

EMPOWERMENT FUNDS

The DFIs have a range of funds and mechanism available to facilitate meaningful black economic empowerment in the tourism industry.

Land Reform Credit Facility	
Provider	Department of Land Affairs but administered by Khula Finance Enterprise Ltd
Type	Loan finance for empowerment joint ventures
Who qualifies	Local investors developing new tourism infrastructure or expanding their current tourism operations
Details	<p>Medium to long-term loans, with variable repayment terms and discounted interest rates wholesaled via the commercial banking sector.</p> <p>This means that applicants must approach a commercial bank with a viable business proposition. The bank then sources the funds from Khula at discounted rates and on-lends to the applicant.</p> <p>Khula has in the past also administered equity grants matched to LRCF loans. In practice, this means that projects with the right empowerment profile can source 50% of their capital funding via an LRCF loan and 50% via an equity grant.</p>
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Credit Guarantee Schemes	
Provider	Khula Finance Enterprise Ltd
Type	Three schemes are provided: <ul style="list-style-type: none"> • Standard scheme, which provides cover up to R1 million of the bank facility at 80%, with the fee payable at 3% p.a. in advance. The duration of the scheme is 36 month initially, but can be extended twice for periods of 12 months each time. • Emerging entrepreneur scheme, which provides up to R100 000 with the fee payable at 4% per annum in advance. The duration is 24 months initially but can be

	<p>extended three times for periods of 12 months each time.</p> <ul style="list-style-type: none"> • Empowerment scheme, which provides cover up to R5 million of bank facility at 60%, with the fee payable at 2,5% per annum, in advance. Duration is 36 months initially but can be extended twice for a period of 12 months each time.
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<p>Entrepreneur Support</p>	
<p>Provider</p>	<p>National Empowerment Fund (NEF)</p>

	<p>The NEF administers an Entrepreneur Support programme which aims to stimulate and foster entrepreneurship on the part of historically disadvantaged persons (HDPs), to help existing HDP enterprises expand and grow, and to facilitate transformation in non-HDP owned and operated enterprises. Entrepreneur Support is targeted at SMEs and provides a combination of debt and equity funding instruments. Entrepreneur Support will give preference to those enterprises where there is active participation by HDPs in the ownership and management of the business. Entrepreneur Support may support enterprises that are not currently black owned or managed, provided there is a detailed plan to ensure meaningful HDP owner/management participation within a reasonable period.</p> <p>Three products are offered:</p> <ul style="list-style-type: none"> • Generator, which provides investment between R250 000 and R1million in order to facilitate the creation of new black-owned businesses with the capacity to become sustainable small and medium enterprises. 75% of the equity must be controlled by HDPs. • Accelerator, which provides investment between R1million and R3million as expansion capital aimed at stimulating the growth of black-owned enterprises. 51% of the equity must be controlled by HDPs.
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	<ul style="list-style-type: none"> Transformer, which provides between R3million and R10million finance facilitate the transformation of enterprises at the ownership, decisionmaking and control levels and to encourage employee ownership of businesses. 26% of the equity must be controlled by HDPs. <p>NEF seeks a commercial return on all finance supplied.</p>
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Community and Rural Development

Provider	National Empowerment Fund
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	<p>NEF administers a Community and Rural Development programme that enables communities to acquire shares (equity) in an income-generating projects that will result in social upliftment in historically marginalised economic areas. Support is available to groups comprising HDPs. Community-based organisations and groups are eligible for support. Rural and Community Development will only invest in projects where there is a project "champion" and co-funding by other investors or financiers. Funding will be limited to the community investment portion of the project.</p> <p>Equity funding, where investment ranges from R2million to R10million. Projects must be undertaken in conjunction with a partner recognised by the NEF.</p> <p>NEF seeks a commercial return on all finance supplied.</p>
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Note	<p>The NEF requires a proper project proposal that includes detailed information on the business, the owners, the leadership and management before it will make appointments to see applicants for investment.</p>
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SME, Micro Enterprise and Co-operative Support

Provider	Umsombomvu Youth Fund
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	<p>The Umsobomvu Youth Fund's purpose is to enable the implementation of effective youth development programmes and mainstreaming of youth development for youth to have</p>
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sustainable livelihoods. Two important schemes, among others, are provided:

- Youth Entrepreneurship Programme, which economically empowers small businesses by providing access to finance and business development services. This in turn has 2 schemes, micro finance and SME finance.
 - Micro finance, which provides funding to unemployed, under-employed or self employed youth to assist them in establishing new businesses or expanding existing businesses via two micro finance providers: The Nations Trust Youth Enterprise Finance Company which provides loans up to R40 000 and Nicro Enterprise Finance for former prisoners.
 - SME finance, which provides development capital funds aimed at increasing the number of black youth-owned and managed SMEs. Finance is made available in the form of loans or equity, that is, taking a share in the company being financed. UYF has entered into joint ventures to create two separate development capital funds: FirstRand (FNB-Momentum-UYF Progress Fund) and Business Partners (The Umsobomvu Youth Fund-Business Partners Franchise Fund)
- Business Development Services Voucher Programme, which gives entrepreneurs access to business services such as bookkeeping, marketing and developing business plans. Young entrepreneurs access the services through vouchers, which range in value from R1 500 to R23 000, and recipients themselves are required to make contributions on a progressive basis as they benefit from additional vouchers. This means that a young person will pay 10% of the value of the first voucher received, 20% of the value of the second voucher, up to 40%.

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SME Support	
Provider	Black Business Supplier Development Programme (DTI)
	<p>The Black Business Supplier Development Programme (BBSDP) is a cash grant incentive scheme that aims to:</p> <ul style="list-style-type: none"> • Fast-track existing SMMEs that exhibit a good potential for growth into the mainstream of the formal economy. • Foster linkages between black-owned SMMEs and corporate and public sector enterprises. <p>Companies that qualify include those that are majority black-owned (fifty one per cent or more) and which have a significant representation of black managers on their management team.</p> <p>Grants are limited to companies with a maximum annual turnover limited to R12 million per annum. And they must have a minimum trading history of one year.</p> <p>Cost sharing grant: The maximum grant for which a single company can qualify is limited to R100 000 (one hundred thousand rand). A company may apply for multiple projects provided that the cumulative grants awarded do not exceed R100 000. All fees related to the rendering of business development services including travel and subsistence costs will qualify for cost sharing assistance.</p> <p>The grant supports:</p> <ul style="list-style-type: none"> • Projects that aim to improve the effectiveness of management systems of an enterprise, eg scoping and implementation of production planning and control systems, implementation of quality management systems. • Projects that aim to impart specialised, enterprise-specific skills to employees, eg specialised technical courses, etc. • Projects that aim to upgrade the capability of the management team of an enterprise through generic training programmes, eg executive management

	<p>development programmes, financial management programmes, seminars on preparation of bids for public and corporate sector tenders, etc.</p> <ul style="list-style-type: none"> • Projects that aim to assist the entry of a firm into targeted markets, e.g. market research and the development of marketing plans, design and development of marketing materials, website design, etc. Limited cost sharing grant support will be available for the printing of brochures and other marketing materials to enable the implementation of marketing plans.
<p>Contact details:</p>	<p>thedti Customer Contact Centre: 0861 843 384 email: contactus@thedti.gov.za Website: www.thedti.gov.za</p>
<p>SME Support</p>	
<p>Provider</p>	<p>Tourism Enterprise Programme (managed by ECI Africa)</p>
	<p>The Tourism Enterprise Programme is a joint initiative of the Business Trust and the Department of Environment Affairs and Tourism. TEP aims to foster viable business transactions between established industry players and SMEs in the tourism sector. TEP can provide grants to support tourism SMEs in the following ways:</p> <ul style="list-style-type: none"> • Marketing assistance for events • Development of business and marketing plans • Preparation of and submission of tenders • Training and skills development • Attending exhibitions and conferences • Certification and licensing <p>TEP makes grants in each of the above categories on a cost-sharing basis. The sharing ratios are typically 50-50 but can be negotiated. The average grant for each of the above activities is about R25 000 but can be negotiated.</p> <p>SMEs that operate as tourism enterprises eg lodge, hotel, B&B, tour guiding company or SMEs that are formal suppliers of goods and services which derive at least 50% of their</p>



	<p>income from tourism-related activities can apply for grants.</p> <p>TEP will only support SMEs that demonstrate a potential to grow and create jobs. TEP does not provide start up costs, operational capital, contributions to equity or the building of infrastructure.</p>
Contact details:	<p>ECIAfrica Physical Address: Momentum Office Park, 145 Western Service Road, Woodmead , Johannesburg Postal Address: PO Bx 409, Woodmead, 2144 Tel: +2711 8045750 Fax: +2711 8028448 email: Nomsa.Ngwenya@eciafrica.com Website: www.tep.co.za</p> <p>TEP also has offices and management agencies in KwaZulu Natal, Western Cape, Mpumalanga, Free State, Northern Cape, Eastern Cape and Limpopo. Details can be obtained from the above ECIAfrica contacts.</p>