - Other capital intensive projects
- IDC also funds the following eco-tourism projects:
 - Developments in conservation areas and private game parks/reserves
 - Land acquisition for private sector is excluded
 - Land considered for conservation authorities
 - Cultural and fishermen's villages
- Projects must be economically viable
- Minimum own equity contribution of at least 40%. Reduced to 20% for empowerment.
- The minimum IDC exposure is R1 million
- The type of finance facilities available include:
 - Mainly loans of between 5 to 15 years
 - Repayments to suit cash flow
 - There is capital moratorium of up to 3 years
 - Capitalisation of interest of up to 2 years

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KHULA ENTERPRISE FINANCE

Role of Khula in tourism growth

Khula Enterprise Finance is an initiative by the Department of Trade and Industry. It was established to facilitate access to finance by people who have not had the opportunity to accumulate sufficient wealth (such as fixed property or insurance policies) to provide as collateral security to the banks to obtain a loan for starting a new business.

Thuso provides the following services to people who qualify for the Khula Credit Guarantee scheme:

1. Assistance with the drawing up of a business plan
2. Once the business is established, provide mentorship aftercare to improve the success rate of businesses so established.

What is the Khula Credit Guarantee Scheme?

The Khula Credit Guarantee Scheme was established to facilitate access to finance for people wishing to start a small to medium sized business, but have not had the opportunity to accumulate wealth or other assets to present as collateral to a bank in order to secure a business loan. In these cases, **the banks can apply to Khula** for a guarantee which then acts as collateral for 80% of the total loan amount, (with a loan maximum of R1 million).

Criteria for selection

The Credit Guarantee and Support Services are available to the following individuals:

1. People who want to borrow between R50 000 and R1 million
2. Who are South African citizens
3. Who will be involved in the day to day running of the business on a full-time basis
4. Who can provide an own cash contribution of at least 10% towards the start-up or expansion of the business
5. Who have a clean financial track record

The Credit Guarantee is available both for new business ventures or existing businesses wishing to expand. The same conditions apply to both cases. Please note that the Credit Guarantee Scheme cannot be utilised for the financing of speculative deals (e.g. when an entrepreneur wants to open a second business and put a manager in charge).

Products by Khula

Business Plan Development (pre-loan):

Loans from a bank between R50 000 and R300 000 - Thuso pays 75% of cost of Business Plan
Loans from a bank greater than R300 000 - Thuso pays 50% of cost of Business Plan

Mentorship (Post-loan):

From the granting of the loan for a period of 3 months, Thuso will bear all the cost of mentorship, subject to a contract being drawn up between Thuso and the Mentor, stipulating the objectives of mentorship with a time scale for delivery. Thereafter, at the request of the CLIENT, Thuso may, at its own discretion, extend the period of mentorship on a subsidized basis similar to the payment of a business plan i.e 75% for loans <R300 000 and 50% for loans >R300 000.

Process for Applications

- Client approaches Khula regional Mentorship office for either a Business Plan or mentorship assistance.
- A regional co-ordinator recommends a mentor after assessment for either a Business Plan or mentoring request. Khula Institutional Support Service will appoint a mentor.
- The client, complete with Business Plan, will then approach a commercial bank for a loan.
- Bank assesses the Business Plan and an application in terms of its lending criteria.
- If satisfied the bank will approve the loan.
- If the risk is not adequately covered, the bank may require a guarantee from Khula Credit Guarantee Limited.

- Once the loan has been approved, a requirement may be that a mentor be appointed to help the client with implementation of a Business Plan and loan management.
- If the business experiences problems, business advice or remedial mentoring may be required to assist the business in providing specific solutions to help it achieve its goals or turn it around.

.A mentor will be engaged by Khula Institutional Support Service for this particular assignment.

For further details contact

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Durban

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Poverty Relief Programme

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ITMAS

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Department of Trade & Industry (DTI)

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Development Bank of Southern Africa (DBSA)

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Tourism Enterprise Programme (TEP)

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Khula Enterprise Programme

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