PROGRAMME GUIDELINES
TOURISM TRANSFORMATION FUND

tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA

NATIONAL EMPOWERMENT FUND
Growing Black Economic Participation

1. PREAMBLE

The purpose of this document is to provide guidance to applicants submitting proposals for funding consideration under the Tourism Transformation Fund (TTF). Funding approval will be granted for projects in line with the strategic objectives of the fund.

2. BACKGROUND

The Tourism Transformation Fund is a development fund established by the Department of Tourism in collaboration with the National Empowerment Fund (NEF) as a pilot project to provide financial support for black investors and communities investing in projects in the tourism sector. The main aim of the fund is to drive transformation in the tourism sector and catalyse the rise of a new generation of black-owned community, youth and women owned tourism enterprises.

The TTF is managed by the NEF, and is capitalised by the Department of Tourism to the tune of R40 million annual grant funding, over a period of three financial years up to 2020. The grant funding will be used to reduce the funding gap that may exist between the prospective investor's own contribution and the approved loan finance and/or equity contribution by the NEF for tourism projects. The grant component will be capped at a maximum of R5 million per successful applicant to unlock investment in the tourism sector by qualifying black-owned small and micro tourism enterprises.

The fund will focus specifically on:

- majority black owned tourism entities and transactions that are commercially viable and sustainable, as per the results of the due diligence processes of the NEF;
- Unlocking investment support in the tourism sector for new and established (greenfield and brownfield) small and micro black-owned tourism enterprises that provide services to tourists as its direct clients; and
- Majority Black owned community – based projects in which the Department of Tourism is already involved through its Expanded Public Works Programme (EPWP) for which commercial viability and long term sustainability have been proven.

3. STRATEGIC OBJECTIVES OF THE TOURISM TRANSFORMATION FUND

The strategic objectives of the TTF are to:

- facilitate transformation within the tourism sector by providing access to funding support through a combination of debt, equity and grant funding to black investors in the tourism sector;
- develop the tourism sector by providing financial support to eligible projects with preference for projects that stimulate empowerment, destination development, job creation and tourism skills development;
- reduce the funding gap that may exist between the prospective investor's own contribution and the conditionally approved financing by the NEF; and
- encourage the development of innovative, commercially viable and sustainable tourism projects.

4. ELIGIBILITY CRITERIA

TTF funding applications must adhere to the following:

4.1 Submission of a duly completed and signed NEF application form and TTF checklist together with related supporting documents as per NEF requirements;

4.2 Proven commercial viability and sustainability as per the NEF due diligence;

4.3 The Enterprise must be at least majority (51%) black-owned;

4.4 The enterprise must be black management controlled;

4.5 Shareholders must be operationally involved in the business;

4.6 Enterprises must be registered as a legal entity in South Africa in terms of South African law;

4.7 The enterprise must either be a black-owned Exempted Micro Enterprise (EME) or black-owned Qualifying Small Enterprise (QSE) in terms of the Amended Tourism Broad-Based Black Economic Empowerment (B-BBEE) Sector Code.

4.8 Enterprises that provide services to tourists as its direct clients.

4.9 The grant funding is applicable to greenfield and brownfield transactions in the tourism sector;

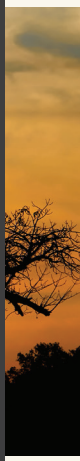
4.10 An applicant may be required to contribute a reasonable percentage of the total funding applied for as own contribution.

5. OTHER CONDITIONS

In assessing applications for support, the debt/equity portion of funding will be in line with NEF limits, while the grant portion of the funding is capped at R 5 million per successful applicant.

In the case of merger and/or acquisition transactions funded through the NEF, the grant portion of the funding applied for will be limited to financing working capital only and will not be used towards the purchase price of the assets and/or business.

In the case of majority Black owned community-based projects in which the Department of Tourism is already involved through its Expanded Public Works Programme (EPWP) for which commercial viability and long term sustainability have been proven, the grant portion of the funding applied for will be limited to financing specified working capital only and will not be used towards capex.



6. ADJUDICATION PROCESS

During the adjudication of applications that have passed the due diligence assessment, preference will be given to:

- projects in which the department is already involved (e.g. EPWP community-based projects, destination development projects, etc.);
- projects that have significant ownership and participation by black women, youth, communities and people with disabilities; and
- projects with a high job creation potential.

7. APPLICATION PROCEDURE

The following documents must be submitted for each TTF application:

- a completed and signed NEF application form together with a business plan, financial projections and related supporting documents; and
- a completed and signed TTF application checklist.

Applications must be submitted to the NEF:

- Physical applications may be delivered to; West Block, 187 Rivonia Road, Morningside, 2057, Johannesburg
- Electronic submissions and enquiries may be sent to tourism@nefcorp.co.za

The application form and checklist may be obtained on the NEF website at www.nefcorp.co.za

Note: Incomplete submissions will not be considered for funding.

8. POST INVESTMENT MONITORING AND SUPPORT

All post investment monitoring and support services will be provided by the Post Investment Unit of the NEF in conjunction with the Department of Tourism.

9. CONTACT DETAILS

The National Empowerment Fund
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