

State fund aims to transform tourism

‘Ground-breaking venture’ to speed up transformation

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The government has launched a R1.2bn debt and grant financing facility to help speed up transformation of the tourism sector. The Tourism Equity Fund, which seeks to increase the participation of blackowned enterprises in the R400bn sector, is a partnership between the tourism department and the Small Enterprise Finance Agency, which falls under the department of small business development.



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The tourism industry, which is regarded as a mainstay of the economy, accounts for an estimated 8.6% of GDP. It is one of the biggest casualties of Covid19 lockdown, resulting in hundreds of company closures as business owners struggle to find financial support to cushion them from the pandemic.

The Tourism Equity Fund (TEF), which seeks to increase the participation of black-owned enterprises in the R400bn sector, is a partnership between the tourism department and the Small Enterprise Finance Agency (Sefa), which falls under the department of small business development.

Tourism minister Mmamoloko Kubayi-Ngubane, who addressed the TEF’s virtual launch on Tuesday, said the fund 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 team is ready to receive proposals and get the programme rolling. The details of the requirements and where to send the proposals will be published on various media platforms,” she said.

Sefa will manage the fund on behalf of her department over the initial three-year period.

“During this three-year period, the department of tourism will capitalise the fund with an amount of R540m. 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 this programme. This combination will put the value of the TEF at just over R1.2bn.”

President Cyril Ramaphosa described the fund as a “groundbreaking venture” that will speed up transformation in one of the “most crucial sectors of our economy”.

It was informed by the recognition that the capital-intensive nature of the industry prevented many black-owned tourism enterprises from growing and developing, he said.

“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.”

COMMITMENT

There was a commitment to ensuring the fund enabled black businesses to 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”, Ramaphosa said.

Black Business Council president Sandile Zungu viewed the fund as another relief measure for businesses during the pandemic. Tourism Business Council of SA CEO Tshifhiwa Tshivhengwa said it is “a step in the right direction and shows that opening the industry to new players is a prerogative to our government”.

Tshivhengwa said he remained hopeful that the fund

TOURISM EQUITY FUND AIMS TO INCREASE THE PARTICIPATION OF BLACK-OWNED ENTERPRISES IN THE SECTOR

would attract new participants to the sector.

“One of the most important aspects of tourism is sustainability, and we know that this fund will inject some sustainability during this critical time for the tourism sector.”

However, the SA Institute of Race Relations (IRR) said that while there was a need for economic inclusivity, economic growth and job creation remained the critical objectives.

“What the tourism sector needs is for the government to create an environment in which it can once again be a driving force in the economy, as it was prior to Covid-19, when it accounted for 8.2% of all economic activity in 2018,” it said in a statement.