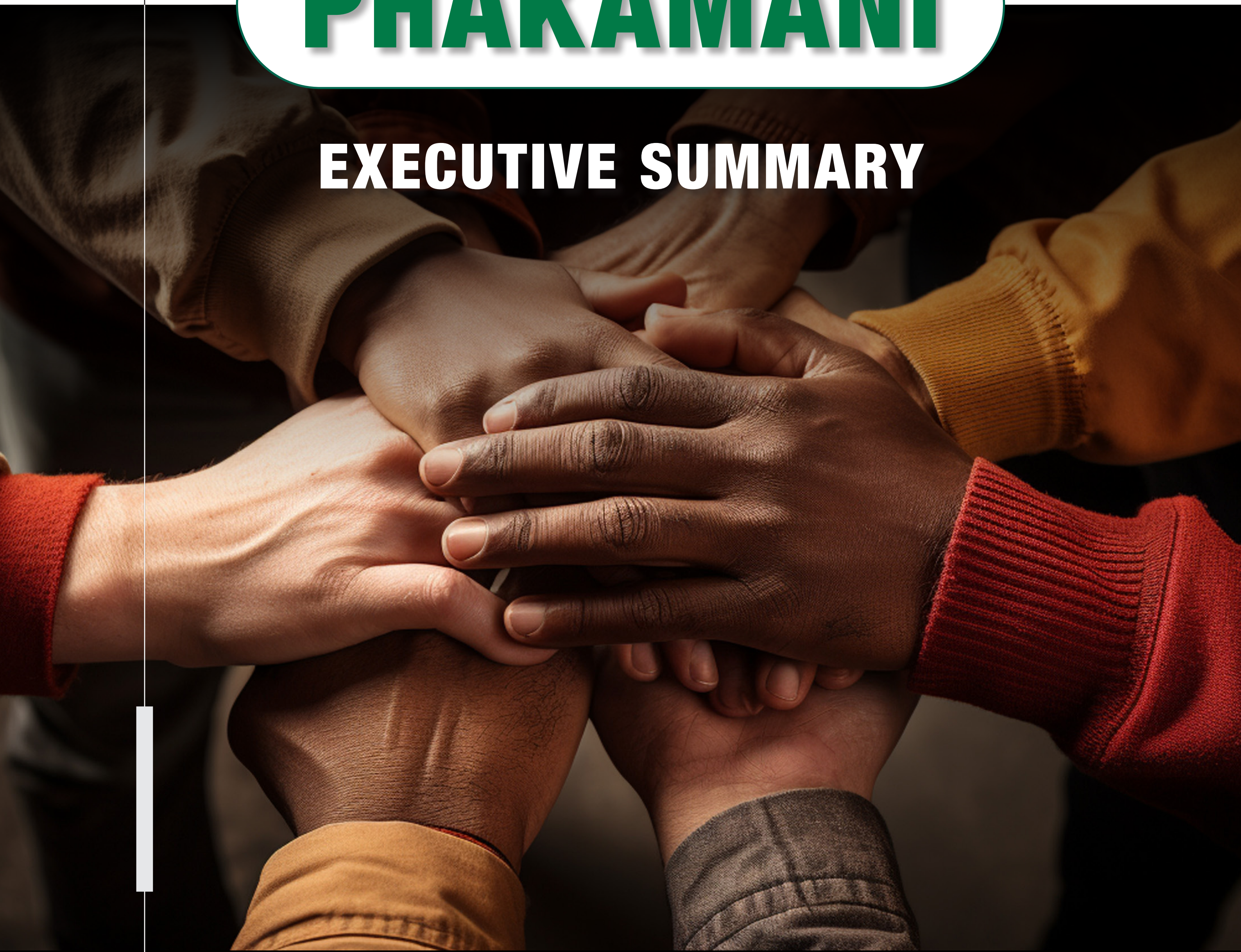
TRANSFORMATION FUND

ENGINEERING AN INCLUSIVE MICROECONOMIC FOUNDATION
FOR MACROECONOMIC GROWTH AND SOCIAL STABILITY

PHAKAMANI

EXECUTIVE SUMMARY



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Transformation Fund: A Platform for Inclusive Growth and Shared Prosperity in South Africa

1. INTRODUCTION: A NATION AT AN ECONOMIC CROSSROADS

South Africa's economic future demands an honest appraisal of and a bold shift in how inclusive growth is defined and fostered. Three decades after apartheid, structural inequalities are still reflected in and continue to reinforce misallocation of capital and talent; wealth and productive assets remain concentrated in a few hands, unemployment especially, among youth, remains stubbornly high, and many black South Africans are not participating in any meaningful economic activity, save as household consumers sustained by income from the state social protection and/or corporate social responsibility programs. Traditional microeconomic empowerment tools, from top-down black ownership deals to fragmented small enterprise support programs, have yielded only incremental progress. This slow pace of broad-based economic transformation, representing the persistence of one the most inefficient sovereign economic systems in the world in the allocation and utilization of capital and human resources, now threatens national stability. Per the words of President Cyril Ramaphosa, *"It is the partial and exclusive ownership of the means of production in our country that is keeping this economy from growing".*

There is, however, an opportunity within this seemingly grim problem space: One the one hand, the recent quarterly labour force surveys (QLFS) rounds show youth not in employment, education or training (NEET) rates entrenched at mid-30% for ages 15–24, with 33.5% in Q4-2024 rising to 37.1% in Q1-2025, and mid-40% for ages 15–34, with about 45.1% in Q1-2025. The gender wedge persists quarter after quarter, with Q2-2024 (15–24): 36.6% female vs 33.9% male; Q1-2025 (15–24): 37.5% female vs 36.7% male,

signalling higher barriers to participation and longer NEET spells for women. On the other hand, these millions of young people can, with the right inspiration, capital, capabilities and reliable demand, be activated to start countless small businesses or to work in businesses owned and operated by their close colleagues, becoming engines of increased household incomes, bigger household balance sheets, expanded local gross fixed capital formation and epoch-changing job creation. The NDP's imagined Thandi captures this promise: a young woman who, with targeted support, escapes poverty and builds a better life in spite of slim initial prospects.

The current socio-economic problem of unemployment is therefore not simply a story of a shortage-of-jobs, but rather a broad economic-activity problem with too many young people neither employed in businesses nor owning and operating their own. Unlike many peers, South Africa combines very high NEET with unusually low rates of micro-small-business ownership and informal self-employment. Structural frictions, including but not limited to, regulatory and compliance burdens, spatial distance and transport costs, thin trader infrastructure, and limited systems and information access, raise the cost of entry, making inactivity, not enterprise, the default alternative to scarce wage jobs. Most critically, over half of NEETs are not actively seeking work, signalling barriers and discouragement, not only vacancies, are suppressing participation. Together these facts describe a grave under-utilisation of human capital that drags on productivity, constrains growth, and erodes social cohesion, an urgent call to convert latent capability into learning, work, and enterprise at scale.

This generational crisis of rising education and ambition but limited pathways into productive activity is precisely what the Transformation Fund is designed to address: engineering an inclusive microeconomic foundation that lifts macroeconomic growth and social stability. The Fund's approach is to lower barriers to entry and the marginal cost of participation, bundle capital with capability and assured demand, and measure outcomes in the open, so inclusion becomes part of the production technology, not an afterthought.

The sections that follow present the executive summary of the Transformation Fund's final concept. We set out the problem and opportunity, the theory of change and value proposition, the operating model and phased implementation plan, and the policy choice it represents. Woven through are illustrations that show how the Fund converts potential into performance. The tone is deliberate and outcome-oriented, consistent with the Fund's single operating model, Capital, Capability, Markets, Telemetry, and Governance, and with the wider emphasis on platform-scale inclusion, measurable results, and national alignment.

2. THE PROBLEM SPACE: FRAGMENTED EFFORTS, MISSED OPPORTUNITIES

Despite laudable intentions, South Africa's existing transformation efforts have been fragmented and largely compliance-driven, yielding limited structural impact. The Broad-Based BEE framework disaggregates transformation into the constituent elements of Ownership, Management Control, Skills Development, Enterprise & Supplier Development (ESD) and Socio-Economic Development. Among these, ESD, intended to grow black-owned businesses and integrate them into value chains, is the largest single element on paper, accounting to roughly 40% of BEE scorecard points. In practice, and in spite of its unique and significant potential, ESD has not delivered an inclusive foundation for growth.

Billions are allocated but not effectively used: Large companies reportedly budgeted around R26 billion for enterprise and supplier development in a recent year, yet only ~61% of those funds were actually spent on genuine supplier development. The rest either remained unused or was diverted to activities not reaching the intended beneficiaries. Moreover, what is spent is often scattered across numerous small projects run by individual firms without strategic coordination. This fragmentation means resources are thinly spread and rarely aligned to national priorities, diluting their impact.

A compliance mentality trumps outcomes: Too many firms treat BEE and ESD as tick-box obligations, focusing on the rand amount spent for compliance rather than the outcomes achieved. Support is often short-term and charity-like rather than investment-minded. As the B-BBEE Commission found, many beneficiary businesses "were not ready to scale up" due to weak financial systems and lack of skills; money was given without mentorship or capacity-building, leading to temporary relief at best and collapse at worst. Some corporates avoid offering real growth capital to suppliers, deeming it "poor business practice" when small firms struggle to repay, defaulting instead to grants that

do not build sustainable capacity. The result is recurring expenditure with little to show for it: “a recurring charitable expense rather than an investment into sustainable enterprise growth”.

Little to no link to macro outcomes: After more than a decade of BEE implementation, the needle on broad-based empowerment at scale has hardly moved. Black ownership and management have increased only slowly, and the vast majority of the economy’s value-add is still generated by established, often white- or foreign-owned, firms. In effect, enormous sums ostensibly spent on transformation have not catalysed a new class of competitive black enterprises at scale. The opportunity cost is huge: unused entrepreneurial potential translates into forgone GDP and jobs. As President Ramaphosa argued, if the economy’s ownership and production remain exclusive, growth will be stifled; we simply cannot prosper “with over half of [the] working-age population not working” and so many assets lying idle.

Information and capability gaps: Underlying these failures is a foundational issue: most emerging entrepreneurs and small businesses operate in the dark, disconnected from the formal systems that would make them “visible” and credible to funders or customers. An Entrepreneurship Ecosystem Review noted that while South Africa has over 2 million small businesses, fewer than 15% ever “graduate” into sustainable companies. Survival rates are low because support programs focus on getting firms started, but not on ensuring they progress to maturity. Meanwhile, information asymmetries abound: financiers struggle to find viable black entrepreneurs and often doubt their capabilities, while entrepreneurs struggle to navigate available finance and support, and government struggles to signal opportunities or target support effectively. The result is duplication, high transaction costs, and many promising businesses left unsupported due to lack of information and coordination.

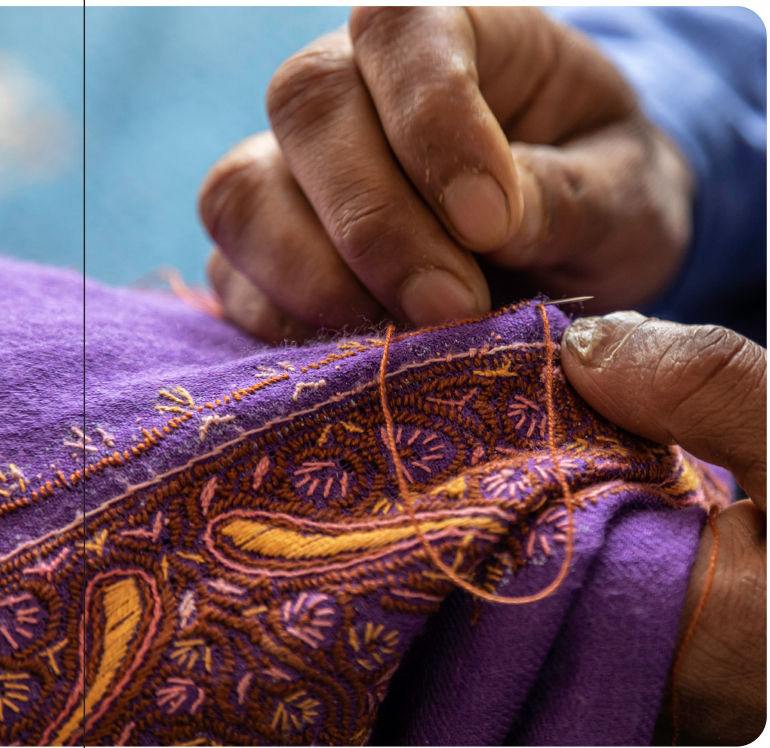
A stark example of the capability gap: Most small firms cannot produce the very documents and processes that banks or large buyers require, with fewer than 25% using formal accounting systems and only 16% having payroll systems. Lacking basic financial records or compliance documentation, these MSMEs are effectively “unscorable” to lenders and “uncontractable” to corporate supply chains. It’s no surprise, then, that under 7% of micro enterprises, with turnover < R1 million, have any bank loans. Without credit, insurance, or formal contracts, these businesses remain stuck in a low-productivity trap. Conversely, where small firms do gain such capabilities, keeping proper books, using e-invoicing, obtaining quality certifications, they suddenly become eligible for finance and bigger contracts, unlocking growth. In short, capability infrastructure is as important as capital for small business success, yet our current model largely fails to provide it.

The human cost: The failure of fragmented, compliance-led transformation is perhaps most poignantly seen in the lives of people like Thandi – our young lady who inspired the nation over a decade ago when the NDP was launched. With little access to quality education, skills training, startup capital, or basic business systems and no connections to the formal economy, millions of young South Africans remain outside the perimeter walls of the sovereign economic production core. They face a lifetime of precarious livelihoods, only finding relief in old age through social grants. As the Transformation Audit starkly concluded, “A country that offers so little hope to its youth cannot count on a prosperous, safe and stable future”. If we continue down this path, the status quo of transformation in words and not action, in form but not functional, we risk condemning another generation to poverty and our economy to stagnation.

3. THE OPPORTUNITY SPACE: INCLUSION AS AN ENGINE OF GROWTH

Amid these challenges lies an opportunity to fundamentally redesign our approach to economic transformation. South Africa's "problem assets", unemployed youth, informal businesses, underutilized land, could become the drivers of growth if we lower the barriers keeping them out and create engineered paths into the sovereign economic production core. Instead of viewing the majority of our people and small enterprises as a burden or a charity case, we can empower them to contribute to the productive economy and expand the economic pie for all. This is the essence of an inclusion-led growth paradigm: making broad-based economic participation the driver of growth, rather than an afterthought of it.

Imagine if Thandi's trajectory were different. What if, upon leaving school, she had access to a supportive ecosystem that identified her potential and nurtured it? What if she could join a local entrepreneurship hub, linked to a national platform that includes a transformation mobile virtual private network, where she received practical business training, digitally-distributed matched mentorship, access to small amounts of startup capital that is digitally and transparently managed to ensure strict deployment for purpose, and basic tools of trade that are digitally deployed on the cloud? What if a large retail company, through a Transformation Fund "digital buyer council", was actively looking for township suppliers and, upon digitally seeing Thandi's determination and quality produce, track record in operations, financial management and human resources management, agreed to a procurement contract with her cooperative farm or craft business, digitally enabled and not requiring Thandi to attend yet another market access conference far aware from her home base? With that combination of capability, skills, finance, and market access, Thandi's odds would change dramatically. Instead of subsisting on odd jobs and waiting decades for a pension, she could, by her mid-20s, be running a growing small enterprise, employing neighbors, and earning a decent income that lifts her family out of poverty. Her personal success would ripple outward



– inspiring others in her village, creating local employment, and contributing to the tax base and consumer spending. Multiply Thandi's story by thousands, and you have a new engine for growth.

This is not wishful thinking, but a real opportunity identified by experts and embedded in national visions. The National Planning Commission, in outlining the NDP, argued that "to eliminate poverty and reduce inequality, the economy must grow faster and in ways that benefit all South Africans – especially young people and women". In other words, growth and inclusion are two sides of the same coin. By intentionally investing in people and enterprises that have been excluded, we can stimulate new production, incomes, and markets that ultimately raise GDP and create a more resilient economy:

- South Africa's sector masterplans show how to turn fragmented market access into assured demand with buyer roadmaps, standards, shared supplier infrastructure, and targeted finance, so vetted MSMEs graduate into real contracts and export pipelines in Clothing, Textiles, Footwear & Leather (CTFL), Automotive, Poultry, Digital and Cultural & Creative Industries (CCI).
- Agriculture and agro-processing converts exclusion into inclusion by pairing the Competition Commission's remedies lowering platform and fresh-produce barriers with shared platform facilities and capabilities, traceability, certification and financial operations, so small producers can actually clear buyer thresholds and secure working capital. A study of the national fresh produce markets system shows that the significant capital flight from consumption townships can be recast as a localisation play: digital aggregation, quality assurance and logistics can redirect billions in spend into community-based processing and distribution, improving local cash-flows and bankability.
- AfCFTA trade in anchor sectors such as agriculture to minerals, petrochemicals and pharmaceuticals reframes logistics and standards bottlenecks as an export-diversification agenda: corridor fixes plus supplier certification can lift Africa-bound manufactured exports materially with lower-tier suppliers pulled into regional value chains.
- And digital adoption treats mobile-first behaviour and a rising youth cohort as a capacity build - identity, payments, trust registries, broadband and data-centre build-out underpin AI-enabled services, exportable digital work, and faster firm-to-market matching.

Together, these illustrate that the Fund's approach of aligning demand with supplier upgrading, bundling capability with capital, and integrating telemetry with operations to in support of a transparent governance framework, can indeed work.

External evidence supports this approach. Studies show that when small firms are given not just money but the tools and capabilities to use it well, they grow faster and default less. When many such firms succeed, their gains aggregate to measurable macroeconomic benefits – more employment means higher consumption (C), better risk data means more investment (I) flows, newly formal businesses can export (X) more, and all this broadens the tax base (G). In the Transformation Fund's design, this causal chain from micro-enterprise success to macro growth is not left to chance; it is engineered by design: lowering the barriers to entry and the marginal costs of participation in the economy through better infrastructure, skills, and coordination. This inclusion by design will raise the total factor productivity sovereign economic production core and break the low-growth trap.

President Ramaphosa's vision aligns squarely with this path. In his 2025 State of the Nation Address (SONA) reply, he declared: "We want a dynamic and growing economy in which small businesses can emerge and expand. A thriving small business and cooperative sector is key to inclusive economic growth." He emphasized that entrepreneurship must be seen as a pathway to employment, not a last resort, and lamented that our rates of entrepreneurship are far too low. The Government's Programme of Action for 2025/26 echoes these commitments – focusing on rapid inclusive growth, industrialization, job creation, and transformation as core priorities. This is the opportunity space: refocusing our policies and resources to empower emerging black entrepreneurs, small farmers, artisans, and industrialists, and igniting inclusive growth at scale. We can transform the economy from the ground up, converting what were once seen as "binding constraints" into engines of productivity.

4. POLICY CHOICE: TWO ROADS, TWO FUTURES

The broad terms of the distinct policy paths for the future of South Africa's social and economic fabric are captured below:

Path 1: "Business as Usual" – Fragmented, Growth-First, and Exclusive. This path clings to the status quo or even retreats from transformation in the hopes that easing up on inclusivity will somehow accelerate growth. Its logic is essentially: focus on the established "enclaves" of the economy – the existing formal businesses, skilled workers and peoples deemed to be talented, and optimize conditions for them through deregulation and incentives, and eventually the benefits will trickle down to the rest.

In this view, broad-based black empowerment is seen as secondary or even an impediment. Some proponents of this path have argued for scrapping BEE requirements entirely or placing a moratorium on equity deals, claiming that if we "remove impediments" for big investors and corporations, growth alone will solve our problems. Under this path, transformation efforts remain fragmented and compliance-led: companies do the minimum for ESD to get points, government's role is limited to traditional support programs, and there is no unifying drive for inclusion. The implicit hope is that a rising tide, if it comes, will lift all boats, or that eventually the poor can be included after the economy grows.

The evidence, however, starkly contradicts this approach. Recent research finds that South Africa's high unemployment is not primarily due to overly rigid labor laws or too much red tape for big business. Instead, our unique problem is extremely high joblessness combined with unusually low rates of informal and small-business activity. In other words, unlike other countries, our unemployed people are not being absorbed even in informal enterprises – pointing to high barriers for small business and new entrants as the real issue. The path cannot overcome these structural issues by focusing only on existing formal firms, lowering barriers to formal employment, and neglecting barriers to informal and micro and small business. It would likely perpetuate the concentration of the economy and exclude the majority from meaningful production.

As President Ramaphosa admonished in Parliament, it is not BEE that holds us back but the "partial and exclusive ownership of the economy". The status quo would fail to change that exclusivity; it might even worsen it by "ring-fencing currently productive capital" and just hoping inclusion somehow "diffuses" later. The outcome, if pursued, is sadly predictable: some short-term growth spurts may occur, but the fundamental divides in our society will deepen, and any growth will be unsustainable because it leaves too many people out. We would continue to see limited transformation impact, as we have in past decades, and risk social instability from a populace that sees an economy growing around them, not with them.

Path 2: "Transformation Fund" – Inclusion-First, Platform-Led, and Structural Change. This is the path embodied by the Transformation Fund. It represents a deliberate choice to engineer inclusion as the foundation of growth. Instead of waiting for inclusivity to maybe follow growth, it asserts that broadening participation now, will kick-start growth.

The core of this path is lowering the barriers to entry and reducing the costs and risks of participation in the economy for the masses of South Africans who are currently marginalized. It uses the platform approach of pooling resources, deploying capability at scale, ensuring market access to essentially construct a bridge for excluded entrepreneurs and workers to cross into the mainstream economy. By doing so at scale, it doesn't just help isolated individuals, training them ad infinitum and asking them to wait outside the economic core on the disadvantage of a history they cannot control; instead, it shifts the structure of the economy with causal intent and purpose.

It aims to create thousands of new, competitive black-owned firms, which in turn will hire tens of thousands of workers, produce new goods and services, and inject dynamism into markets, especially township consumer markets. Over time, this path would lead to a much more diversified economy: one where value creation is not confined to a few large companies but spread among many medium and small ones, and where race, gender, or geography are no longer predictors of who gets to be a producer or an owner.

This path also embraces the digital and data revolution, using modern tools, datasets and sciences to solve old problems such business and credit risk assessment and supplier verification, enabling the economy to unlock finance and contracts that were previously denied to small players. Importantly, it aligns with the broader consensus emerging among many economists and leaders that inclusive growth is the only sustainable growth. It also resonates with what South Africa's own diagnostics from institutions such as the IMF and World Bank have indicated: that concentrated ownership and exclusion are core constraints on our economic performance.

President Ramaphosa captured the essence of this path when he asked rhetorically: "What do you want to see happening? ... Do you want to see black people continuing to play the role of labourers… and consumers only? ... Black people must play a productive role as well, and should be able to become rich."

The path is about enabling black people and all previously excluded groups to indeed become producers, entrepreneurs, and wealth creators, not just workers and consumers. It addresses head-on the structural legacy of apartheid that kept the majority as bystanders in the economy. It sets South Africa on a journey of deep, systemic change: creating an inclusive productivity engine that grows the economy from the bottom up and middle out. It's a path where the transformation agenda is not at odds with economic efficiency.

In summary, the first policy choice is the status quo or even a rollback – fragmented, elite-focused, and ultimately limiting. The second and opposite is the strategic shift: integrated, mass-oriented, and ultimately transformative.

The Transformation Fund is the concrete embodiment of the latter; a platform through which its principles are executed: pooling and rules-based capital allocation, platform-scale capability building, digitally assured marketplaces, and telemetry-anchored accountability. This is why the Fund is not just another program, but a strategic choice about our economic future. It is bold and requires breaking new ground, but it holds the promise of structural impact – a step change in inclusion and growth. As the President noted, "this is a time of change… a clear commitment to accelerate growth and transformation and to shift the trajectory of our economy".

The Transformation Fund is exactly such a commitment made manifest. It represents a bet on our people – that if we invest in them and include them, they will generate prosperity for all.

5. THEORY OF CHANGE: FROM MICRO EMPOWERMENT TO MACRO IMPACT

At the heart of the Transformation Fund is a simple but powerful theory of change: If we bundle capital, capability, and market access together and deliver them at scale to the people and businesses who have been excluded, we will create a wave of productive new enterprises that drive broader economic growth and social development. Concretely, the Fund's theory of change can be described as inclusion-led growth through an integrated support platform:

Pool and Target Resources: Instead of disparate firms and other actors in the transformation economy each running their own small transformation projects, the Fund will pool public and private funding into one large, dedicated vehicle for transformation. This sends a strong signal of joint commitment by government and business to economic inclusion. Resources from various contributors, corporates, development finance institutions, impact investors, and even philanthropy, will be aggregated in form or through process, and directed strategically at the highest-impact opportunities.

Integrate Capital with Capability and Markets: Money alone is not enough as many small businesses fail not for lack of funds, but for lack of skills, systems, information, and trusting customers. Thus, the Fund will deliver finance in tandem with non-financial support and business enablement and operations capabilities and market linkages. Every rand deployed comes with capabilities offered and accepted to ensure it's used effectively, from basic bookkeeping software to expert mentorship, and with facilitated access to markets, for example, offtake agreements through "buyer councils" that link funded suppliers to big buyers and that provide financial, logistics and operational telemetry systems to proactively manage the positive risks of meeting quality and service level agreements.

Outcome-Based Support with Accountability: The Fund introduces a telemetry-driven Transformation Index: essentially a digital system to track in real-time how supported enterprises are performing and to measure outcomes like business growth through revenue, jobs, and profits, and operational stability through sector compliance, production efficiencies, quality monitoring and on-time delivery rates. Every beneficiary enterprise will be monitored against milestones and metrics, creating accountability for results and capability-linked finance for growth and diversification. For example, if a small manufacturing firm hits a reliability target such as 95% on-time delivery for 3 months or obtains a quality certification, those milestones are recorded and can trigger further support or financing. This real-time data feedback loop allows the Fund's managers to see what's working and quickly fix what isn't, "validate the causal links" in the model, and give confidence to investors and stakeholders through transparency.

Leverage Network Effects: By operating as a platform open to many participants, the Fund aims to achieve scale and network effects that previous programs could not. As more entrepreneurs, mentors, investors, and corporate buyers join the platform, it becomes more effective for all: the cost of delivering support per business goes down, knowledge is shared, and success begets success. A small business on the platform knows that if it meets certain performance criteria, market access will follow, because multiple buyers are plugged in, actively seeking reliable new suppliers. This creates a powerful incentive for firms to improve, and a virtuous cycle: improvements lead to bigger contracts and lower credit risk, which leads to more investment into those firms. In essence, the Fund engineers a market for emerging black businesses, rather than leaving them to struggle alone in siloed programs.

Link Micro-Level Gains to Macro Goals: The ultimate goal is not just successful small businesses in isolation, but a cumulative impact on the economy through higher GDP growth, more jobs, increased exports, and reduced inequality. Tracking and managing for outcomes such as productivity improvements, export deals, and graduation of firms to commercial viability, enables the Fund to explicitly link its microeconomic interventions to South Africa's macroeconomic aspirations. This is a deliberate design to ensure that empowerment is not just social redress, but an investment into the country's collective economic future. As one analysis put it, "South Africa's economic challenges may seem overwhelming... but growth through inclusion is the credible route to escape [the] labour-productivity failure" and unlock our abundant but underutilized assets.

Through this theory of change, the Transformation Fund aims to solve the failures of the past: it remedies the lack of coordination by pooling efforts, fixes the capability gap by bundling support with finance, addresses information failures by capturing data, and combats short-termism by focusing on outcomes and long-term enterprise growth. In doing so, it charts a new path to transformation; one where we don't have to choose between growth or inclusion. Instead, inclusive growth becomes the organizing logic. As President Ramaphosa affirmed, "We will not relent in our drive to expand the participation of black and young South Africans in the economy… [The Transformation Fund will] provide financial and non-financial support to black-owned enterprises to ensure their meaningful participation".

This is about ensuring every talented South African can contribute to and benefit from economic progress, creating a rising tide that genuinely lifts all boats.

6. THE TRANSFORMATION FUND'S VALUE PROPOSITION

The Transformation Fund is positioned as a national platform and partnership that delivers value to multiple stakeholders while advancing South Africa's developmental goals. Its value proposition can be understood from the perspectives of government, the private sector, and society at large:

For Policy Makers (Government and Public Institutions): The Fund offers a cohesive vehicle to achieve multiple national objectives through one integrated initiative. Rather than running separate siloed efforts for MSME development, black industrialists, and job creation, the Transformation Fund bundles these into a unified program aligned with the country's Medium-Term Strategic Framework and the NDP's vision. It promises accelerated impact on key metrics: more enterprise growth, jobs, and inclusive industrialization, by concentrating resources and effort. Crucially, it addresses past critiques of inefficiency by emphasizing measurable results and accountability. Ministers and the Presidency can take confidence that money invested through the Fund will translate into real outcomes such as the number of firms scaled, jobs created, increase in black ownership in key industries, thanks to the telemetry and reporting systems in place. In short, the Fund is a high-impact policy tool that can drive inclusive growth at scale while providing transparency and evidence of progress.

For the Private Sector (Corporates and Investors): The Fund transforms BEE compliance from a burdensome obligation into a collaborative opportunity. Companies are invited to co-invest and co-design solutions via the platform. Instead of each corporation spending its ESD budget on small, disconnected projects, they can channel funds into the Transformation Fund and in return help shape its investment focus, gain access to a pipeline of improved suppliers, and share in the risk and reward of growing new markets. This is about making business see transformation not as charity, but as part of a "national investment plan for market expansion, where today's small suppliers are tomorrow's industrial base and consumer market".

Private investors (like banks or pension funds) also stand to benefit: partnering with the Fund provides them with a platform to reach emerging businesses that were previously "uninvestable," with the Fund's data reducing uncertainty and its first-loss capital de-risking some investments. In essence, the Fund offers to the private sector a platform for shared value: meet BEE and social impact targets in a more efficient, pooled manner and strengthen future profitability by enabling a broader, more dynamic economy. This partnership model is a departure from the old compliance-led mindset; as the summary says, the Fund is positioned as "a partnership opportunity rather than a compliance burden", where business gains new markets and a stronger supplier base while contributing to national goals.

For Labour, Communities and Broader Society: The value proposition extends to those who represent workers and communities. The Fund demonstrates that transformation can be a win-win ecosystem and not a zero-sum game, by explicitly fostering entrepreneurship, creating decent jobs, and reducing inequality in a transparent framework. For trade unions, this means more and better employment as small firms grow into formal sector employers. For communities, it means revitalization as successful enterprises spring up in townships and rural areas, bringing investment to long-neglected locales. The Fund's emphasis on transparency and independent governance through multi-stakeholder oversight, open dashboards and audits, gives civil society a line of sight to ensure the program truly benefits its intended recipients and is not captured by elites. In fact, establishing a civil society forum to provide feedback and oversight is envisioned to bolster public trust. Society at large benefits from the broad coalition for change the Fund builds as it signals a shared national commitment across government, business, and communities to pursue inclusive prosperity. This social compact aspect is valuable in itself: it helps rebuild trust that transformation efforts can deliver tangible change. As President Ramaphosa noted, "we all want a country that is transformed… that improves the material prospects of every South African man, woman and child". The Fund is a flagship platform to advance that vision, giving the public a reason to believe that a fairer economy is within reach.

In sum, the Transformation Fund's value proposition is transformational: it aligns the interests of different stakeholders behind one grand effort to broaden economic participation. It replaces fragmentation with coordination, inefficiency with leverage, and mistrust with partnership. By doing so, it seeks to unlock the country's full potential.

7. OPERATING MODEL: AN INTEGRATED PLATFORM FOR INCLUSIVE PRODUCTIVITY

Delivering on this ambitious vision requires an operating model that is equally innovative and holistic. The Transformation Fund adopts a "single operating model" that interlocks four pillars, Access to Capital, Access to Capability, Access to Markets, and a Transformation Index (data & telemetry), all underpinned by strong Governance. Rather than treating finance, training, and market linkage as separate activities, the Fund's model integrates them into one seamless platform. In effect, it functions like a venture capital or incubator model, but at a national scale and oriented toward public-purpose outcomes. Here's how each pillar works in accessible terms:

Access to Capital (Finance Pillar): The Fund will provide patient, blended finance to black-owned businesses and projects that have high potential but can't get sufficient funding from traditional lenders. This includes a range of financial instruments: concessional loans, equity stakes, guarantees, and grant components where needed. The key is that this capital is conditional and catalytic – it comes with terms that incentivize success (e.g. milestone-based disbursements) and is aimed at unlocking additional private capital. The Fund might, for example, take a higher-risk position in a deal through first-loss or junior capital, so that a commercial bank is comfortable lending alongside it. It can also pool funds from government budgets such as ESD funds that companies contribute and channel them into larger, coordinated investments rather than many small ones. The target recipients range from micro-enterprises requiring tiny seed loans, to small and medium firms ready to scale through growth capital or export finance or major project finance to larger strategic "black industrialist" ventures. What they have in common is that they are currently underserved by existing finance, the "missing middle" that is too big for microfinance but too small or risky for banks. Filling this gap means that the capital pillar ensures that lack of funding is no longer the choke point for emerging black businesses.

Access to Capability (Support & Skills Pillar): This is the centerpiece of the operating model's innovation. The Fund will roll out a platform-based "capability stack": essentially a menu of support services and tools that entrepreneurs can access, largely through digital means combined with on-the-ground facilitation. Through this platform, even a one-person startup can tap into resources that improve their operations: accounting software and bookkeeping help, assistance with business registration and compliance, mentorship from experienced professionals, templates for business plans, production process improvement toolkits, and more. The idea is to standardize and massively scale up the delivery of business development services, using technology to reach thousands of firms at low cost per firm. For example, the platform might have a portal where an entrepreneur can complete guided tutorials on financial management, automatically generate invoices and payroll records, or connect with a vetted business advisor for specific questions. Crucially, this capability support is not optional or separate from the funding, it is bundled. When a business receives financing from the Fund, they also get onboarded onto the capability platform and are expected to make use of these tools, with usage tracked automatically. This pillar directly addresses the prevalent issue that giving money without skills leads to failure. By treating "capability as a form of capital" that must be invested into entrepreneurs, the Fund increases the likelihood that each rand produces a sustainable return in business growth. One can think of this as extending the digital infrastructure backbone for the business sector, and bringing thousands of informal and MSMEs into a modern, connected system where they can perform and be seen.

Access to Markets (Demand & Market Access Pillar): Even with money and skills, a business cannot thrive without customers. Recognizing this, the Fund actively brokers market access for its beneficiaries. It will establish structured mechanisms such "Buyer Councils", a consortia of large buyers major corporations, government departments and SOEs committed to sourcing from emerging suppliers. Through the platform, these buyers can find vetted small businesses that meet certain performance or quality criteria and then offer them contracts. For instance, a retail chain might join the platform to source from black-owned agro-processing firms for certain product lines, or a mining company might commit to procuring a share of its supplies from Fund-supported manufacturers. The Fund also aligns with government's sector Master Plans and industrial policy, meaning it will channel support to enterprises in sectors that the country is prioritizing such as renewable energy components, agriculture value chains and automotive suppliers, and ensure those firms get linked to the anchor companies in those sectors. Additionally, the Fund is AfCFTA-aligned and export-oriented: it will help firms gain certifications to export and connect them with export markets in Africa and beyond, leveraging trade agreements. Through these market linkages, the Fund guarantees that empowered businesses have access to demand to grow. It addresses the classic catch-22 where small businesses can't get big contracts because they lack capacity, but can't build capacity without contracts. Here, capacity is built and a pipeline of demand is opened in tandem. Ultimately, the market access pillar ensures that the Fund's beneficiaries are not left unsupported in the open market; instead, they enter a "quality-assured marketplace" where buyers and sellers meet with trust, backed by the Fund's verification of performance.

Transformation Index & Telemetry (Data & Accountability Pillar): Cutting across the above pillars is a robust data and monitoring system. The Transformation Index is envisioned as a composite index tracking the progress and impact of the Fund's interventions, from firm-level productivity gains to macro indicators like jobs per Rand invested.

How will this work? The Fund's digital platform will continuously collect telemetry data from participating firms. Telemetry here means real-time performance data, such as: financial transactions through the accounting tools provided, production metrics such delivery times or defect rates, usage of the platform services, credit repayment rates, and similar. For example, if a manufacturing company is part of the platform, the system might automatically log that his on-time delivery rate has improved from 80% to 98% after six months of support, perhaps due to a new inventory system he adopted. It might capture that his monthly revenue grew by 50%, and that he hired 10 new employees. All these data points feed into the Transformation Index, which aggregates results across all enterprises to report on metrics such as overall jobs created, average productivity uplift, default rate on loans, and female and youth ownership representation. This pillar is critical for accountability: it provides evidence of what the Fund is achieving or not achieving and allows for engineered data-driven course-correction. It also underpins the incentive system: for instance, reaching certain milestones triggers the next tranche of funding or access to a buyer contract. From a governance perspective, this transparency makes it hard to hide any malfeasance: when all processes and results are data-driven and open, it's much harder for funds to be misused without detection. Essentially, the telemetry system turns the art of enterprise development into a science of measurable outcomes, ensuring the Fund remains outcomes-focused rather than box-ticking. It also helps crowd-in external capital over time because private investors can see the track record and real data on how the portfolio is performing, which reduces perceived risk.

Governance and Partnerships: Overseeing all these pillars is a strong governance architecture. The Fund will be structured as an independent Special Purpose Vehicle (SPV) with a multi-stakeholder Board that includes government, private sector, and civil society representation. This ensures no single actor can dominate and that there's broad accountability. Key committees will govern investment decisions, audit and risk, and development outcomes, mirroring best practices from development finance institutions. Transparency is paramount: regular reports will be published, and there may even be public dashboards showing progress. Additionally, the Fund doesn't operate in isolation, foundationally being embedded in the broader ecosystem. It coordinates closely with existing government programs such as the Competition Commission, Jobs Fund, MSME agency initiatives and sector Master Plans to avoid duplication and drive efficiencies and effectiveness. It also collaborates with private initiatives such as corporate incubators and finance schemes to bring them onto the platform rather than replace them. It is therefore not only a hub that connects and amplifies all efforts around inclusive enterprise development under one roof, but a platform for creating and deepening partnerships at every level, including funding, design, execution, and oversight, enhancing legitimacy and building trust in the execution of this existential sovereign program.

8. IMPLEMENTATION PLAN: PHASED ROLL-OUT FOR IMPACT AND LEARNING

Launching a platform of this magnitude is an ambitious undertaking. The Transformation Fund will therefore be implemented through phases, each building on the last, to manage risk and incorporate learning along the way. The phasing is principle-based rather than strictly time-bound, meaning the Fund will progress to the next phase once certain milestones are achieved rather than on a fixed calendar. This ensures the roll-out adapts to real-world conditions. Here is an overview of the envisaged phases and their logic:

Phase 1: Pre-Launch (Foundational Setup). In this initial phase, the focus is on getting all the fundamentals in place. The Fund's legal vehicle is established and capitalized with initial commitments from key contributors Governance structures are formed – e.g. appointing the board, setting up investment committees, advisory panels – to ensure multi-stakeholder oversight from day one. Importantly, the digital platform and data infrastructure are designed and prototyped in Phase 1. This includes developing the Transformation Index framework (what metrics to track and how), building a basic portal for participants, and putting in place any needed regulatory approvals or policy amendments (for instance, ensuring BEE codes accommodate contributions to the Fund). A critical aspect of Pre-Launch is institutional alignment: engaging with public agencies so the Fund complements (and doesn't conflict with) existing programs, and signing Memorandums of Understanding (MOUs) with initial private partners and DFIs so that everyone is on the same page. By the end of Phase 1, the aim is to have a minimum viable product: a legal entity with a bank account, a charter, initial funds ready to deploy, a core team hired, a basic digital system running, and partners lined up. In President Ramaphosa's words, "we will mobilise whatever human, financial and other resources are necessary… and do the detailed work and heavy lifting" at this stage to set the initiative up for success.

Phase 2: Activation (Early Adoption). With the groundwork laid, Phase 2 is about testing the model on a small scale and demonstrating proof of concept. The Fund will launch initial programs to deploy both capital and capability support to a first cohort of beneficiaries. For example, it might select, say, 50 to 100 small and mid-sized businesses across a few priority sectors, regions and demographics. These could include a mix of informal township enterprises, a few mid-sized firms needing growth capital, and a couple of industrial projects – essentially samples of the target segments. These beneficiaries would receive the Fund's blended support: some financing (perhaps a mix of grants and loans) plus intensive use of the capability platform and assignment of mentors. Simultaneously, the Fund will operationalize the buyer councils or offtake agreements in these early cases – meaning, for instance, if one of the chosen firms is a black-owned clothing manufacturer, a retailer on the platform agrees to a pilot procurement deal with them. Throughout Phase 2, monitoring is intense. The Fund's team will track everything in real-time: Are these firms improving their record-keeping? Did default probabilities on loans decrease as they got mentorship? Are sales and revenue trending up? How many jobs are being added? This data is used to validate the theory of change – e.g., confirm that providing enterprise management tools and mentorship does improve repayment rates and delivery performance. Importantly, Phase 2 involves close partner coordination as well. Public agencies help identify the pilot beneficiaries and perhaps provide complementary grants or support; DFIs and banks might co-fund some of the deals to test risk-sharing; corporates begin to channel a portion of their ESD budgets into the platform. Early wins and lessons are actively publicized (through dashboards, reports, media) to build credibility and momentum. By the end of Phase 2, the goal is to have demonstrated that the model works on a small scale – e.g., a few dozen success stories of businesses that grew with the Fund's help, and a functional monitoring system that impressed stakeholders. This sets the stage for expansion.

Phase 3: Scale-Up (Expansion and Mainstreaming). Having proven the concept, the Fund now enters a phase of rapid scale-up. This likely involves a significant second round of capital mobilization: armed with data and success cases, the Fund will approach additional investors – large banks, institutional investors like pension funds, global multilateral DFIs, etc. – to raise much larger pools of funding. The government may also increase its contribution at this point, seeing the early results. The digital operating system, which was piloted, is now fully deployed nationwide, capable of onboarding thousands of MSMEs and delivering support across provinces. The capability toolkit is expanded, possibly adding sector-specific modules (e.g., specialized support for agriculture, manufacturing, tech startups, etc.). Scale-up also means institutionalizing partnerships: integrating the Fund's activities with major government initiatives and aligning with policy instruments. For example, if there's a national Jobs Fund or MSME Fund, the Transformation Fund might formally collaborate to co-fund projects; if there are Provincial growth programs, the Fund might have local chapters working with them. Private sector involvement deepens: more corporations join the buyer network, perhaps some even contribute to the fund in exchange for enterprise development credits or to fulfill competition law commitments (as often required in mergers to fund SMEs). Banks could start using the Fund's telemetry data (with permission) to inform their own credit decisions for SMEs, thereby improving lending beyond the Fund's direct activities. Throughout this phase, the Fund keeps a rigorous focus on M&E (Monitoring & Evaluation) and publishes a Transformation Index report regularly, showing headline outcomes: e.g., reduction in average cost of capital for supported firms, increase in beneficiary firms' revenues and job numbers, proportion of youth- or women-owned businesses supported, etc.. These indicators demonstrate impact at scale. By the end of Phase 3, the aim is that the Fund has reached critical mass – perhaps supporting on the order of tens of thousands of businesses, and having a portfolio sizable enough to influence overall market trends. For instance, one could envision that by this stage, commercial banks have noticed that firms coming through the Transformation Fund have much lower default rates, and thus they start lending more to this segment (crowding-in effect), or large buyers find that their supply chains have diversified significantly thanks to the Fund's graduates.

Phase 4: Institutionalisation (Sustainability & Policy Embedding). In this final maturation phase, the Transformation Fund transitions from a time-bound "project" into a permanent feature of South Africa's financial architecture. The vision is that if the Fund proves successful, it could be cemented via legislation or long-term institutional status or similar entities, ensuring it continues beyond the current administration. By Phase 4, the Fund should ideally be self-sustaining to a degree – recycling returns from earlier investments into new ones, though it would likely always have some public funding element for the developmental mandates. Policies and regulations would be updated to embed the Fund's approach into standard practice. For example, BEE regulations might formally allow or encourage companies to contribute a portion of their scorecard obligations to the Fund, or procurement rules might be adjusted to integrate the Fund's supplier pool into government purchasing. Another aspect of institutionalisation is the potential creation of enduring feedback mechanisms: the earlier mentioned civil society forum would be fully functional, providing a channel for continuous public oversight and input. Embracing such independent checks and balances is vital to maintain trust. By this stage, the Fund's emphasis on transparency and verifiability will have set new standards – ideally, it becomes synonymous with clean, effective development practice, making it resilient to the governance failures that have plagued some past efforts. The ultimate mark of success in Phase 4 is that the Transformation Fund becomes an indispensable national institution, one that any future government or coalition sees as a pillar of South Africa's economic strategy. It would be akin to how the Public Investment Corporation or the Reserve Bank is treated – beyond politics, fundamental to the nation's well-being.

Across all phases, a few themes remain constant: coordination, flexibility, and learning. The Fund will continuously coordinate with others (you can imagine a scenario where, say, a new government apprenticeship program plugs into the Fund to offer training to the same businesses' employees – synergy rather than duplication). It will remain flexible to adjust its tactics based on what telemetry shows. And it will keep stakeholders informed to retain support through visible successes and honest reporting of challenges.

The phased approach is prudent: it recognises that a complex ecosystem cannot be remade overnight, yet it responds with urgency and empathy, acting now rather than waiting for perfect conditions.

9. ADVANCING THE 2025/26 NATIONAL AGENDA

The Transformation Fund is not an isolated initiative; it is central to advancing the South African Government's broader Programme of Action for 2025/26 and beyond. It directly supports several priority commitments that President Ramaphosa and his administration have articulated – notably in his State of the Nation Address reply and other policy statements – around entrepreneurship, inclusive growth, transformation, and social protection.

Fostering Entrepreneurship and MSME Growth: The President has stressed the importance of a "thriving small business and cooperative sector" as "key to inclusive economic growth." He also highlighted that South Africa's rate of entrepreneurship is too low and that we must change the mindset to see self-employment as a viable path, not a last resort. The Transformation Fund is a direct response to this call. By providing the mentorship, skills, and capital pipeline for entrepreneurs like Thandi, it works to dramatically increase small business success rates. The government's goal of creating one million new MSMEs by 2030 becomes far more attainable with the Fund addressing the systemic barriers that cause early-stage businesses to fail. In practical terms, the Fund complements the Department of Small Business Development's efforts – for example, if that Department is running a township business program or a youth startup campaign, the Fund can amplify it by offering those participants a next level of support such as scaling finance or integration into supply chains. The commitment to entrepreneurship development is thus operationalized through the Fund's platform nationwide.

Driving Inclusive Growth and Job Creation: "Inclusive, sustainable growth" is at the top of the agenda – the President said "above all we want an economy that is growing, inclusive and sustainable" and that government will "mobilise whatever resources are necessary" to achieve this. The Transformation Fund is arguably one of the most concrete embodiments of this inclusive growth agenda. It mobilizes resources (public and private) and directs them in a way that growth and inclusion happen together. Every small business supported, every ThaboTech that scales up, directly contributes to job creation. The beauty of focusing on MSMEs is job intensity – small firms tend to create more jobs per unit of investment than capital-intensive big projects. By lowering risk and barriers, the Fund encourages even the private sector to invest more in job-creating SMEs. Additionally, in targeting underserved areas (townships, rural, women and youth entrepreneurs), the Fund's growth impact is spatially and demographically inclusive, in line with the District Development Model and other efforts to ensure all parts of the country benefit. As these businesses grow, they not only provide employment but also foster local economic development, aligning with the aim to strengthen provincial and local economies for inclusive growth.

Deepening Transformation and Broadening Ownership: The President's message has been clear that we will not abandon the transformation drive; rather, we must make it more effective. He noted there's broad consensus that to build a truly non-racial society, we must "narrow inequality and redress the legacy of apartheid," and thus we remain committed to empowerment programs. However, those programs must deliver results. The Transformation Fund is the sharpened instrument to make transformation real and impactful. It directly addresses the critique that prior BEE efforts benefited only a few – by design, this Fund is about broadening the base of beneficiaries, from informal traders to industrialists, with the common thread being meaningful participation in the productive economy. It operationalizes the President's pledge: "We will ensure that the Transformation Fund achieves its objective of providing financial and non-financial support to black-owned enterprises to ensure their meaningful participation in the economy." This statement from the SONA reply is essentially a mandate to this program. Through the Fund, policies of black empowerment move from paper to tangible outcomes – new black-owned firms in supply chains, more black producers in agriculture, more youth- and women-owned startups in technology, and so forth. It also supports specific transformation initiatives like the Black Industrialists Programme by identifying candidates and scaling them up. We can think of the Fund as the umbrella that brings coherence to various transformation funds and projects, amplifying their impact and ensuring they tie back to the national objective of a more equitable economy.

Enhancing Social Protection through Economic Empowerment: At first glance, one might think the Fund is purely an economic intervention, separate from social protection. But the President's holistic view, as expressed in his reply, links the two: as we drive growth and jobs, we simultaneously strengthen social protection for the poor and unemployed. Crucially, he said this is not just about charity; "It is about reducing inequality… giving every person a fair chance. It is about investing in the people of South Africa and enabling them to realise their potential". The Transformation Fund is exactly that kind of investment in people's potential. By helping citizens become self-sufficient entrepreneurs or employees of growing small firms, it reduces dependency on social grants in the long run (while in the short term, those grants continue to shield the vulnerable). For example, Thandi's story shows how someone who might have relied on government grants can instead become a contributor to the economy. Over time, widespread success of such inclusion efforts will ease the fiscal pressure of social assistance, as more people earn incomes. Moreover, the Fund targets those who have been disempowered, aligning with the statement: "These policies are about eradicating the differences that still exist in our society… empowering those who have been disempowered". By doing so, it also strengthens social stability – when people have hope and stake in the economy, society is safer and more cohesive. In a way, the Fund complements social protection programs by attacking the root cause (exclusion) rather than just alleviating the symptoms (poverty).

A Nation That Works for All: The overarching theme of the current administration, especially under a Government of National Unity context as 2025 is, is unity and working together for common good. The Transformation Fund exemplifies this ethos. It is a collaboration across government departments (dtic, Presidency, Treasury, etc.), and between government and private sector, and indeed includes labour and civil society. It is a vehicle for the "all hands on deck" approach that the President often calls for. "We will work with all willing partners," he said, "and mobilise whatever resources necessary… We will harness our country's considerable competitive advantages to drive growth and job creation." The Fund harnesses those advantages – one of which is our entrepreneurial spirit and our young population – and channels the resources of many actors into one mission. It is a flagship of working together. In doing so, it also helps fulfill the constitutional vision the President evoked: a South Africa that belongs to all, where all have "equal worth and equal opportunity", and a nation that truly "works for all". By broadening ownership and participation, the Fund gives practical meaning to those ideals.

In summary, the Transformation Fund drives forward the 2025/26 Programme of Action by turning policy commitments into concrete programs on the ground. It is intimately tied to objectives around economic revival, inclusion, and social cohesion. One might say, if we imagine the President standing before the next Cabinet Lekgotla or a Presidential Coordinating Council meeting, he could point to the Transformation Fund and say: "Here is how we are changing the game for entrepreneurs; here is how we are making growth inclusive; here is how we are giving effect to our promise of transformation and empowerment." It's a bold flagship that ministers, premiers, and mayors can rally around, knowing it supports their own local and sectoral efforts whether it's developing township economies or revitalising manufacturing or supporting farmers.

Moreover, as the President engages internationally, the Transformation Fund stands as an example of innovation in pursuing economic justice domestically. It says South Africa is not waiting for outside help or lamenting brain drain; we are crafting South African solutions to South African problems – using the ingenuity of a platform approach to tackle our deepest structural problems.

10. THANDI'S JOURNEY: FROM EXCLUSION TO ENTREPRENEURSHIP

To understand the human impact of the strategic policy choice and the Transformation Fund, let us return to Thandi, the young woman from a rural township introduced earlier when the NDP was launched. Thandi's story in the "problem space" was bleak – a likely lifetime of struggling on society's margins. Now, reimagine her story in the opportunity space created by the Transformation Fund:

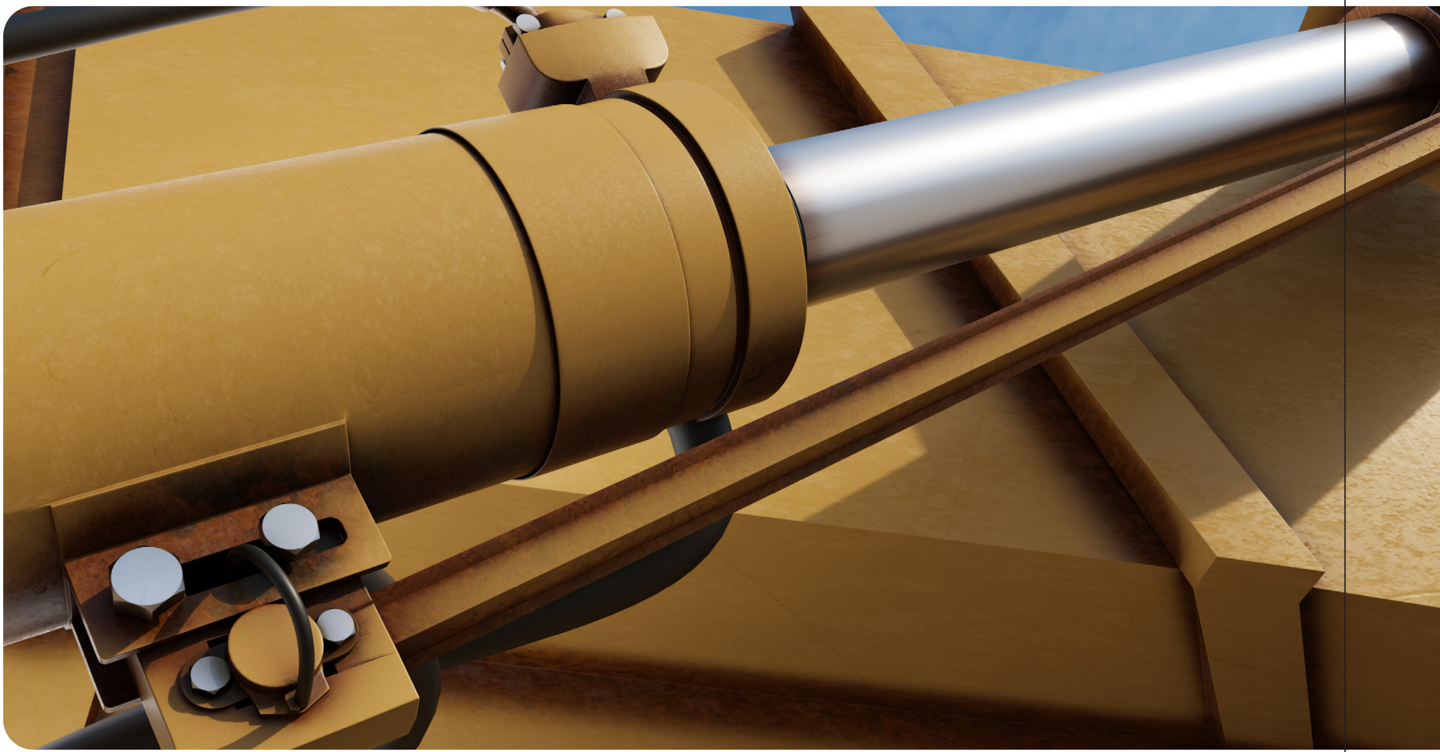
Thandi at 22: Two years after finishing high school, Thandi is unemployed and helping her family by selling snacks on the roadside. She has a dream – she's always loved baking, and people say her small magwena are delicious. In the old world, Thandi's dream might never go further than a street stall. But in the new world of the Transformation Fund, a few things happen that change her trajectory:

- A local community center in her area has partnered with the Fund as an outreach node. Thandi sees a poster about a Transformation Fund entrepreneurship camp to help young people develop business ideas. Encouraged by a friend, she attends a workshop where she learns the basics of drafting a business plan and finds out about the Fund's platform.
- Through the Fund's digital portal, Thandi registers herself as a user. The interface, accessible in all official languages thanks to the use of locally-developed artificial intelligence natural language processing engines, guides her through creating a simple profile: her idea to start a small bakery, her current operations, and what she needs: an oven, some training in food safety, maybe a small loan. She is surprised to find an array of resources at her fingertips – there are short online courses on bookkeeping and customer service, which she starts taking for free using her cheap smartphone.
- A business advisor connected to the Fund connects, digitally or physically, with her support community once a week. Thandi signs up for a slot and together they refine her micro-bakery idea. The advisor helps her formalize it, registering a simple sole proprietorship and getting a tax number, all facilitated through the platform which auto-fills many forms for them.
- Now formally "visible," Thandi applies for a starter micro-loan from the Fund. She doesn't have collateral or even a bank history, but the Fund's approach is different: they look at her completion of training modules and the

advisor's assessment of her commitment as indicators. She completes a system-aided business plan in her language and applies for and is granted a small loan of R20,000 – enough to buy a proper oven, ingredients, and to rent a tiny storefront stall. The funds are only available through a platform-based digital wallet that ensures that they can only be used to purchase items listed in the business plan and with the best value for money.

- The funding also comes bundled with support. Thandi is onboarded onto the capability platform: she gets a business-in-a-box package including a tablet computer loaded with bookkeeping software tailored for small shops and an inputs ordering, payment and logistics system so she can get various commercial benefits from the underlying pooled procurement, thanks to platform-provided pooled demand engine and logistics. She also is paired with "Auntie Miriam," an experienced digitally-local baker, who mentors her on sourcing operating ingredients cheaply and maintaining consistent quality. This mentorship was arranged through the Fund's network of digitally distributed volunteers and paid coaches.
- With equipment and guidance, Thandi's bakery – "Thandi's Treats" – officially opens. At first, business is slow. But the Fund's team doesn't just leave her to sink or swim. Her financial statements generated automatically on the platform and the underlying AI-based business assessment engine provides automatic insights into her state of the business. All the data is made available to her distributed support system. They connect her with a nearby school feeding scheme through the market access pillar. The school agrees to buy a certain number of bread loaves and muffins from Thandi's bakery each week, giving her a steady customer base. It's part of the Fund's commitment that institutions include small producers in their procurement.
- Over the next year, Thandi diligently uses the tools provided. She records every sale on the tablet, which automatically updates her revenue numbers. She keeps to a schedule and consistently delivers the bread to the school on time. The telemetry system captures her progress – her on-time delivery rate is 99%, far above many suppliers, and her monthly revenue grew from R2,000 to R8,000 in 12 months. These metrics are reported to the Transformation Index.
- Seeing her reliability, the Fund rewards her with a milestone grant, essentially a bonus that was promised if she maintained high performance for a year. She uses this to hire two assistants from her community and to add a second oven.
- Now in year 2, a local supermarket chain's buyer council facilitated by the Fund takes notice of Thandi's Treats as they can see her performance data on the platform. They approach her to supply homemade cookies to three of their stores in the province, as part of a program to feature local products. It's a big step up, but the Fund's mentors help Thandi gear up for it: they guide her through getting a basic health & safety certification and packaging her goods for retail.
- By age 25, Thandi has transformed from an unemployed youth to a thriving entrepreneur. She runs a formally registered small enterprise with a handful of employees. Her business provides baked goods to schools and stores, and she's even exploring an online delivery service. Her monthly income far exceeds what she would have likely ever earned in odd jobs; she helps her siblings through school, and her family's household moves above the poverty line for the first time. Instead of waiting until 60 for a state pension to escape poverty, Thandi is building wealth now, in her youth.

Thandi's journey illustrates the power of an ecosystem that doesn't just give a handout, but rather cultivates capability and connects to opportunity. The Transformation Fund did not simply write her a check – it identified her potential, nurtured her skills, provided startup capital under smart conditions, and linked her to real market demand. This comprehensive support turned a likely statistic of unemployment into a success story of a young black woman running a growing business. And multiply her story by thousands: the strategic policy choice means there could be many Thandi's, each running their own enterprise, whether it's a farm, a tech startup, a small factory, or a service business, collectively contributing to a more vibrant and inclusive economy.



11. THABO'S STORY: SCALING UP A BLACK INDUSTRIALIST

Now consider Thabo, a different scenario. Thabo is a 45-year-old engineer and entrepreneur who started a small manufacturing company 10 years ago. Let's say he runs "ThaboTech", a firm that produces specialized metal parts used in mining equipment. He is a determined and skilled businessman who benefited from a government Black Industrialists Programme grant a few years back to expand his factory. Today, ThaboTech has 50 employees and decent annual revenue – it's no longer a micro enterprise, but it's still far from being a major corporation. Thabo sits in the "missing middle" of our economy: his company is too large to get microenterprise support or small grants, but too small or not well-known enough to easily attract big commercial funding or large contracts. He often feels stuck – banks deem his company high-risk because he doesn't have significant collateral beyond the factory itself, and large mining companies are hesitant to give him big orders because they worry about his ability to deliver at scale.

Here's how the Transformation Fund helps transform Thabo's trajectory:

Recognition and Diagnostic: Through the Fund's partnership with the Department of Trade, Industry and Competition, ThaboTech is identified, through the Transformation Index and AI-based platform triggers, as a high-potential enterprise in the manufacturing sector that aligns with national industrial policy. A Fund "scout" or relationship manager reaches out to Thabo and suggests undergoing a capability diagnostic offered by the Fund. Thabo agrees, and a team of experts visits his factory to assess strengths and gaps; they find his product quality is good, but his production process could be more efficient and his marketing is virtually non-existent.

Tailored Support Plan: Based on the diagnostic, the Transformation Fund crafts a support and investment plan for ThaboTech. First, on the Capability side, they plug Thabo into the platform's advanced modules: he gets access to an enterprise resource planning (ERP) software package to manage inventory, orders, and working capital, at a subsidized rate through the Fund, and training on how to use it to address his operational efficiency gap. He's also paired with a Germany-based technical expert in process engineering who helps his team optimise the factory layout and reduce defects. Second, on the Capital side, the Fund offers him a blended finance deal: a combination of a long-term low-interest loan of R5 million and an equity investment of R2 million, perhaps from the Fund's side-car investment vehicle, to finance a new production line and a quality testing lab. This infusion is critical – it's money on patient terms that he could never get from a commercial bank alone. Third, on Market access, the Fund doesn't wait for him to find customers – they have already coordinated with a few mining companies in the Buyer Council. One major mining firm has agreed, contingent on some assurances, to trial ThaboTech as a supplier for certain components that they previously imported. The Fund helps broker a supply agreement, where the mining company will buy a set volume of parts from ThaboTech for the next 3 years provided Thabo can meet their quality and delivery standards, which the new equipment and ERP system will help ensure.

Execution and Growth: With this comprehensive support, ThaboTech embarks on a scale-up journey. The new production line financed by the Fund comes online, effectively doubling the company's capacity. The mentorship and systems upgrades start paying off – within a year, Thabo's defect rates drop and his on-time-in-full delivery performance exceeds 95%, a key metric that gives the mining client confidence. True to their word, the mining company shifts more orders to ThaboTech, replacing some of their imported parts with Thabo's locally made ones. This is a win for localization and for Thabo's business.

Financial Outcomes: As ThaboTech's revenues grow and become more stable, the Transformation Fund's data system notes the improvements. One outcome is that Thabo's credit risk rating improves – the telemetry shows his default probability is lower, so the Fund is comfortable lending more if needed. In fact, seeing the progress, a commercial bank decides to extend a working capital line to ThaboTech for the first time, something they previously denied him. They were swayed by the data and the fact that a reputable mining company is now a steady client and possibly by the Fund's partial guarantee. This is the crowding-in effect the Fund hoped for: by de-risking ThaboTech initially, it made the company bankable in the mainstream market.

Job Creation and Inclusion: Over a couple of years, ThaboTech expands from 50 to, say, 150 employees to meet new orders – many of these jobs go to young technicians and artisans from the local community. Thabo also initiates a graduate trainee program, with guidance from the Fund's capability team, to bring in TVET college graduates and upskill them, thus contributing to skills development. Through its growth, ThaboTech becomes a local anchor company, boosting the manufacturing cluster in the area.

Export Breakthrough: With the Fund's support, Thabo attends a trade fair in another African country as part of a Fund-led export promotion delegation. There, he manages to secure a modest export contract to supply parts to a neighbouring country's mining industry. This is a significant milestone – ThaboTech is now an exporter, contributing to South Africa's export earnings. The AfCFTA focus of the Fund helped here, as they took care of connecting him to the trade opportunity and ensuring he had the necessary certification to sell abroad.

Transformation Impact: Thabo's success has broader ripple effects. He becomes a role model for other black industrialists. In fact, he starts mentoring a couple of up-and-coming entrepreneurs through the Fund's network, creating a virtuous cycle of giving back. His company's growth also means diversified ownership in the sector – where once a handful of big mostly white-owned suppliers dominated mining inputs, now ThaboTech is emerging as a new player. This aligns with government's industrial policy goal of changing ownership patterns in strategic sectors. Perhaps Thabo even considers an employee share scheme as his company prospers, allowing his workers to also accumulate wealth, something the Fund encourages as part of broad-based ethos.

Long-term Sustainability: By the time ThaboTech "graduates" from needing Fund support, maybe after 5 years, it is a mid-sized enterprise capable of attracting mainstream investment on its own merits. The Transformation Fund eventually exits its equity stake in ThaboTech, selling it to a private investor or even back to Thabo at a fair price, and uses those returns to reinvest in new ventures, thus the cycle continues. ThaboTech's success is documented and added to the Transformation Index outcomes: a black-owned manufacturing SME that scaled into a large enterprise, created 100+ jobs, entered export markets, and perhaps even started sourcing from smaller BEE suppliers itself – a full circle of transformation.

Thabo's story highlights how the Fund addresses the "missing middle" challenge. Many programs focus either on very small micro-enterprises or on big industry deals; Thabo and those like him often fell through the cracks. The Transformation Fund's design explicitly targets such businesses – those with proven potential that just need that integrated push (capital + capability + market) to leap to the next level. By doing so, it doesn't just help one firm, but contributes to re-industrialising the economy with a more inclusive base of players.

In essence, Thabo's and Thandi's journeys are two sides of the same coin. Thandi's story is about bringing a newcomer from the margins into the economy; Thabo's is about elevating an existing player to true scale and competitiveness. The Transformation Fund is designed to do both. It nurtures the seed and also feeds the sapling to become a tree. This is how we convert an economy that currently looks like a sparse landscape with a few big trees and lots of barren ground, into a lush forest of enterprises – some newly sprouting, some maturing into big trees, all contributing to the ecosystem.

12. A PLATFORM FOR A NEW ECONOMIC ERA: CONCLUSION

The Transformation Fund represents a defining initiative for South Africa's future – one that has the potential to convert our country's untapped human and enterprise potential into engines of shared prosperity. It is not just about boosting GDP or ticking empowerment boxes; it is fundamentally about building a fairer, more inclusive society. It asks and answers the question: What if every South African had a real stake in our economic success?

In embracing this Transformation Fund, South Africa is making a powerful statement: that inclusive growth is the way out of our low-growth, high-inequality trap; that broadening ownership and opportunity is not a drag on the economy, but rather the key to unleashing its full potential. This is a nation-building project as much as an economic one. It says to a young generation disillusioned by unemployment that we hear you and we are acting to give you a platform to thrive. It says to black industrialists and small business owners that you will no longer be left to fend for yourselves in a system stacked against you – we are levelling the playing field and amplifying your efforts. It says to big business and investors that transformation can be done in a way that grows the pie for all, inviting them to be partners in progress rather than adversaries. And it says to communities that the days of exclusion are ending – that township and rural entrepreneurs, women, youth, and the disabled will be at the heart of the new economy we are building.

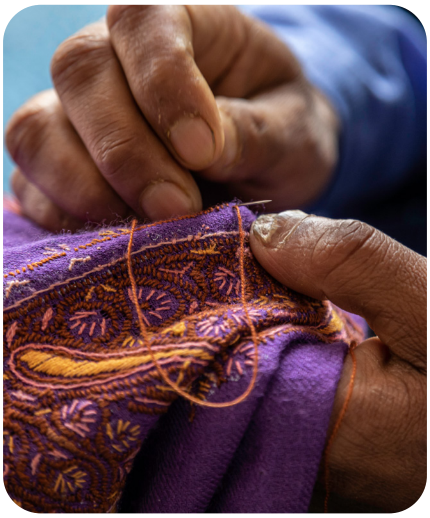
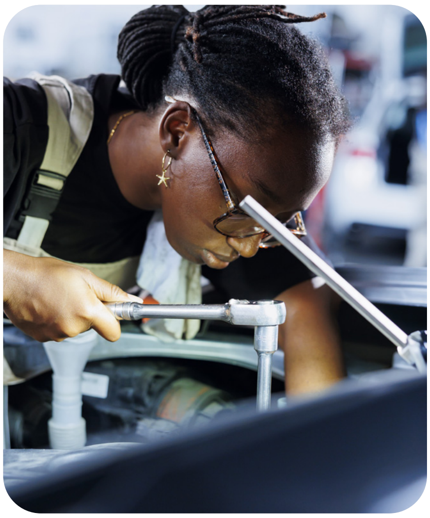
As President Ramaphosa noted, *"we share the vision of a nation that works for all"*. The Transformation Fund is the kind of bold mechanism needed to realize that vision. It will take serious commitment, coordination, and trust to implement – but the cost of not doing it is far greater. The status quo path leads to a brittle economy that perpetuates inequality and invites social turmoil. In contrast, the Transformation Fund path leads to what one might call a Rainbow Economic Nation: where the economy, like our society, draws strength from the full spectrum of its people's talents and dreams.

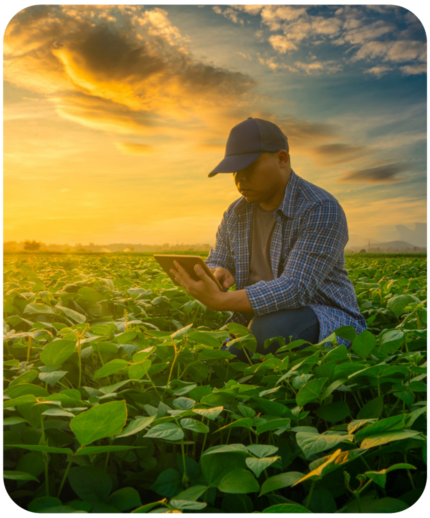
In conclusion, the Transformation Fund's significance to South Africa's future cannot be overstated. It is a flagship of inclusive innovation – combining the best of public policy and private initiative, technology and development finance, to tackle an age-old challenge in a new way. It promises not just to grow the economy, but to fundamentally reshape it to be more resilient, more just, and more owned by the many, not the few. Success will mean South Africa has pioneered a model that others in the world might follow – a platform-led approach to economic transformation. Most importantly, success will mean millions of South Africans – people like Thandi and Thabo – will for the first time have a meaningful stake in their country's economy and future. And when citizens have a stake, they invest in peace, stability, and progress for all. That is the ultimate dividend of the Transformation Fund: a South Africa that is not only richer, but stronger and more united, truly becoming "a nation that belongs to all who live in it" in the economic realm as well.

The choice is ours to make, and the time is now. As we embark on this journey, let the guiding principle be that no South African should be left behind in our quest for prosperity. The Transformation Fund is our vehicle to live up to that promise – to harness the collective energy of our people, transform our economic landscape, and secure a brighter future where everyone can say they have a stake in South Africa's success.





TRANSFORMATION FUND

ENGINEERING AN INCLUSIVE MICROECONOMIC FOUNDATION
FOR MACROECONOMIC GROWTH AND SOCIAL STABILITY