

AFRIFORUM

SUBMISSION:

**Written comments on Draft Transformation Fund Concept
Document for Public Comment**

UNDER CONSIDERATION OF THE DEPARTMENT OF TRADE, INDUSTRY
AND COMPETITION

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1. INTRODUCTION

AfriForum is a South African civil rights organisation, the largest civil rights organisation in the Southern Hemisphere, with over 315 000 donating members. The organisation acts in the interest of its members as well as in the interest of the public, in particular minority groups, through active participation and advocacy. One of AfriForum's core principles is opposition to racially discriminatory legislation. Therefore, this opportunity for public participation falls directly within the organisation's field of focus.

AfriForum submits these comments in response to the proposed new Transformation Fund, currently before the Department of Trade, Industry and Competition. AfriForum's submission can be summarised as follows:

Racially discriminatory criteria, in the form of strict race-based requirements for access to government funding, should be scrapped and replaced with non-racial, means-based criteria. Government funds of this nature have a record of falling prey to corruption, looting, and exploitation by the politically connected. Furthermore, AfriForum rejects the Minister of Trade, Industry and Competition's proposed funding model which entails the expropriation of 3% of annual net profit after tax from private businesses for this new R100 billion racially discriminatory "transformation fund".

2. AFRIFORUM'S OBJECTIONS AND PROPOSALS

Since the creation of the Union of South Africa in 1910, approximately 319 race-based laws have been introduced, of which nearly 37% (117+) have been enacted since the ANC became the ruling party in 1994. The South African government therefore already has more than 142 race laws on its books. AfriForum opposes any race-based legislation, race-based government funds, as well as the racial classification system the South African government continues to perpetuate. At the same time, AfriForum supports the principle of the development and empowerment of people in need, regardless of their skin colour, through a means-based approach.

Policies should not be judged based on their intentions, titles or aims, but rather on the outcomes that they achieve and produce. You judge a tree by its fruit. “Black economic empowerment” is a perfect example of a policy with a rosy name, but which produces unjustifiable outcomes through immoral means. AfriForum does not oppose the empowerment of poor black people; rather, AfriForum is opposed to the discriminatory policies titled “black economic empowerment”, which fails to achieve its stated goals and is instead just a smoke screen for empowerment of a small, politically connected elite through cadre deployment and cronyism.

AfriForum stands on solid, principled ground: racial discrimination by the government, for example in employment and sport, was wrong in the past and is therefore also wrong in the present. Condemnation of racial discrimination by the government in the past rings hollow when it is done by those who defend racial discrimination by the current government in the present. Systemic racism is defined as a form of racism or racial discrimination that is built into the legislation of a society, with racially discriminatory hiring practices as one of its main

features. According to this definition, the race laws of both the pre- and post-1994 governments, as well as government funds that discriminate based on skin colour, are textbook examples of systemic racism.

Racial prejudice has infected almost every facet of society, from corporate hiring practices to elementary school rugby teams. The leaked internal memo from the company known as Dis-Chem Pharmacies (Pty) Ltd in 2022, which announced a moratorium on the hiring and promotion of white people, serves as a testament to how absurd and unjustifiable the racial discrimination mandated by the government has become.

In addition to AfriForum's moral objections to any government fund which distributes finances based on race, this fund poses a serious risk for corruption as well. The significant levels of corruption and looting that plagued the government's R500 billion Covid-19 support funds serves as the perfect example of this risk. Finally, decades of racially discriminatory policies under ANC government have failed dismally to reach its stated goals of uplifting the poor and addressing the unemployment crisis. Unemployment has, as a matter of fact, drastically risen since the introduction of these new race laws.

AfriForum's stance is that real empowerment can only come about through sustained economic growth – growing the pie. This can be achieved through pro-growth policies that reduce the regulatory burden and racist requirements on both large companies and family businesses.

The Transformation Fund is not pro-growth. By its very nature, it will only further entrench racially discriminatory policies into the South African economy and contribute towards further racialising society. This race-obsessed approach has failed to deliver economic growth,

decrease unemployment, or empower millions of impoverished South Africans over the past quarter century.

You judge a policy by its outcomes, not by its intentions. AfriForum does not oppose the empowerment of poor black people. We oppose racially exclusionary policies that are wrong in principle and also harm economic growth. You judge a tree by its fruit. The bitter fruits of racially discriminatory policies and government funds have helped corruption and cronyism to flourish, choked the South African economy in race-based regulations, driven away and discouraged foreign investment, and worsened race relations.

The government's preoccupation with equality of outcomes, rather than equality of opportunity, has created and continues to create an increasingly race-obsessed environment. This exacerbates social tension in the country and contributes towards racial polarisation and animosity.

AfriForum therefore calls for the scrapping of racially discriminatory criteria from the Transformation Fund, and for it to be replaced with non-racial, means-based criteria. Furthermore, already overtaxed South African companies and businesses cannot be taxed even further, as is the proposed plan of this fund which entails the expropriation of 3% of annual net profit after tax from private businesses.

3. ORAL SUBMISSIONS

Seeing as the Department of Trade, Industry and Competition has indicated that oral presentations will also be accepted, AfriForum kindly requests the opportunity to present its submission as an oral presentation as well.

4. CONCLUSION

The last thing the struggling South African economy needs is a further government tax and more racial discrimination to worsen an already hostile and taxed-to-death business environment. The South African government's racist approach to solving problems has gone on for long enough, and has produced enough negative outcomes to warrant a change of course. It is time to give meritocracy, means-based government assistance and a business-friendly approach a chance.