

# Government launches R1.2bn Tourism Equity Fund

Government on Tuesday launched the Tourism Equity Fund aimed at creating an inclusive and growing tourism sector by supporting entrepreneurship and investment on the supply side of the tourism sector.



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Speaking at the virtual launch of the Tourism Equity Fund (TEF), President Ramaphosa said many jobs in the tourism and associated sectors in the value chain have been shed.

"As damaging as this pandemic has been, and continues to be, we can be certain that as infections are brought under control and more areas of economic activity resume, there will be a gradual recovery.

"The task before us now is to ensure that we do not simply return to business as usual, but that we accelerate the pace towards achieving our transformation goals," President Ramaphosa said.

According to President Ramaphosa, Tourism directly accounts for 2.9% of South Africa's GDP and 8.6% indirectly. It supports about one-and-a-half million direct and indirect jobs.

President Ramaphosa said South Africa's tourism base is significant and that it is one of the world's most popular long-haul destinations.

"This is a sector that is labour-intensive and therefore has immense job creation potential. It supports a vibrant and complex value chain. It generates foreign direct investment and significant export earnings. It stimulates and supports the development of small businesses," the President said.

## **Inclusive tourism economy**

President Ramaphosa explained that the Tourism Equity Fund is aligned with the National Tourism Sector Strategy 2016-2026, which places significant emphasis on a transformative and inclusive tourism economy.

"The Tourism Equity Fund is informed by the recognition that the capital-intensive nature of the industry prevents many black-owned tourism enterprises from growing and developing.

"By providing access to finance for black-owned commercially viable tourism projects, the Tourism Equity Fund intends to address this challenge.

"As a combination of grant funding, concessionary loans and debt finance, the fund will cater to the specific needs of black-owned businesses to acquire equity, invest in new developments or expand existing developments," President Ramaphosa said.

President Ramaphosa said the partnership between government, public entities and commercial banks is a great example of the kind of collaboration that is required as the country forge a path towards a sustainable economic recovery.

"We are committed to ensuring that this fund enables black business to substantially benefit from the tourism economy, not to be roped in by fronting companies or to be marginal bystanders and small-scale suppliers to larger tourism enterprises.

"Whether it is in a coastal town in the Eastern Cape or a wildlife-rich area in the North West, it is our aim through this fund to support black-owned businesses to run profitable and sustainable enterprises, to employ local people, to procure goods and services locally, and to make a real contribution to our economy," President Ramaphosa said.

## **Debt finance and grant funding**

In her opening remarks, Tourism Minister Mmamoloko Kubayi-Ngubane said the Tourism Equity Fund is a dedicated fund that will provide a combination of debt finance and grant funding to facilitate equity acquisition as well as new project development in the tourism sector by black entrepreneurs.

"The tourism sector in South Africa is largely private sector owned and driven, and its contribution to the South African economy has grown tremendously since the 1994 democratic breakthrough," Kubayi-Ngubane said.

Kubayi-Ngubane explained that during this three-year period, the Department of Tourism will capitalise the fund with an amount of R540m.

She said the funding from the department will be matched with a contribution of R120m from Sefa and R594m from commercial banks that will be participating in the programme.

"This combination will put the value of the Tourism Equity Fund at just over R1.2bn," she said.

Kubayi-Ngubane said the private sector has done an excellent job in developing and investing in the sector to turn the country's natural endowments into economic assets for the country.

## **Stimulate new investments**

"However, much remains to be done to stimulate new investments and to fully exploit the potential that is still unexplored in our country's tourism sector. The outbreak of the Covid-19 pandemic that brought the tourism sector to a grinding halt for most of last year and still continues today, has reduced the number and diversity of tourism attractions," the Minister said.

The fund was established by the Department of Tourism in partnership with the Small Enterprise Finance Agency (Sefa) as a new financial support mechanism to stimulate investment and transformation in the Tourism sector.

The fund will offer a combination of debt finance and grant funding for large capital investment projects in the tourism sector.

The South African Economic Reconstruction and Recovery plan identifies the tourism sector as one of the key priority areas to revive the economy.

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