

Right Goal, Wrong Approach

The R100 billion Transformation Fund will deliver neither inclusion nor growth



Submission to the Department of Trade, Industry and Competition on the Transformation Fund concept document

**By The Centre for Development and Enterprise
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Introduction

The Department of Trade, Industry and Competition's (DTIC) recently released concept document on its proposal for the establishment of a R100 billion Transformation Fund proposes a fundamentally flawed "solution" to a real problem. If implemented, not only will the Transformation Fund fail to achieve its stated objectives, but it would actually take the cause of economic transformation backwards, while also making South Africa an even more expensive and unattractive place to do business.

CDE shares government's goal of a fast-growing, inclusive economy in which ownership, management and participation in commercial activity is not skewed towards historically privileged communities. And we agree that deliberate action must be taken to address ownership, management and participation in an economy that continues to be characterised by the influence of apartheid. Indeed, there is very little debate that active measures are needed to achieve inclusive growth that can redress the legacy of the past. Where there is contestation, however, is in relation to the extent to which current policy tools have worked, whether the costs of those policies exceed their benefits, and whether better alternatives exist.

The Transformation Fund proposal devotes much more space to setting out arguments for the desirability and legitimacy of the goals of transformation policy, than it does to providing detail on exactly how the Transformation Fund will work once established. It relies on a range of unsupported assumptions to answer these questions, all cherry-picked to lend support to a proposal that is, nevertheless, bound to fail both in its own terms and in relation to the wider goal of facilitating the emergence of a fast-growing and much more inclusive economy.

It is the definition of a lose-lose proposition, one that is an example of the well known statement that for every complex problem there is an answer that is clear, simple, and wrong. It should be rejected, and government should commit to a serious review – evidence-based and fundamental – of transformation policies to accelerate both economic inclusion and growth. The proposed Transformation Fund will achieve the opposite.

Brief summary of the Transformation Fund proposal

The DTIC has proposed the establishment of a R100 billion Transformation Fund to support majority black-owned and black-managed businesses, including small, medium and micro enterprises (SMMEs). The Fund is intended to address challenges related to economic exclusion, particularly for businesses operating outside traditional supply chains and in township and rural areas. It will be administered through a Special Purpose Vehicle (SPV) governed by a board appointed by the Minister of Trade, Industry and Competition, with oversight provided by a ministerial committee that includes representatives from government, business, and social sectors. Funding provided to the SPV from the private sector will be voluntary and tax deductible.

Funding sources identified in the concept document include government departments, state-owned companies (SOCs), the Equity Equivalent Investment Programme (EEIP), Enterprise and Supplier Development (ESD) contributions from the private sector, and philanthropic or donor support. The Fund will offer both financial (grants, loans, equity) and non-financial support (training, technical assistance, feasibility studies, accreditation support), and will target designated groups such as women, youth, and people with disabilities.

The Transformation Fund's 'known unknowns'

The concept document on the Transformation Fund is light on details. What has been put into the public domain is so (deliberately?) vague that there is almost nothing clear about the Transformation Fund proposal, save that it will be worth R100 billion and will be engaged in empowerment related activities.

Below, we set out the critical elements of the Transformation Fund, and what is and is not known about them. These include:

- The size of the Transformation Fund
- What role the Transformation Fund will play
- The source of funding for the Transformation Fund
- The likelihood that the ESD component of the Transformation Fund will generate the funds needed, and whether it is plausible that these will be contributed voluntarily.

The size of the fund

Known: The Transformation Fund will accumulate R100 billion over five years for use in support of empowerment.

Unknown: There are no details as to whether this is to be thought of as a capital endowment that will support lending and investment activities in perpetuity by ensuring that returns on investment offset the cost of capital, or if the intention is to spend down the R100 billion over a period of time.

If the latter, we have no idea what that period is. Is it five years, ten years or fifty? The absence of detail here is surprising and disturbing because of the enormous difference that any of these choices would make for thinking about what the Transformation Fund will do and at what scale.

These choices also make a vast difference in how one thinks about what happens next: if, for example, the Transformation Fund is conceived as spending R20 billion a year on empowerment, what happens after that? If, on the other hand, the idea is that the Transformation Fund will exist in perpetuity after an initial capitalisation of R100 billion, annual spending will have to be constrained to a level compatible with the returns on the investments made by the Transformation Fund. Since these investments are likely to be very high risk, annual spending and investments will be a fraction of the R100 billion.

The nature of the services to be provided by the Transformation Fund

Known: The concept document says that the Transformation Fund will provide support to black-owned businesses. Financial support might come in the form of grants, loans and equity investments, or non-financial support including:

- Pre and post-investment support in the form of assistance with business planning, feasibility studies, and environmental impact studies.
- Accreditation support, such as helping beneficiaries acquire necessary accreditations in specialised industries like information and communications technology, and engineering.
- Business training in areas such as export readiness and financial management.
- Technical support, including mentorship and business development support to enhance the capacity of SMMEs to deliver quality goods and services.
- Market access for firms that are outside traditional supply chains.
- Formalise and upskill informal traders and small-scale farmers.

Unknown: The concept document provides no indication as to what the balance will be between financial and non-financial support, and implies that the Transformation Fund will seek to build capacity in all these areas.

However, there is an enormous difference in the capabilities needed to provide different kinds of financial and non-financial support, and there is no reason to think that the provision of these various types of support would be most efficiently achieved through a single organisation.

There is no indication in the document as to the organisational form needed to provide these services. Is it referring to an organisation that has a network of walk-in help/advice offices in every community in the country? Or is it an organisation that will build out the infrastructure needed to identify and manage a portfolio of loans and equity investments based on a careful assessment of risks and opportunities? Or should we think of it as something like a fund-of-funds, purchasing these services from other, pre-existing service providers?

It is also unclear whether we should think of the Transformation Fund as providing, for example, the equivalent of R100,000 of support to one million businesses over the course of its lifetime, the equivalent of R1 million in support to 100,000 businesses, or R10 million to 10,000 businesses. Each is a very different set of beneficiaries from the others.

The balance between financial and non-financial support to be provided, and the question of the average value of the support that might be provided (and, therefore, the number of ultimate beneficiaries) is of fundamental strategic importance. Without any indication of how the DTIC is thinking about these issues, we cannot understand how the DTIC would go about appointing a board or management for the Transformation Fund, since the skills and experience needed would vary enormously depending on the answer to these questions.¹ The kinds of skills needed to set up and run an organisation dedicated to providing non-financial support to walk-in customers (if they can be found at all) are vastly different from those that would be needed if the Transformation Fund were focused on providing large scale financial support to a small number of firms (assuming those can be found).

The wider problem here is that the concept document offers no concrete ideas about precisely what problem it is intended to solve.

There is broad national consensus that the economy is growing too slowly and that far too many people are excluded. There is also a broad consensus that many black-owned businesses face a range of challenges because of a history of exclusion and discrimination. But the document does not go beyond restating this broad consensus: it does not say what challenges are most significant, much less explain why; it does not set out what the most strategic points of intervention should be, much less set out a range of explicit and quantifiable goals. It just assumes that because the problem is big and there are an awful lot of possible interventions, the Transformation Fund should have a broad mandate to do whatever it can justify as being helpful to transforming the economy. This is a recipe for unaccountable, ineffective and inefficient spending, and the danger is that it becomes a slush fund undermining the legitimacy and credibility of efforts in support of transformation.

Having said that, the DTIC clearly envisages that the Transformation Fund will be engaged in what are likely to be the most challenging of all potential sectors in which to generate returns on both financial and non-financial forms of support. This is evident, for example, in the insistence that the fund will devote resources to businesses in township and rural areas. This is a worthy goal, but fails to grapple with the reality that the principal challenge facing businesses in township and rural areas is not a lack of skill or access to finance, but the brute fact that disposable income in these areas is constrained because most households are poor. This limits commercial opportunities in these areas and, even within the narrow category of potentially viable businesses, means that most businesses in these areas will fail to generate meaningful profits. This makes it very difficult for entrepreneurs—no matter how skilled or how well-financed—to get a foothold. It also means that most resources devoted to improving the viability of these businesses will fail to generate a return.

However, township and rural businesses are not the only kinds of businesses with a low probability of success in which the Transformation Fund will invest. Consider, for example, that the concept document says, "In most instances, the failure of SMMEs may not be so much about shortage of funding but lack of access to markets and lack of capacity to deliver quality goods and satisfactory services to the market," adding that "majority black-owned entities particularly those outside of the supply chain of generic enterprises have difficulty accessing opportunities." By implication, this means that the Transformation Fund will invest energy and resources in businesses in which the owners and managers do not have the requisite knowhow or sufficient customers. While it's clear that the DTIC sees the Transformation Fund as assisting beneficiary businesses to address these deficiencies, it must be acknowledged that investment in a portfolio of businesses that have these characteristics is unlikely to succeed. Indeed, this is evident in the very high impairment rates on loans made to SMMEs by other empowerment-focused funds.²

In this regard, it is worth pointing out that the high levels of impairment on loans made by government run empowerment funds is not, by itself, an indication of failure. To the extent that they are making higher risk loans than those made by banks and other private sector financial institutions, it is inevitable that impairment rates will be higher. In commercial lending operations, higher risk lending activity must be paid for through higher interest rates, absent which the higher levels of impairment will eventually bankrupt any fund. If, therefore, the goal of the Transformation Fund is to foster much higher levels of high risk lending that is not financed through higher interest rates, it would be far more efficient to subsidise lending by the private sector through a combination of fees-for-service or first-loss guarantees than it would be to establish a standalone Transformation Fund, with all the costs that this would involve.

The source of the funds for the Transformation Fund

Known: Numerous funding sources are envisaged for the Transformation Fund, including:

- Government contributions from departments, SOCs and other organs of state at all levels.
- EEIP funds from multinational businesses that set aside 25 per cent of the value of their South African operations for transformation purposes.
- ESD funds recognised by the Broad-Based Black Economic Empowerment (B-BBEE) Codes would be contributed to the Transformation Fund to earn B-BBEE points.
- Payments made by companies to address public interest considerations when engaged in mergers and acquisitions (M&A).
- Donor agencies, international organisations, philanthropies and other third-party contributors.

Unknown: The concept document provides no information at all as to the relative importance of these potential sources of funding. More importantly, it offers no detail as to the current value of funding flows of these sources, information that would, at a minimum, allow us to assess the baseline plausibility of the target of raising R100 billion in five years. There is a good reason for these omissions: the data that exists shows just how implausible the R100 billion figure is.

Unless one expects the Transformation Fund to be capitalised through large new appropriations from the fiscus, the evidence suggests that only one of the other sources of funding (ESD spending) is anywhere near sufficient to generate R20 billion a year. However, as we will show below, redirecting those funds to the Transformation Fund would be perverse and would set transformation back.

For now, it is important to consider the (admittedly limited) evidence relating to the quantum of funding available for the Transformation Fund from the EEIP, the public interest elements of merger/acquisition decisions of the competition authorities, and international and/or philanthropic organisations.

- **EEIP:** A 2022 report to Parliament by the DTIC identified 22 transactions involving an EEIP contribution that totalled R8 billion in EEIP contributions to B-BBEE between 2007 and 2022, an average of about R500 million a year.³ That amount included a R6 billion contribution by seven motor vehicle original equipment manufacturers in 2021 when they set up a fund to invest in Black-owned businesses in the motor trade. Beyond that, the next largest contribution was R1.3 billion by Caterpillar in 2017, with the funds dedicated to supplier development. Clearly, the EEIP generates far too little aggregate investment that is also far too irregular to be a reliable contributor to the Transformation Fund.
- **Public interest provisions in the Competition Act:** There does not appear to be a comprehensive list of all the competition authorities' decisions relating to the contributions parties to M&As must make to B-BBEE activities, but available information suggests that these decisions do not generally include provisions that would be readily converted to funding flows for the Transformation Fund. It is true that most M&A decisions by the competition authorities include public interest conditions, but these appear overwhelmingly to relate to moratoria on retrenchments, commitments to particular levels of investment in the business, ensuring local procurement levels meet particular targets, and the establishment of employee share-ownership schemes. Where there have been funds created to support transformation for businesses outside of the merging entities, these have been much smaller than would be required to fund the Transformation Fund at the scale envisaged in the concept document. Examples include:
 - Walmart's purchase of Game in 2012 was conditional on the establishment of a R200 million fund for supplier development.

- R1 billion in the AB InBev/ SAB merger in 2016.
 - In 2016, the parties to the merger that formed Coca-Cola Beverages SA (CCBSA) agreed to invest R800 million to support enterprise development. This included a R400 million fund to support and train historically disadvantaged farmers and a R400 million investment to develop downstream distribution and retail aspects of CCBSA, as well as skills development for an additional 25,000 black-owned retailers.⁴
 - R400 million by Heineken-Distell in 2022.⁵
 - A commitment of R220 million over five years for ESD under the Caltex deal.⁶
- **Contributions by philanthropies and international donors:** Even though there are nearly 60 000 tax-exempt organisations recognised by the South African Revenue Services, there appear to be no estimates available of the quantum of tax deductible donations made in South Africa. Nor have we been able to find an estimate—much less an official figure—on the value of tax deductions for contributions made to public benefit organisations (PBO) each year. In the absence of these, it is not possible to guess whether the value of charitable contributions that flows through the economy each year is sufficiently large to be seen as a viable source of funding for the Transformation Fund. That said, even if there were evidence that tens of billions of rands were being contributed to charities each year, we cannot envisage any circumstances in which a significant fraction of these would be diverted to the Transformation Fund. Charitable contributions are made by donors and are wholly voluntary, so the idea that a meaningful number of donors would voluntarily redirect charitable giving from their preferred cause to the Transformation Fund is too implausible to merit further consideration.

Given the above, it would seem extremely unlikely that EEIP decisions by the competition authorities or diversions of charitable funding could make a meaningful contribution to the Transformation Fund.

Of course, it is possible for government to allocate funds to the Transformation Fund through the budget. The sheer scale of the amount required—R20 billion a year for five years—makes this seem unlikely, however. Consider, in this regard, that the sum is two-thirds of the value of the budget for the social relief distress grant and that it is almost 60 per cent more than the amount that the proposed (but now shelved) 0.5 percentage point rise in VAT was expected to deliver in 2025/26.

In our view, there is no plausible mechanism for funding so large an allocation in the current circumstances, without materially adverse effects on the national budget for the rest of the social wage, and the idea that this is a likely source of funding is completely implausible.

The final potential source of funding is from the ESD spending of existing businesses. As this seems to be the principal source of funds envisaged by DTIC in the concept document, we address it separately.

Funding for the Transformation Fund will derive from the ESD and will be voluntary

Known: While not entirely explicit on this point, the concept document strongly implies that most of the funding for the Transformation Fund will derive from voluntary, tax-deductible contributions by the private sector, which would substitute for their existing ESD commitments under the B-BBEE codes.

Unknown: It is highly implausible that this approach can deliver the funding required to support a R100 billion Transformation Fund. The main reason is that ESD spending by businesses is typically integrated into their

operations. While companies are expected to spend 3 per cent of net profit after tax to earn full B-BBEE points, this is not a discretionary line item controlled by boards or executives – it is embedded in supply chain and development strategies.

The B-BBEE points system scores businesses' contribution to empowerment along five dimensions:

- Ownership (25 points) reflects the extent to which black individuals have voting rights and economic interests in the company.
- Management control (19 points) reflects representation of black individuals in executive and senior management positions.
- Skills development (20 points) reflects a company's investment in training and developing black employees.
- Enterprise and supplier development (ESD) (40 points) reflects a company's efforts to support and develop black-owned businesses within its supply chain.
- Socio-economic development (5 points) reflects corporate social investment projects aimed at improving the socio-economic conditions of black communities.

As is clear from the above, ESD, which is the source of funding envisaged by the concept document for the Transformation Fund, makes up a substantial portion of a business's B-BBEE score. Importantly, the 40 possible points are derived from three sub-components:

- Preferential procurement (25 points): This measures the extent to which a company procures goods and services from B-BBEE-compliant suppliers. Points are awarded based on the proportion of spend with black-owned and black women-owned suppliers. The higher the spend, the larger the number of points.
- Supplier development (10 points): This involves support provided to existing black-owned suppliers to help them grow. This could include financial contributions, loans, or mentoring.
- Enterprise development (5 points): This focuses on contributions to assist or accelerate the development and sustainability of new black-owned enterprises that are not currently part of a business's existing supply chain. This, too, can be through grants, investments, or non-financial support.

ESD points are accumulated on the basis of both the quantum of spending and the level of black ownership of recipient firms. This means that a company that spends 3 per cent of net after tax profit with companies that are wholly black-owned, will achieve maximum points, but more points can be earned from spending on level one B-BBEE firms than on firms with lower B-BBEE scores.⁷

Estimates of levels of compliance with ESD rules have been compiled by the Broad-Based Black Economic Empowerment Commission, which estimates that the average level of compliance with ESD obligations is about 61 per cent.⁸ The report also estimates that the total recognised spend of ESD by JSE companies was just under R15 billion, while SOCs spent about R11.4 billion on ESD. Suggesting a total of R26 billion in ESD spending per year.

Presumably, the estimate that there is something in the order of R26 billion a year in ESD spending that is recognised in the B-BBEE Codes is (we think) the source of the idea that something like R20 billion a year could be voluntarily redirected to the Transformation Fund. The problem with this, however, is that the spending that is recognised as an ESD contribution is being spent already in ways that would not easily translate into voluntary contributions. Consider, in this regard, that more than half of ESD points are accounted for through preferential procurement. These are goods and services that businesses presumably need, and, under the

current B-BBEE regime, they receive points if they source them from black-owned businesses. If no points were to be allocated for this, those businesses would still have to procure those inputs, so it's not as if the money could be redirected from existing purchases to make "voluntary" contributions to the Transformation Fund.

It is also entirely perverse that a major source of funding for the Transformation Fund should come from the redirection of preferential procurement spending: this would hurt black-owned businesses that are already part of the supply chains of their customers, and which are, therefore, either already successful or on a plausible path to success. To cut them off from their customers to support businesses in much less favourable positions could easily reduce the economy's inclusiveness if it leads to existing empowered businesses' losing access to ESD support.

Something similar can be said about ESD spending that earns B-BBEE points: these are funds that are already being spent on black-owned businesses, so redirecting that spending to the Transformation Fund is a case of robbing Peter to pay Paul. Indeed, it is worse than that: when a business selects potential ESD beneficiaries, the focus is on businesses that are already contributing to its supply chain or are deemed likely to be able to do so in the future.⁹ Thus, a corporate may spend money training employees of a small black-owned firm that may wish to enter its supply chain on the various systems that firm would have to be familiar with if it is to become a supplier. This serves the interests of both the corporate and the black-owned SMMEs. Why would a centralised fund with no specific insight into firms' potential or the markets in which they operate be in a position to make better judgements about which black-owned enterprises to support than firms that are directly engaged in allied commercial endeavours? Why would it be able to provide them with training and support that is better aligned to the small firm's needs than the large company wanting to help them participate in its value chain?

The bottom line here is that businesses that are devoting resources to ESD activities—preferential procurement as well as supplier/enterprise development—will have no real incentive to shift their spending to the Transformation Fund. Nor would this be good for transformation: existing spending is much more likely to be effective in creating successful black-owned businesses than Transformation Fund-managed activities.

Which brings us to a key question: will these contributions actually be voluntary? We do not think so.

It is true that the concept document states that contributions will be voluntary. It also goes to great lengths to describe how the Transformation Fund will be a PBO, and that contributions will be recognised with Section 18A certificates, so that contributions can be used for tax deductions under Section 56(1)(h) of the Income Tax Act. The proposed terms of the contracts under which contributions are made also conform to this model, because contributors will have no say over how the funds are used. Thus, it makes sense when the document says, "It is proposed that an amendment be made to the B-BBEE Codes in order to make it easier for entities to make contributions to the Fund and, in turn, earn B-BBEE points immediately upon contribution to the Fund."¹⁰ But then again, the document also says this: "Government will review the ESD Codes **to ensure** that funds for ESD are paid by entities towards the Transformation Fund" (emphasis added).

This, we think, is the end state of the role of ESD in the funding of the Transformation Fund. Our expectation is that the Transformation Fund will fail to raise the R100 billion from a combination of budget allocations, payments from the EEIP and public interest elements of M&A decisions and voluntary contributions, and will sooner or later move to make ESD contributions compulsory through a revision of the B-BBEE Codes. As explained

above, this is bound to result in worse transformation-related outcomes because the Transformation Fund will be less able to empower black-owned businesses than are the businesses that engage in ESD activities now. It will also mean new taxes imposed on business profits, with immediate negative implications for the return on investment in businesses and, therefore, on the level of investment in the economy. For an economy starved of investment, this is an entirely perverse outcome.

But that will not be the end of the negative consequences: changing ESD activities from elements of businesses' day-to-day operations into a compulsory contribution to the Transformation Fund is equivalent to a rise in corporate taxes. Like all increases in corporate taxes, the costs of the tax will not fall exclusively on shareholders but will also be borne by workers (because firms will invest less and therefore employ fewer people), and customers (because a portion of higher corporate taxes is passed on in the form of higher prices).

Concluding remarks

The key takeaways from our analysis of the Transformation Fund proposal can be summarised as follows:

- **It is unclear what kind of fund the Transformation Fund is and what exactly it is intended to do or achieve.** We know the intention is to have a fund valued at R100 billion, but we don't have any idea whether that is to be thought of as a capitalisation for a self-sustaining investment fund or if it is to be spent down. Nor do we know what the spending will be on, how it will measure success and what kind of structures will be needed to operationalise the business. Nothing beyond the intended size of the fund is set out in any detail at all.
- **There is no clear motivation for why the Transformation Fund should provide a full spectrum of financial and non-financial support,** and we cannot conceive of a model in which one organisation can pursue all these potential activities effectively and efficiently, resulting in waste and inefficiency. It will also greatly complicate an already very serious governance challenge.
- **We are sceptical that the Transformation Fund could attract R100 billion in funding in five years.** The only plausible sources of funding at this scale are direct allocations from the budget or redirecting ESD spending. Neither of these is plausible, as explained above, and redirecting ESD spending in the manner envisaged would actually weaken B-BBEE substantially.
- **Ultimately, the Transformation Fund, if it is to reach the size envisaged, will have to be funded through direct taxes on businesses,** with the costs of this paid in lower investment and higher prices and ultimately less support for black owned/managed firms.

The idea that the Transformation Fund can achieve its stated goals is premised on what we believe to be a hopelessly inaccurate assessment of the ease with which transformation can be pursued and/or a hopelessly naïve assessment of the capacity of state institutions to give effect to such complex goals. Even if it were clear what the Transformation Fund could and should do, there is no evidence that the capacity exists to give effect to its objectives.

South Africa needs accelerated growth that is far more inclusive. It is important to point out that faster growth is the primary objective because even if it is no more inclusive than the current economy, a larger economy means that many more people will have jobs.

We do need a sensible conversation on how to improve inclusiveness, but that requires a real review of what has been achieved in the past three decades, the costs and benefits of the current approach, how well existing interventions are working, what needs to change, and what to prioritise.

If government is serious about achieving genuine economic inclusion, it should initiate a comprehensive, evidence-based review of South Africa's transformation policies. This should be led by an independent panel of economists, legal experts, business leaders, and representatives from civil society — including black-owned enterprises directly affected by existing empowerment mechanisms.

The review should assess what aspects of B-BBEE have worked, what have not, and at what cost — drawing on 20 years of implementation data, to the extent that they exist. It should examine the relative effectiveness of tools such as ownership targets, enterprise and supplier development, preferential procurement, and equity equivalent mechanisms against a variety of objectives such as employment creation, improving demographic representivity in the structures of business ownership and management, etc. It should assess who has benefited from the current policies and approaches, and crucially, it must also find a way to weigh the commercial and economic costs of existing policies, including their impact on investment, job creation, and the competitiveness of black-owned businesses.

The goal should be to build a new consensus on transformation: one that promotes inclusive growth, ensures accountability, and delivers real benefits to the vast majority of historically disadvantaged South Africans. The Transformation Fund concept document does none of that: it leaps from the (widely acknowledged) fact that the economy is insufficiently inclusive to a highly problematic "solution" without any intervening steps. This guarantees regression, not progress.

Notes

¹Given that the Transformation Fund Concept Document is a concept document, we have not devoted attention to the (brief) proposals made about the governance of the Transformation Fund, which consist of a proposal of a board that would answer to an oversight committee consisting of ministers and representatives of the private sector, except to say that this seems to us to be of very dubious legality: corporate boards have very clear responsibilities under the Companies Act and, in the case of public entities, are generally the Accounting Authorities under the PFMA. In our view, the idea that a board should be answerable to an oversight committee contradicts and undermines these requirements.

²According to Stuart Theobald, writing in the Business Day on 26 March 2025: "The National Empowerment Fund has a loan book of R2.4 billion against which it has R810 million set aside for impairments. ...[The] Small Enterprise Finance Agency has R3.5 billion with an astounding R2.4 billion of provisions".

³DTIC, 'Equity Equivalent Investment Programme (EEIP); Presentation to Portfolio Committee on Trade and Industry', https://www.thedtic.gov.za/wp-content/uploads/the-dtic.EEIP_.pdf, February 2022

⁴Special Reports, 'Empowerment through transformation, diversity and inclusion', Mail & Guardian, 13 August 2021.

⁵Norton Rose Fulbright, 'Merger Control 2023', <https://www.nortonrosefulbright.com/en-za/knowledge/publications/3cc240c1/merger-control-2023>, June 2023.

⁶Competition Tribunal, 'Glencore South Africa Oil Investment and Chevron South Africa Merger Approved', <https://www.comptrib.co.za/info-library/case-press-releases/glencore-south-africa-oil-investment-and-chevron-south-africa-merger-approved>, March 2019.

⁷Note that this simplifies matters somewhat because the B-BBEE codes for some sectors have different targets for ESD. Broadly speaking, though, this is the basic calculation of ESD points for B-BBEE compliance purposes.

⁸B-BBEE Commission, 'National Status and Trends on B-BBEE Transformation Report 2021', <https://www.bbbeeecommission.co.za/wp-content/uploads/2022/07/B-BBEE-NATIONAL-STATUS-AND-TRENDS-ON-B-BBEE-TRANSFORMATION-JULY-SP-Final.pdf>, July 2022..

⁹According to the B-BBEE Commission, 'Determining the Effective Implementation of Enterprise and Supplier Development Funds', https://www.bbbeeecommission.co.za/wp-content/uploads/2022/11/Determining-the-Effective-Implementation-of-Enterprise-and-Supplier-Development-Funds-Report_compressed.pdf August 2022: The principal activities that firms allocate resources for in their enterprise and supplier development programmes are: grants, taking on some of the costs of beneficiary businesses, providing discounts to normal prices, rendering professional services at no cost, providing mentorship, incurring overhead costs on behalf of the beneficiary, making loans on favourable terms, and making early payments to suppliers.

¹⁰At one point, the document proposes also that the Transformation Fund will partner with businesses in the utilisation of contributions. Technically, this may violate the requirement of S56(1)(h) of the Income Tax Act because tax-exempt donations cannot be used for purposes that benefit the donor.

