

PRESENTATION TO THE PORTFOLIO COMMITTEE ON SMALL BUSINESS

Status update on the Tourism Equity Fund since its reintroduction in 2023

25 March 2026

broadening horizons



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA



OVERVIEW OF THE TOURISM EQUITY FUND (2)

- The TEF was launched on 26 January 2021. The launch generated significant interest, resulting in a substantial number of applications and inquiries submitted to Sefa.
- In February 2021, legal action brought by Solidarity and AfriForum led to a court interdict, halting all processing of TEF applications. This legal challenge resulted in the suspension of the program pending the outcome of the court case.
- At the time when the court interdict was issued, SEDFA (then (Sefa) reports that as at 26 March 2021, 379 applications with a total value of R5,6 billion were received. 188 applications with a value of R4,1 billion having successfully passed through the screening phase.
- The legal challenge was resolved in June 2023 through a settlement led by Minister De Lille. The settlement allowed the TEF program to be revised in line with the Cabinet Decision of 13 September 2023.



September to December 2023: TEF relaunch and implementation framework

- **13 September 2023:** Cabinet approves the revised TEF Framework, which was then gazetted to enable the amendment and relaunch of the Fund.
- **5 October 2023:** Minister De Lille welcomes concurrence by Cabinet for the implementation of an amended TEF in line with relevant legislation.
- **31 October 2023:** The Department concludes a 3-year Fund Management Agreement (FMA) and Service Level Agreement (SLA) with SEDFA under which SEDFA would implement and administer the revised TEF. The signing of the Fund Management Agreement (FMA) and the Service Level Agreement led to the opening up of applications for funding from the TEF and the establishment of the necessary governance structures to provide strategy and management oversight, and to consider funding applications and/or submissions.
- **2 November 2023:** The Department and SEDFA announce that applications for the TEF will be accepted from 6 November 2023.
- **Nov–Dec 2023:** High volume of TEF applications recorded, allowing SEDFA to commence with basic assessment.



January to August 2024: Early Performance of the TEF

- **20 December 2023:** Minister De Lille highlights the need for the TEF as a transformation tool sighting the submission of 131 “complete” TEF applications (complying with the documentary requirements) since 6 November 2023.
- **16 January 2024:** SEDFA progress report confirms the number of “complete” TEF applications received increased to 182.
- **28 March 2024:** Noting the significant uptake in the TEF, the Director-General informs SEDFA of further capitalisation of the TEF by R59.6 million based on the availability of funds.
- **5 April 2024:** SEDFA reports 329 “complete” TEF applications received. They further reported out of the 329 applications two (2) were approved, 33 at Due Diligence stage, 225 passed pre-screening and 69 were still at pre-screening stage.
- **24 April 2024:** Minister De Lille provides an update on TEF implementation progress and confirms the 327 completed TEF applications are still under assessment.



January to August 2024: Early performance of the TEF

- **1 July 2024:** SEDFA reports 441 complete TEF applications received, with 5 approved(-1 withdrawal), 41 at Due Diligence, and 309 passed pre-screening and 87 at pre-screening.
- **12 August 2024:** Department instructs SEDFA to accelerate implementation to meet the 31 March 2025 target.
- **15 August 2024:** SEDFA reports 482 complete TEF applications received, with 6 approved(-1 withdrawal), 15 at Due Diligence, 105 declined, 231 requested to provide additional information, and a backlog of 125 at pre-screening.
- **16 August 2024:** Minister De Lille called a meeting with the Minister of Small Business Development, following Minister De Lille's concerns about SEDFA's slow progress. SEDFA presented a report on the performance of the TEF and a catch plan.
- **28 August 2024:** Addendum to FMA is concluded to reflect further capitalisation of R59.6 million to take the total fund value of the TEF to R1.313bn.

September 2024 to January 2025: Approvals and emerging concerns

- **10 September 2024:** SEDFA reported it approved 12 applications.
- **30 September 2024:** Up to this point, SEDFA received 3979 enquiries about the TEF, of which 624 applications were submitted.
- **8 October 2024:** Minister De Lille wrote to the Minister of Finance for guidance and urgent intervention regarding SEDFA and the implementation of the TEF. Minister raised concerns about the slow progress of the disbursement of funds even to approved applications and concerns that SEDFA could be in breach of the SLA.
- **25 November 2024:** SEDFA report to Fund Steering Committee (FSC) shows 20 approvals valued at R301m with supporting and estimated 468 new jobs and 128 existing jobs.
- **28 November 2024:** The Department obtains a legal opinion on the implications of terminating the FMA and SLA.
- **15 December 2024:** Minister De Lille provides an update on TEF implementation progress and expresses concern about the slow pace of TEF approvals and disbursements, and apologises to the sector for the poor performance.
- **7 January 2025:** Minister De Lille reiterates her concern with the pace of implementation of the TEF and indicated that the Department will not be renewing its contract with SEDFA.

January 2025 to June 2025

Suspension, close-out report and POPIA dispute

- **January 2025** Minister issued an instruction that the Fund Management Agreement and the Service Level Agreement that the Department entered into with SEFA (SEDFA) for the implementation of the TEF be cancelled. This was to mitigate the risk of the TEF not meeting its objectives due to the slow pace of implementation.
29 January 2025: The DG issues SEDFA Notice of Termination of the FMA/SLA due to performance concerns and instructs SEDFA to suspend implementation pending review.
- **3 February 2025:** Upon discussions with Treasury on implications of the termination, the DG withdraws the termination notice to allow consideration of legally viable options to advance the objectives of TEF.
- **4 February 2025:** The DG informs SEDFA that discussions on the way forward are to be concluded by 20 February 2025.
- **February 2025:** Minister Convened meetings with PIC and requested written proposals to look at the alternative proposals for the TEF.



January 2025 to June 2025

Suspension, close-out report and POPIA dispute

- **14 February 2025:** In a meeting between the DG, SEDFA CEO and SEDFA Chairperson, SEDFA is informed of the Department's intention to transfer the TEF to another entity and SEDFA is instructed to prepare a close-out report.
- Three other meetings (17 March 2025, 04 April 2025, and 11 April 2025) were held, between SEDFA and the Department, to discuss the closeout of the Fund.
- **10 June 2025:** SEDFA shared a draft close-out report with the Department. Some information was not shared with the Department on the basis that it was personal information, and SEDFA cited legal challenges (POPIA) as their basis for withholding the information.
- The Minister disagreed with their interpretation, because SEDFA is the implementing agent on behalf of the Department and therefore it is entitled to this information, including Parliament.
- **June 2025:** Minister disputes POPIA interpretation; requests full disclosure. The Department refers POPIA matter to State Attorney for legal opinion.

July to October 2025

Final close-out report and plan to commit funds

- **28 July 2025:** The DG submits the legal opinion of the State Attorney with SEDFA, informs SEDFA that the TEF will be migrated to the PIC and requests SEDFA to finalise the TEF close out report.
- **5 August 2025:** The Department receives an updated and final TEF Close-out report dated 1 August 2025, with some information still withheld.
- **29 September 2025:** **DG's** submission to Minister to approve a proposed approach to allow SEDFA to process applications at an advanced stage of assessment (i.e. I0 at Due Diligence stage).
- **24 October 2025:** The DG request SEDFA to submit an implementation plan for the full commitment of TEF funds by 31 March 2025.
- **31 October 2025:** SEDFA submits a TEF Implementation Plan to process advanced pipeline applications (24 at the time) and commit remaining uncommitted funds by 31 March 2026.



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January to March 2026

Latest developments

- **22 December 2025:** Minister De Lille writes a letter to DG Vele to request from SEDFA:
 - Full legal status of TEF arrangements
 - Outstanding beneficiary and pipeline information
 - Updated Implementation Plan
 - Governance and risk management assurances
 - Conditions for possible reinstatement of SEDFA
- **19 February 2026:** The Department requests SEDFA to submit an updated TEF implementation plan before the end of February 2026.
- **28 February 2026:** Department receives SEDFA's Updated Implementation plan to process advanced stage applications (21 at the time) to commit remaining funds by the end of Q1 of 2026/27.
- **March 2026:** The Department agrees with SEDFA on the Updated Implementation Plan towards May 2026.



TEF PERFORMANCE AS REPORTED BY SEDFA

Approvals and disbursements (6 Nov 2023 - 22 Jan 2025)

- 23 TEF transactions valued at R466m approved (mainly capital-intensive construction projects that created and sustained 1 483 jobs).
- The majority of transactions are located in KwaZulu-Natal (6), Eastern Cape,(3), Limpopo (3) and Western Cape (3), followed by Free State (2), Gauteng (2), North West (2), Mpumalanga (1) and Norther Cape (1).
- From R600m TEF funding, R239m committed (Grants of R121m and concessionary loans of R118m) and remaining balance of R361m.
- Total disbursements amount to R332m (R239 from TEF and R85m from partners). The majority of approved projects are above 90%disbursed and the R129m in outstanding disbursements are mainly due to zoning delays, client requests, stage completion and cancelations.
- Since Q4 of 2023/24 SEDFA has on a quarterly basis provided the Department with a reconciliation of funds held and repaid accrued interest for the previous quarter as per the the FMA, which the Department surrenders to the National Revenue fund.



TEF PIPELINE APPLICATIONS IN UPDATED IMPLEMENTATION PLAN

Pipeline applications

- SEDFA's Close-out report of 1 August 2025 indicated a total pipeline of around 500 applications - At the time, the majority (442) had varying prospects of approval, while around 48 pipeline applications were at different levels of Due diligence assessment or ready for adjudication with higher prospects of success.
- SEDFA Updated Implementation plan (26 Feb 2026) for committing remaining funds focus on a pipeline of 21 advanced stage applications including 4 that are awaiting adjudication by the Executive Credit Investment Committee, 5 at Due Diligence-Level 2 and 12 at Due Diligence-Level 1.
- The 21 advanced-stage pipeline applications noted in the Updated Implementation plan are spread across 8 of the 9 provinces, represent combined investment value of around R571 million with potential to support a further 879 jobs.



WAY FORWARD

- Overall, SEDFA plans to commit the TEF Funds, by approving the foreseeable pipeline of over R600million (limited to available funds) by end May 2026.
- Given the pipeline and the availability of support from stakeholders in the TEF delivery value chain, SEDFA is of the view that the TEF implementation can be completed by 22 May 2026, FY 2026/27 Quarter I.
- The Department of Tourism supports SEDFA's Updated TEF Implementation Plan.

END

