



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 2453

Mr R W T Chance (DA) to ask the Minister of Trade, Industry and Competition:

- (1) With regard to the recently announced R100 billion Transformation Fund, which will be managed by the National Empowerment Fund, what is the (a) anticipated source of funding, both from the Government and the private sector and (b) mandate of the fund in terms of the (i) beneficiaries to be funded, (ii) expected returns on investment and (iii) adherence to the Broad-Based Black Economic Empowerment Code of Good Practice;
- (2) whether the fund will operate as a retail or wholesale or as both types of fund; if not, what is the position in this regard; if so, on what date is the fund anticipated to be launched? NW3851E

REPLY:

- (1) (a) **the dtic** is establishing the Transformation Fund which will be managed in partnership with the private and public sector through the NEF SPV. The source of the fund will be raised in line with the B-BBEE Codes of Good Practice and through the Competition Commission's public interest participation, in terms of section 18(1) of the Competition Act Number 89 of 1998 (as amended).

Enterprise and Supplier Development (ESD) Funds – entities are obliged under Statement 400 of the B-BBEE Codes of Good Practice to contribute an equivalent of 3% of annual Net Profit After Tax for the development of black suppliers. Entities will be required to contribute to the Transformation Fund for compliance with the the ESD element.

Equity Equivalent Investment Programme (EEIP) – the B-BBEE Codes of Good Practice under Statement 103 make provision for multinational entities in complying with ownership element to set aside funds (25% of the value of their South African operations), which will be used for transformation purposes. Therefore, funds from EEIP will form part of the Transformation Fund to ensure that they are used for greater transformation impact, and for a broader reach.

Public interest competition commitments – in line with section 18(1) of the Competition Act Number 89 of 1998 (as amended), the Minister may participate as a party in any merger proceedings before the Competition Commission, Competition Tribunal or the Competition Appeal Court, on public interest as stated in 12A(3)(b),(c),(e) of the Competition Act Number 89 of 1998 (as amended). Where a merger raises public interest concerns, the Minister intervenes to ensure that concerns are addressed which may include investment commitments toward transformation fund, HDP ownership, employment protection and sectoral inclusiveness.

(b) (i) The intended beneficiaries are: -

- Enterprises owned by majority black people according to the definition in the B-BBEE Act – these will also include designated groups, namely women, youth, people living with disabilities, as well as people based in township and rural areas.

(ii) The Transformation Fund aims to address access to funding for black-owned enterprises and SMMEs to increase their economic participation and income-earning potential. The fund is established to address unemployment, inequality and poverty in line with the NDP Vision 2030. Additionally, it will address financial barriers to entry of black people in the mainstream of the economy, providing an enabling environment for access to funding for SMMEs and black owned businesses.

(iii) The establishment of the Transformation Fund supports the implementation of the B-BBEE Codes of Good Practice, which requires that established businesses must support black-owned enterprises and SMMEs in order for them to participate in their value chains and other markets as suppliers.

(2) The fund will be administered through a Special Purpose Vehicle located within the National Empowerment Fund by public and private sector. The fund will offer equity funding, debt and grants to accommodate different needs of the intended target beneficiaries.

-END-