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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 6874

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

- (1) In light of the revised concept document for the Transformation Fund that replaces the mechanism of redirecting 3% of net profit after tax that is spent on enterprise and supplier development, as provided for in the Broad-Based Black Economic Empowerment scorecard, with a contribution of 3% of turnover to the Transformation Fund, what research has his department done to assess the likely quantum of money that will be raised by the new funding mechanism;
 - (2) whether he has found that the uncertainty of attracting a constant stream of money to the Transformation Fund will not impair its ability to capacitate its various funding instruments for the long term; if not, why not; if so, what are the relevant details?
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REPLY:

- (1) The Transformation Fund aims to aggregate various financial interventions anchored by B-BBEE to promote and accelerate economic transformation that enable meaningful participation of black people in the productive sectors of the economy. As stated in the B-BBEE Generic Scorecard under Enterprise and Supplier Development (ESD), measured 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. Studies by B-BBEE Commission reported that ESD expenditure is ±R20 billion. The Transformation Fund serves as an additional platform for entities to make a contribution for

compliance with the ESD element. The Department is processing the revised Transformation Fund document, and its implementation mechanism will be published after approval.

- (2) Measured entities are required to set aside ESD funding on an annual basis to comply with B-BBEE. Furthermore, during public commentary and stakeholder consultations, the Fund received positive support from business associations, multinational organisations and other private sector funders. We are optimistic that the Fund, as it is going to offer concessionary loans among other instruments, it will not impair its ability to capacitate its various funding instruments for the long term.

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