agricultural business chamber
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Rethinking the Transformation Fund

The Department of Trade, Industry and Competition (DTIC) has proposed the creation of a Transformation Fund, envisioned as a R100 billion initiative to drive inclusive economic growth and address persistent inequality. The Fund aims to pool public and private resources including contributions of up to 3% of net profit after tax (NPAT) from companies to support black-owned businesses, township- and rural enterprises, and youth employment.

A bold vision but unanswered questions

The Agricultural Business Chamber (Agbiz) and Business Unity South Africa (BUSA), among other voices in the private sector, have welcomed the Fund's intention but raised serious concerns about its structure, feasibility, and overlap with existing efforts.

Agbiz notes that while transformation in agriculture has been slow. Many agribusinesses are already investing significantly in black empowerment through Enterprise and Supplier Development (ESD), blended finance, and internship programmes. The proposed Fund could amplify these efforts but should avoid duplicating what already works.

BUSA echoes this concern, calling for clarity on how the Fund will differ from current initiatives like the National Empowerment Fund (NEF), Small Enterprise Finance Agency (SEFA), and the Township and Rural Entrepreneurship Programme (TREP). Without defined outcomes, strict governance, and private sector trust, they warn, the Fund risks becoming another top-heavy structure with little grassroots impact.

To deliver meaningful impact, the Transformation Fund must shift from input-based compliance to clearly measurable outcomes, such as the number of sustainable enterprises created, jobs generated, revenue growth, and increased black ownership. This requires a tailored results framework with regular progress tracking, sector-specific goals, and phased implementation that allows for learning and adaptation. Crucially, job creation must be underpinned by skills development, the Fund should support bursaries, internships, and employer incentives for graduate retention to build a pipeline of capable, work-ready youth. Without strong linkages between contributors and beneficiaries, however, there is concern that the Fund may become too broad and disconnected from the needs of specific industries, weakening its effectiveness and undermining private sector participation

A risk of overreach and the importance of good governance

Both Agbiz and BUSA caution that if the Fund becomes compulsory in practice, it could erode trust and push companies to opt out entirely. Legal ambiguities especially around the "voluntary" 3% NPAT contribution must be resolved through clear, consultative revisions to the B-BBEE Codes.

Furthermore, the risks of political interference, poor fund management, and loss of direct impact to contributors are real. As history shows, well-intentioned state funds can be derailed by weak governance. The Fund should be governed by an independent board, with transparency. The DTIC can include sector-based investment committees for targeted, measurable outcomes and finally the Fund can be implemented in phases, starting with pilot programmes in high-impact sectors like agriculture, ICT, and energy.

Alignment with existing programmes

Several industry stakeholders have raised concerns that the proposed Transformation Fund risks duplicating or undermining existing, effective transformation initiatives funded through statutory levies and voluntary contributions. These efforts, already aligned with sector-specific needs and approved under the Marketing of Agricultural Products Act, could be compromised by centralising funds into a broad, generic structure. Risks include legal non-compliance, weakened accountability, reduced sectoral relevance, and the loss of control and visibility over how transformation funds are used. Industry warns that this could discourage private-sector participation, disrupt targeted programmes, and create regulatory uncertainty highlighting the need for the Fund to complement rather than displace existing initiatives

If implemented effectively, the Transformation Fund could complement existing empowerment efforts by providing broader, more coordinated support to underfunded sectors such as township manufacturers and agribusinesses. The Fund's scale and centralised structure could serve as an optional platform to amplify impact particularly in areas that may fall outside the current reach of agricultural companies. Rather than replacing internal ESD efforts, it could offer a mechanism for collaboration and targeted interventions aligned with national transformation priorities. Under the oversight of professional fund managers and investment committees including private sector representatives corporate funding could drive tangible development outcomes.

Any new initiatives must be designed to complement and enhance existing programmes, rather than replace them. A constant cycle of resetting and restructuring undermines continuity and progress. If we continue to discard established efforts with each new intervention, we risk stagnation rather than advancement. For true transformation, we must build on what works and invest in long-term, integrated solutions that deliver real and measurable impact.

By Thapelo Machaba, Agbiz