



MINISTRY
TOURISM
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

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TOURISM EQUITY FUND APPLICATIONS DEMONSTRATE NEED FOR SUPPORT TO ENABLE TRANSFORMATION AND GROWTH FOR TOURISM BUSINESSES

On 2 November 2023, the Department of Tourism together with the Small Enterprise Finance Agency (Sefa), an agency within the Department of Small Business Development (DSBD) announced the opening of the application process for the Tourism Equity Fund (TEF) starting from Monday 6 November 2023.

Following the Cabinet's approval in September 2023 for the revised TEF to be implemented, we announced that the Request for Proposals for funding from the TEF is open to businesses to apply from 6 November 2023.

The R1.2 billion TEF aims to increase growth, transformation and stimulate more inclusive participation in the tourism sector in line with the targets of the Tourism B-BBEE Sector Codes.

The TEF is intended to address the funding challenges faced by Qualifying Small Enterprises and Emerging Micro Enterprises in the tourism sector.

The TEF will be implemented by:

- Assessing and scoring applications against jobs to be sustained and/or jobs to be created, location and geographic spread, and targeted groups (youth, women, and people with disabilities).
- The Department of Tourism and Sefa in partnership with banking and/or financial institutions in the Republic of South Africa, which includes, amongst others, banks and developmental finance institutions that will offer affordable and tailor-made financial solutions, in an attempt to close funding gaps in the market, through the provision of a blended finance solution.
- Disbursing a total of 80% of the TEF funds to existing businesses in the market to enable these businesses to grow. The remaining allocation of 20% of the funds will be disbursed to new businesses.

Sefa will implement, execute, and manage the Fund through a Fund Management Agreement signed with the Department of Tourism. The Department will support and monitor the implementation of the TEF on a monthly basis.

The funding structure comprises grant funding, and debt financing, to meet the distinct needs of tourism enterprises that are either seeking equity acquisition, investment in new developments, or expansion of their existing businesses.

The fund will focus on tourism enterprises in the accommodation, hospitality and related sectors-, and travel and related services-subsectors. The TEF will consider applications for start-ups, acquisitions, expansion and development projects in line with the Tourism B-BBEE sector codes.

UPDATE ON TOURISM EQUITY FUND APPLICATIONS AND PROCESS

Since TEF applications opened on 6 November 2023, Sefa reports that a total of 985 applications for TEF were initiated by prospective applicants with a total of 131 completed applications submitted which met all application requirements.

The 131 submitted applications represent a combined investment value of just over R2billion.

Although no specific information is available yet on the type of enterprises, or the nature of projects for which TEF support have been applied for, Sefa's preliminary report is that 45 of the registered applications originated from Gauteng, 21 from KwaZulu-Natal, while between 10 and 14 applications were submitted between Limpopo, North West, Western Cape and Eastern Cape and with only one from the Free State.

Sefa reported that some of the 131 applications formally submitted have already been pre-screened, while pre-screening for the remaining applications will be completed by the end of the year.

Subsequent to basic or pre-screening, applications are subjected to a due diligence process, which include a more detailed assessment of financial viability, FICA compliance and reporting, credit and legal checks before preparation for presentation to the relevant investment committee for final adjudication.

Depending on the readiness of projects, the applications may potentially be presented at upcoming committee meetings that Sefa has provisionally scheduled in Quarter 4 between January and March 2024.

"We are encouraged by the level of interest and applications to the Tourism Equity Fund which is aimed at driving empowerment and transformation to support the growth of new and emerging enterprises in the tourism sector. This is in line with our aims as government to support investment by the private sector to grow an inclusive tourism sector that can continue to contribute to the country's economy and job creation. We will continue to keep businesses and the public updated on this important project in the coming weeks and months," Minister de Lille said.

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