



**small business  
development**

Department:  
Small Business Development  
**REPUBLIC OF SOUTH AFRICA**

## **Message of Support: Transformation Fund Breakfast**

**Minister Stella Tembisa Ndabeni**

**05/05/2025**

Deputy President Mashatile.

Ministers Tau, Ramokgopa, Mantashe, Lamola and Meth

Busa President Mr Mgojo

NAFCOC President Mr Mosena

BBC President Mr Monage and CEO Mr Matabane

BLSA CEO Mvuso

BEE Commissioner Mr Matona

BRICS Chair Mr Nicolaou

Mr Tshefuta from Nedlac

BMF Chair of Policy Committee Dr Harry

ABSIP President Ms Leteka

Other dignitaries and stakeholders present

Ladies and Gentlemen

Let me firstly congratulate Minister Tau on initiating the Transformation Fund and getting it to the stage of a policy proposal which all economic transformation and MSME eco-system stakeholders can engage with.

From the perspective of the Ministry of Small Business Development, we are in full support of the Transformation Fund and have had several bilateral meetings where we engaged and fed into the design.

The Transformation Fund aligns directly to the objectives of the MSME and Co-operatives Funding Policy which we developed, and which last year was approved by cabinet.

In that policy, we called for big and bold measures, including a Fund of Funds, to address the country's R350 billion MSME credit gap.



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We know that MSMEs will be the driver of the country's growth and jobs, as they have done in high growth economies around the world, especially the East. The NDP suggests that MSMEs are likely to contribute between 60% and 80% of future GDP growth, and 90% of future jobs. But only if they get the necessary support.

We know that banks struggle to finance MSMEs, especially start-ups and early-stage businesses. They rely on traditional credit scoring methods, including collateral and evidence of track record such as management accounts and financial statements. This has led to market failure, especially for startups, early-stage enterprises, and micro enterprises.

We also have a highly concentrated financial sector – 6 institutions control 90% of assets. We know from international experience, that high levels of financial sector concentration lowers access to finance for MSMEs.

Lack of access to finance and capital has limited the extent to which we have been able to overcome the racialised ownership patterns of our economy. Black-owned businesses simply do not have the assets to secure debt and investment. Lack of capital to start businesses, purchase equipment, and for working capital, has severely limited the black economic empowerment project.

During the 2019 review of the NDP, well known economist Alan Hirsch found South Africa's financial asset inequality to be 0.92<sup>1</sup>, with 0 being perfect equality and 1 being perfect inequality. This extreme level of financial asset inequality is our biggest constraint to growth, as well as bringing political and social instability risks.

State-owned DFIs such as SEDFA and the NEF have attempted to correct this, through first loss derisking as well as targeted blended and concessional finance offerings. But nowhere near the required scale.

We are confident the Transformation Fund will begin to change this.

As an aggregated fund that pools private and public funding at scale, the Transformation Fund will address many of the current limitations of Enterprise Supplier Development, especially becoming a compliance driven tick box exercise in many cases.

The Transformation Fund will offer debt, grant and equity instruments, targeted at designated groups and enterprises from marginalized townships and rural areas.

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<sup>1</sup> According to Allan Hirsch in his 2019 NDP Review Presentation presented at the NDP Review Colloquium



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The Transformation Fund proposal speaks to set asides for enterprises in townships and rural areas. We suggest we set the bar at 30% to begin with.

As DSBD and SEDFA, we will work closely with the DTIC and NEF, especially on the SMME Fund, on the Designated Group Fund, on the Township, Rural and Community Development Fund, and on the Venture Capital Fund.

We will also align on the strategic sectors and growth drivers being targeted. Market activation will be a critical success factor, and we need to combine our energies as the state and private sector to identify and open new demand pathways for our MSMEs. In the current global context, we especially need to optimize opportunities for localization, and for integration into regional value chains leveraging the AfCFTA.

As the DSBD portfolio, we have a sophisticated business support infrastructure, which we will bring to the table. This includes pre-investment support, to support the development of a capital-ready investment pipeline. Here we have some 120 incubators as well as SEDFA business development capacity in all districts, which can also be leveraged for post-investment support.

We have a successful capital readiness and fund matchmaking programme with the JSE which is ready for scaling. We are also developing alternate risk scoring models as part of the digitalized credit risk assessment infrastructure we are building as part of our MSME portal.

Minister Tau, let me end by committing my department to work hand in hand with yours to make this Transformation Fund a game-changer for economic transformation and MSME development.

I thank you.