

CASE STUDY 12.1W

Funding opportunities for tourism businesses in South Africa

Tourism has emerged as a major element of the economy of the new South Africa following the ending of apartheid and it is the leading country for tourism on the African continent. To help facilitate the development of tourism businesses in South Africa, government agencies have put in place different funding programmes as the sector seeks to grow the numbers employed from the 820 000 people currently indirectly and directly employed in tourism. As Nuntsu, Tassiopoulos and Haydan (2004) show, much of the focus is on the potential of entrepreneurs and micro-scale businesses to accommodate the expected doubling of inbound tourism every four years.

Although Nuntsu *et al.*'s (2004) and Rogerson's (2004) studies of South Africa's bed-and-breakfast sector identified a number of barriers to growth including lack of access in finance, the Department of Environmental Affairs and Tourism's Funding Programmes for Tourism Businesses (www.environment.pw.gov.za) do outline the following schemes which resulted from collaboration between the Tourism Business Council of South Africa (established in 1996) and the Department of Environmental Affairs and Tourism. The main programmes include:

- The small and medium enterprise development programme, which is a cash grant incentive scheme for new or expansion projects to help reduce investment costs and to attract overseas investment.
- The Industrial Development Corporation, with its Tourism Business Unit providing finance as a loan for capital-intensive projects such as accommodation facilities, buildings, furniture and fittings, renovations and expansion with loans of 5–15 years in duration and other finance options.
- The Development Bank of Southern Africa, with finance and expertise through support for investment in attractions, accommodation, transport, enabling infrastructure (e.g. basic services and telecommunications) and training.
- Khula Enterprise Finance, which is a credit guarantee scheme for investors without the financial resources to start up a business. The Khuala Guarantee acts as up to 80 per cent of the collateral.
- The National Empowerment Fund, established in 1998 to empower disadvantaged people by financing and investment in projects.
- Business Partners Ltd, which is an unlisted public company established in 1981 to help with business planning, advice and support including a mentoring programme.
- Community Public Private Partnerships Programme, launched in 1999 to link resource-rich rural communities and private sector investors to unlock the economic potential of the country, promoting the sustainable use of resources in the country's poorest areas to address poverty. Tourism is now a focus of the programme including archaeological and anthropological remains and their use in tourism.
- National Lottery Distribution Trust Fund, established in 1997 to distribute the proceeds of a National Lottery, with a focus on the arts, heritage (natural and cultural) and the environment in much the same vein as the UK's National Lottery. The scheme funds projects of national significance, especially in rural areas.
- Eastern Cape Development Corporation, to help fund the rapidly growing tourism sector in the country's cape.
- Ganteng Tourism Authority Tourism Development Fund, which funds tourism infrastructure to help increase tourism growth and community participation in tourism, as well as focusing on key tourism gateways, routeways, nodes and clusters (i.e. areas where tourism activities come together to create a critical mass, and so a tourism cluster develops). The scheme also supports tourism training, capacity building (i.e. investing in the human resource potential of employees) as well as seeking to improve the overall visitor experience.
- Northern Cape Department of Economic Affairs and Tourism, to help reduce poverty and to engage the unemployed and underemployed in the formation of micro-enterprise formation through a credit guarantee scheme and innovation fund.
- Western Cape Department of Economic Development and Tourism, which aims to help develop infrastructure so that marginalized rural communities benefit from tourism. It seeks to help in the creation of new entrepreneurs, and with training support. A wide range of areas can benefit, for example the craft sector which can be helped to link to tourism opportunities.
- Kwa Zulu Natal, with its ITHALA Development Finance Corporation to facilitate tourism investment in the province (i.e. in the Kingdom of Zulu) via new or existing tourism projects. It offers finance for buildings as a lead organization and is willing to enter into equity schemes via joint ventures if an entrepreneur lacks the funding. The project has the opportunity to buy out ITHALA's involvement in the venture at a later stage. It also helps finance buildings and equipment, providing loan capital for up to five years, and it runs a Black Empowerment Fund to encourage involvement in the tourism sector. ITHALA also offers consultancy services, from feasibility analysis through to post-establishment services including maintenance management.

Source: Adapted from Department of Environmental Affairs and Tourism's Funding Programmes for Tourism Businesses (www.environment.gov.za), accessed 15.1.2005.

References

Nuntsu, N., Tassiopoulos, D. and Haydam, N. (2004) 'The bed and breakfast market of Buffalo city (BC), South Africa: Present status, constraints and success', *Tourism Management*, 25 (4): 512–22.

Rogerson, C. (2004) 'Tourism, small firm development and empowerment in post-apartheid South Africa', in R. Thomas (ed.) *Small Firms in Tourism: International Perspectives*. Oxford: Elsevier.