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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 359

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

With regard to the R100 billion Transformation Fund announced in November 2024, (a)(i) what percentage, to the maximum of 3% of the Net Profit After Tax, companies currently spend on enterprise and supplier development (ESD) will they be forced to transfer to the specified Fund and (ii) how will this money be raised and transferred to the Fund and (b)(i) what percentage of the 25% equity equivalent expenditure by multinational companies on ESD will they be forced to transfer to the Fund and (ii) how will this money be raised and transferred to the Fund;

(2) (a)(i) what will be the formula used to determine the total amount companies involved in mergers and/or acquisitions will be forced to transfer to the Fund in terms of the public interest provisions of the Competition Act, Act 89 of 1998 and (ii) how will this money be raised and transferred to the Fund and (b) what provisions will the Fund make for protecting and further enabling the activities of ESD and business development support organisations in managing companies' current ESD and/or economic empowerment expenditure;

(3) (a) what measures has department put in place to capacitate the National Empowerment Fund such that it can fulfil the fund management role envisaged for it and (b) at what cost;

(4) what steps has he taken to engage with stakeholders, including companies contributing to broad-based black economic empowerment initiatives and beneficiaries from small and medium enterprises, to consider the feasibility and risks associated with implementing the Fund? NW389E

REPLY:

1. **(a)(i)** The Broad-Based Black Economic Empowerment (B-BBEE) Codes, require that companies to spend 3% of their Net Profit After Tax (NPAT) on Enterprise and Supplier Development (ESD) initiatives to achieve maximum points on the B-BBEE scorecard. While the modality relating to implementation of the transformation fund is being finalised, the overall contribution per company will not be more than the legislated 3% of the NPAT.

(a)(ii) The fund will be raised by aggregating existing ESD contributions mandated under the B-BBEE Codes of Good Practice. Companies will calculate their ESD contributions based on their NPAT and allocate the required percentage to the Transformation Fund to ensure broader economic participation.

(b)(i) Multinational Companies that cannot meet the ownership element of B-BBEE (due to ownership practices globally) are required to spend 25% of the value of their South African operations on Equity Equivalent Investment Programmes (EEIPs), which include ESD initiatives. The transformation fund provides a platform where some of the multinationals can be able to make a contribution. The fundamental construct EEIP will not be changed.

(b)(ii) Application to participate in EEIP will follow the same route as it stands, the only difference is that instead of some multinationals spending EEIP money using their own infrastructure they will have an option of partnering with the transformation fund.

2. **(a)** The applicability and the process for the public interest provisions of the Competition Act, Act 89 of 1998 will be implemented as they exist.
3. **(a) & (b)** The transformation fund will be managed through partnership with the private sector, civil society, and other stakeholders, and will ensure that the governance processes comply with the prescripts for the financial services sector.

4. Engagements with stakeholders on the fund will commence once the fund is approved and will focus on presenting the objectives of the fund as well as the proposed deliver and governance model. Inputs and comments from stakeholders will further strengthen the finalization of the concept and implementation plan.

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