

PORTFOLIO COMMITTEE ON TRADE, INDUSTRY AND COMPETITION

BRIEFING BY THE DTIC ON THE TRANSFORMATION FUND

03 JUNE 2025



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Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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Presentation Outline



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- ❖ The Constitution of the Republic firmly embodies the need to effect redress and equality in the interest of equity. Section 9 (2) of the Constitution of the Republic places a collective burden on all to advocate for equality and redress when it states, “Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken”.
- ❖ Section 11(2)(b) of the B-BBEE Act (53 of 2003), as amended by Act 46 of 2013 stipulates that, a comprehensive plan must be developed to address the financing of B-BBEE, including the creation of incentive schemes to support the growth of black-owned and managed enterprises, which has not been achieved to date.
- ❖ It is against this background that the government in partnership with the private sector, is in the process of establishing a R100 billion aggregated Transformation Fund for the acceleration of transformation and to support the funding requirements of businesses owned and managed by black entrepreneurs.
- ❖ The Fund will serve as an enabler for inclusive growth across various sectors as well as address the high unemployment rate and poverty levels of South Africa’s economy.



State of Transformation in South Africa

- ❖ Despite a variety of measures having been put in place to develop the SMME sector in South Africa and ESD programmes, **the impact of such programmes** in terms of developing the country's entrepreneurial capacity and capabilities remains uncertain.
- ❖ ESD programmes have significant potential, but they have failed to live up to both their compliance and growth expectations.
- ❖ In 2022, the B-BBEE Commission conducted a study which highlighted a low level of compliance with ESD spending, which is estimated at around R20 billion annually. According to the B-BBEE Commission, "in 2021 only 61% of the set targets were achieved for ESD, which is a continuing trend over the past five years (2017: 44%; 2018: 60%; 2019: 51%; 2020: 61%)".
- ❖ An aggregated fund to accelerate transformation and the participation/sustainability of black owned enterprises in the economy.



The B-BBEE Journey

- ❖ Constitution 1996
- ❖ BEE Commission Report in 1998 – Economic Development, Social Transformation and Political Buy-In
- ❖ B-BBEE Strategy of 2003
- ❖ Legislative framework - the B-BBEE Act no. 53 of 2003
- ❖ Codes of Good Practice for B-BBEE 2007 (implementation)
- ❖ First Baseline study on B-BBEE in 2008
- ❖ Gazette of various Sector Codes
- ❖ Appointment of the first Presidential B-BBEE Advisory Council in 2009
- ❖ Second Baseline Study on B-BBEE in 2013
- ❖ Amendment of the B-BBEE Act and Codes of Good Practice in 2013
- ❖ Implementation of the Amended Codes of Good Practice 1 May 2015
- ❖ Establishment of the B-BBEE Commission in 2016
- ❖ BI Programme approved and launched in 2016
- ❖ B-BBEE Commission Reports on National Status of Transformation since 2017
- ❖ **the dtic** commissioned a study to assess the utilisation and impact of corporate enterprise and supplier development Funds in 2019



Why Aggregation of Funds

- ❑ Transformation Fund is a tool to create a coherent and efficient implementation of various financing interventions of B-BBEE and other instruments, such as competition, public interest commitments.
- ❑ The Fund aims to promote greater compliance with B-BBEE requirements and create a more sustainable and inclusive economic ecosystem, ultimately contributing to the redress of past inequalities.
- ❑ It is not the intention of the fund to replace those that are impactful, but to provide an alternative platform for ESD contribution.
- ❑ There are no additional requirements for entities beyond what currently exists in the B-BBEE Act.
- ❑ The Transformation Fund is being set up to address access to funding for black-owned businesses and small, medium, and micro enterprises (SMMEs) to increase their economic participation and income-generating potential.



Rationale for the Transformation Fund

- ❖ **Section 11(2)(b) (B-BBEE Act 53 of 2003 as amended by Act 46 of 2013) provides for the development of a plan for the financing of B-BBEE, including the creation of incentive schemes to support effective Black-owned and managed enterprises.**
 - ❖ The majority of Black people are excluded from meaningful participation in the formal financial asset-based system
 - ❖ The SMME sector, especially in rural/township areas, is underserved and underfunded
 - ❖ ESD contributions did not have a positive impact on marginalised groups
- ❖ **A Mutually beneficial crowdfunding for accelerated transformation and economic growth is required**
 - ❖ An aggregated approach to create an efficient implementation of transformation financing
 - ❖ Centralized Fund coordination, administration & contracting
 - ❖ Integrated governance performance reporting and Fund marketing
 - ❖ Market access and export opportunities for majority black-owned entrepreneurs
 - ❖ Increased impact and participation in key sectors with high barriers to entry
 - ❖ Bargaining power and economies of scale for entrepreneurs targeting big supplier contracts

Key Pillars of the Transformation Fund



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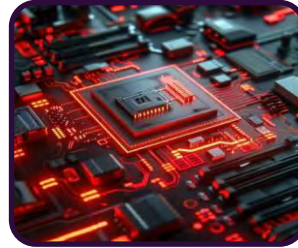
Focus of Township and Rural areas

Includes township business support, supporting businesses in rural areas, services industry, tourism, agriculture



Relevant financial products

The Fund will be a combination of wholesale and direct lending funding instruments.



Accessibility

Centralised fund, will ensure a more even spread of funding



Technical support and access to markets

Ensure sustainability through an all-round intervention



Productive sectors and services

Funds will be applied to productive sectors of economy and priority sectors

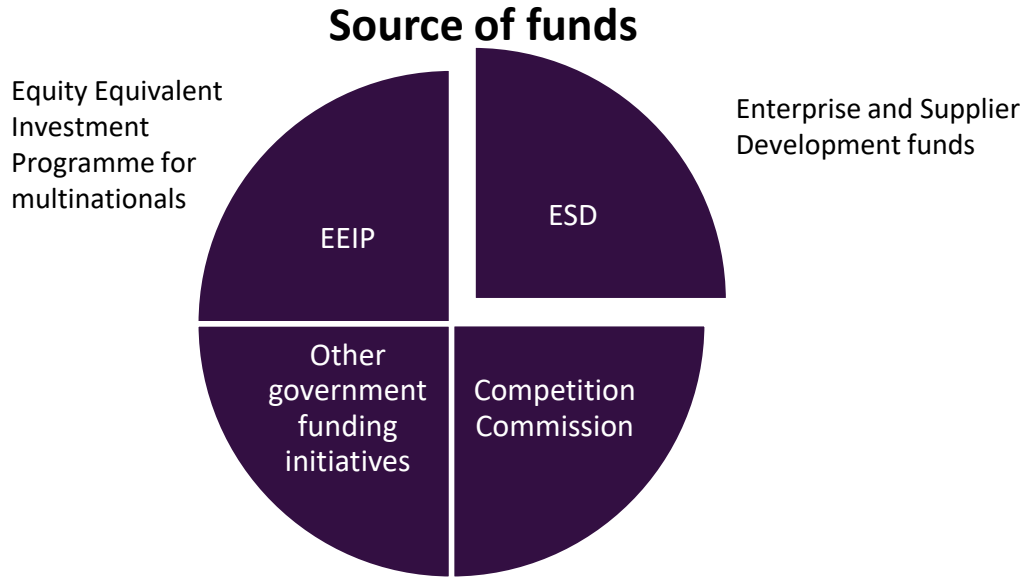
Funding Model of Transformation Fund



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- By **aggregating funds anchored by the B-BBEE policy provisions** and other sources such as Competition Commission public interest commitments



The fund will be administered in **partnership with the private sector**

Proposed Investment Approach



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The Transformation Fund products and services will prioritise the following;

Focus on Townships and Rural Areas

Fosters equitable opportunities, reduce poverty, and empower marginalized communities to contribute to inclusive economic growth.

Financial & Non-Financial Support Instruments

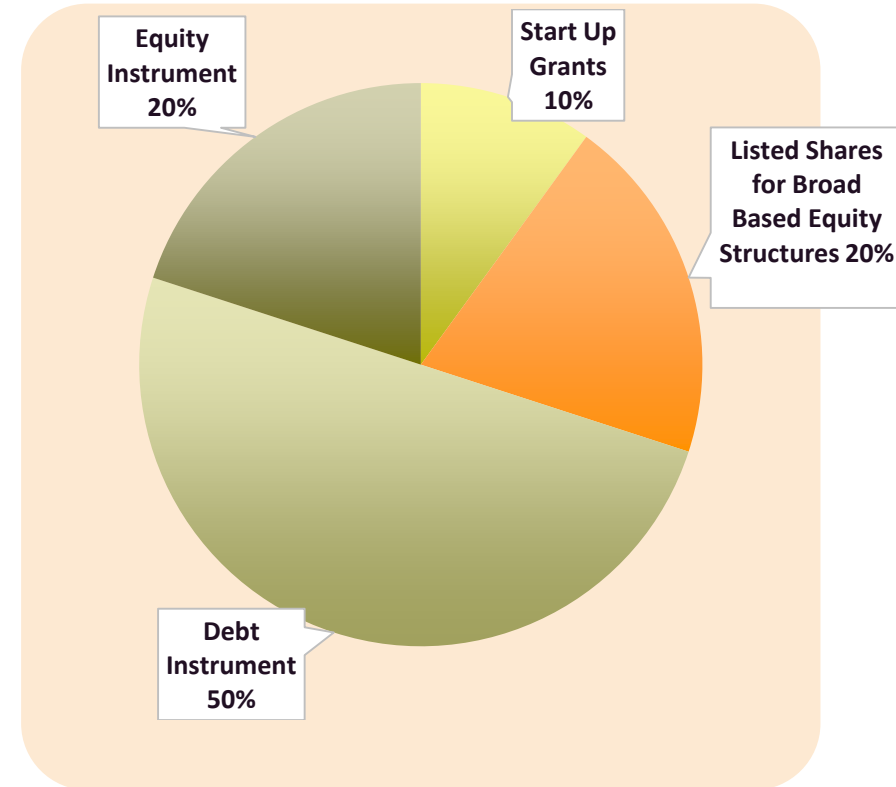
Innovative and market appropriate instruments to drive sustainable development and transformation effectively.

Technical Support & Access to Markets

Equip small businesses with the skills and opportunities needed to enhance their competitiveness and achieve sustainable growth.

Focus on productive sectors and services

agriculture, manufacturing, mining, construction, and services such as finance, tourism, and information technology



Sector Focus of the Fund



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Renewable Energy	Mining services	Agro-processing	Information & communication technology	Infrastructure	Manufacturing	Services and business process outsourcing
<ul style="list-style-type: none"> ❖ Biofuels ❖ Biomass ❖ Biogas ❖ Solar, Wind, and ❖ Hydro Electric Generation 	<ul style="list-style-type: none"> ❖ Mineral Beneficiation ❖ Services Incidental to Mining 	<ul style="list-style-type: none"> ❖ Chemicals Processing ❖ Textiles ❖ Food Manufacture ❖ Bio-Fuels 	<ul style="list-style-type: none"> ❖ Telecoms Infrastructure ❖ Creative Arts Infrastructure 	<ul style="list-style-type: none"> ❖ Tourism Infrastructure ❖ Other Specialised Buildings ❖ Bulk Services 	<ul style="list-style-type: none"> ❖ Textiles ❖ Consumables Manufacture ❖ Automotive Components ❖ Battery and Electric Accumulators 	<ul style="list-style-type: none"> ❖ Healthcare Infrastructure ❖ Call Centre Infrastructure ❖ Data Analytics Services ❖ Digital Industry Commercialisation

Governance of the Fund

- ❖ Partnership with the private sector on execution of the Fund.
- ❖ Utilise existing infrastructure, systems, procedures and optimal capacity and capability, experienced people to deploy capital to have far more diverse reach.
- ❖ An SPV to be established which shall have its own Board that will take decision regarding the fund and its implementation. Members to the Board will be individuals with technical expertise.
- ❖ An oversight committee consisting of 9 members to be established to provide oversight over the Board and also provide strategic direction on the Fund.

COMMENTARY PROCESS (28 MAY 2025)



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- **Written submissions received from individuals and organisations, some listed below**
- **Consultation sessions, physical and online, with various stakeholders and media engagements**
- **A dedicated call centre line and email address created to allow for clarification**

Association	Total members	Written Comments
Black Business Association (BBC)	2 million	Yes
Banking Association SA (BASA)	32 Banks	Yes
Township Economy Development of South Africa (TEDCOZA)	8,000 (4,000 active members)	Yes
BBC Built Environment	5,000	Yes
Women Economic Assembly (WECONA)	10,000	Yes
National African Federated Chamber of Commerce (NAFCOC)	500,000	Yes
Business Leadership South Africa (BLSA)		Yes
BUSA	48 associations	Yes
SA Startups Act Movement	983	Yes
Black Management Forum (BMF)		Yes
Various Chambers of Commerce		Yes

Issues Raised during Commentary Period



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- **Non-financial support** is critical to curtail the effects of limited market experience by SMME's in some sectors, which results in over-expansion.
- Transparency in board and oversight committee appointments
- The Fund must be **developmental in nature, with a high risk appetite**, and not operate like a commercial bank.
- **Effective monitoring and evaluation** of the performance of the Fund is key to producing desired outcomes and flexible redesigning of the Fund as and when necessary for maximum impact.
- There must be an element of fund of funds and **partnership with existing funds**.
- The governance structure must be **strong to ensure that there is accountability**.
- There must be clarity on how the fund will work with existing ESD funds, particularly those that are well functioning.
- **Clear transformation index** on how to measure the impact of the fund
- The fund must be complemented by compliance by big corporations in **terms of market access, technical skills development, infrastructure development and support, and other non-financial support**.

TRANSFORMATION FUND NEXT STEPS



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- Gazette of the Enterprise and Supplier Development (ESD) element for entities to earn points for contributing to the Transformation Fund
- Operationalisation and capacitation of the SPV
- Finalisation of the Concept Document for Cluster and Cabinet approval
- Implementation of the fund to be done in phases

Conclusion



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- The move towards the establishment of the **R100 billion Transformation Fund** marks a significant step towards addressing the historical funding gaps that have hindered the growth of Black-owned businesses in South Africa.
- By leveraging **public-private partnerships**, this initiative aims to drive **inclusive economic growth**, create sustainable employment opportunities, and reduce poverty.
- Anchored in **Section 11(2)(b) of the B-BBEE Act**, the Fund is designed to be a **catalyst for transformation**, ensuring that Black entrepreneurs receive the financial backing needed to thrive across various sectors.
- However, achieving this requires broad stakeholder participation, innovative funding mechanisms, and a commitment to measurable impact.



**THANK
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