



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA



MEDIA STATEMENT

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Tourism Transformation Fund driving inclusive growth in tourism

[SOUTH AFRICA] – The Tourism Transformation Fund (TTF) is an important initiative by the collaborative efforts between the Department of Tourism (DT) and the National Empowerment Fund (NEF) in fostering economic transformation and empowerment within the tourism sector.

Since its inception in 2017, the TTF has approved transactions to the value of R272.58 million. Six of the transactions are operational while a further six are under construction and ten of the approved transactions are at various stages of development, with many scheduled to commence construction in due course. A total 1 047 jobs have been supported, and the 23 businesses boast in excess of 76% black women ownership while 27% of the businesses are owned and managed by youth.

Targeted support to black businesses in tourism

"Our collaboration with the National Empowerment Fund in establishing the Tourism Transformation Fund has been a key indicator of our commitment to driving inclusive growth in the tourism sector. By providing targeted support to black-owned enterprises, we aim to create a more equitable and prosperous industry that benefits all South Africans," Deputy Minister of Tourism, Mr Fish Mahlalela, said.

NEF Acting Chief Executive Officer, Mr Mziwabantu Dayimani says the TTF represents a significant step towards empowering black entrepreneurs in the tourism sector.

"Administered by the NEF on behalf of the DT, the TTF offers a comprehensive funding solution tailored to the diverse needs of black-owned enterprises across the tourism value chain. Through a combination of grant funding, debt financing and equity contributions, the TTF facilitates capital investment in tourism projects, empowering entrepreneurs to start new businesses and to expand existing enterprises. In this way the TTF aims to catalyse the growth and emergence of a new generation of black-owned tourism enterprises," he said.

The grant funding provided by the DT is capped at 50% of the total funding required, for up to a maximum of R5 million per successful applicant. The balance is made up of debt finance and equity contributions by the NEF or any other Development Finance Institutions (DFIs) as well as the owner's contribution.

A transformative mandate

The TTF aims to contribute to the transformation of the South African economy through Broad-Based Black Economic Empowerment (B-BBEE) as a fundamental policy alongside imperatives such as the National Development Plan (NDP), the Industrial Policy Action Plan (IPAP) of the country as well as the Economic Reconstruction and Recovery Plan. Economic transformation through B-BBEE as a priority in the tourism sector is reflected in the Tourism Act (Act no 3 of 2014), the National Tourism Sector Strategy and the Tourism B-BBEE Sector Code amended in 2015.

Slow rate of transformation in tourism

While there has been some growth in the number of new black-owned small and micro enterprises entering the sector and also some progress made by existing large tourism players to transform, the overall pace and extent of transformation in the tourism sector has been slow. Transformation efforts are yet to sufficiently change the structure of the sector to facilitate equitable growth with sustained positive socio-economic impacts for the people of South Africa.

Need to strengthen transformation programmes

There was thus a need to strengthen the focus of the Department's sector transformation programmes beyond policy interventions and to consolidate state-resources through partnerships to create targeted interventions to facilitate more inclusive growth and economic transformation.

The Department signed a Memorandum of Agreement (MoA) with the NEF at the end of March 2017 to establish and administer the TTF and applications for the pilot phase opened on 17 May 2018.

Review of TTF

Following a review process in 2021, the pilot phase of the TTF has undergone enhancements, including an increase in grant funding for successful applicants.

"The NEF continues to monitor the performance of the various TTF transactions approved for funding to date, and to provide mentorship support in the effort to improve business sustainability, growth and the preservation of jobs. To date, application patterns have demonstrated a significant demand for funding among black entrepreneurs nationwide for tourism-related funding," Mr Dayimani said.

Deputy Minister Mahlalela concluded that travel and tourism contribute significantly to South Africa's economy and is a source of employment across the country.

"There are many untapped opportunities for funding and the continued need for transformation in the tourism sector. The TTF will continue in its pursuit of the quest for economic recovery, inclusive growth, job creation, as well as women and youth empowerment," he said.

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For Media Enquiries	
Ms Dikatso Mothae Editorial Specialist: Marketing & Corporate Communications National Empowerment Fund +27 84 314 6713 / mothaed@necorp.co.za	Ms Susan de Bruin Director: External Communications Department of Tourism +27 82 921 7303 sdebruin@tourism.gov.za