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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 2536

Mr S S Zondo (IFP) to ask the Minister of Trade, Industry and Competition:

- (1) In light of the fact that the Transformation Fund is positioned as a collaborative, voluntary platform to improve the effectiveness of Broad-Based Black Economic Empowerment (BBBEE) related Enterprise and Supplier Development (ESD) spend, what specific market failures and/or inefficiencies is the fund intended to correct;
- (2) whether he will furnish Mr S S Zondo with concrete examples where current ESD models have failed and/or were misaligned with economic objectives; if not; why not; if so, what are the relevant details;
- (3) what mechanisms and/or incentives regulatory or reputational does his department intend to use to encourage businesses, especially JSE-listed firms and multinationals to contribute without viewing it as a parallel or redundant obligation to their existing BBBEE scorecard efforts;
- (4) how will the Transformation Fund actively advance economic justice beyond ownership demographics by ensuring transformation of value chains, management control and local procurement;
- (5) whether enterprises owned by women, youth and the disabled will be given preferential access and/or tailored instruments; if not, why not; if so, what are the relevant details? NW2691E

REPLY

- (1) In terms of section 11(2)(b) of the Broad-Based Black Economic Empowerment (B-BBEE) Act, 2003 (Act No. 53 of 2003), as amended by the Amendment Act No. 46 of 2013, there is a legislative requirement to develop a comprehensive plan to

finance B-BBEE initiatives. This includes the creation of incentive schemes to support the growth and sustainability of black-owned and managed enterprises, an objective that has not been fully realised to date.

The Transformation Fund is established to address this gap by accelerating economic transformation and providing targeted funding support to businesses that are wholly owned and managed by majority black South African entrepreneurs. The aim is to assist these enterprises in becoming part of the value chains of industries and the mainstream economy.

The Fund will promote the long-term sustainability of supported businesses by facilitating market access through strategic collaboration with the private sector. These partnerships will enhance opportunities for growth and competitiveness in key economic sectors.

Therefore, the Transformation Fund's primary focus is premised on the intention to address implementation challenges, market failures and/or inefficiencies of Enterprise and Supplier Development (ESD) programmes.

- (2) A study conducted by the B-BBEE Commission in 2022, on the ESD landscape and performance, highlighted there was a low level of compliance on ESD spending. According to the B-BBEE Commission, "in 2021 only 61% of the set targets was achieved for ESD, which is a continuing trend over the past five years (2017: 44%; 2018: 60%; 2019: 51%; 2020: 61%)".
- (3) The feedback received is that the market welcomes the establishment of the fund. Since the fund is established in terms of the B-BBEE policy, there will be a provision in the scorecard for the contributors.
- (4) The Transformation Fund will actively advance economic justice beyond ownership demographics by ensuring participation by majority black owned enterprises in key value chains of economic sectors, management control and local procurement through the following proposed interventions:

- **Focus on Townships and Rural Areas** to foster equitable opportunities, reduce poverty, and empower marginalised communities to contribute to inclusive economic;
 - **Focus on productive sectors and services** such as agriculture, manufacturing, mining, construction, and services such as finance, tourism, and information technology to increase black participation across sectors of the economy.
- (5) The Fund will allocate a significant portion of its resources to the empowerment and funding of designated groups in South Africa which include SMMEs and enterprises owned by women, youth and people with disability.

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