



*Accelerating Impact is an intervention to increase impact investing activity in South Africa by researching barriers and advocating for their removal.*

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## Track 3 - Taxation and public benefit organisations

### Why this track? Persistent inequality in SA, despite B-BBEE

In contexts like South Africa, where apartheid and systemic discrimination concentrated wealth in the hands of a minority, it is imperative to develop policies and mechanisms that address and correct historical economic inequalities by ensuring that wealth, assets and economic opportunities are more equitably distributed across different racial groups. This is particularly important in SA given the widespread poverty and high unemployment levels across the country.

Broad-based black economic empowerment (B-BBEE) is strongly aligned with the principles of impact investing in that it seeks to generate both social impact and financial returns by promoting economic participation and business ownership among black South Africans. In part, BEE encourages companies to use investment instruments to achieve the social objective of transformation, while also earning financial returns. By delivering on empowerment targets, companies supplement financial returns with the impact objective of achieving social and economic transformation.

Unlike impact investing, however, B-BBEE initiatives are activities-based, in that it is focused on the activities assumed to result in transformation, rather than the directly assessing the impact created by these activities on transformation itself. In other words, B-BBEE focuses on measuring the inputs – usually the money spent or invested in empowerment activities – instead of the resultant socio-economic outcomes.

In contrast, impact investing has established formal mechanisms for measuring and managing impact, ensuring that success is evaluated based on the outcomes achieved rather than just the capital invested or the money spent. This approach could potentially magnify the effectiveness of such activities.

B-BBEE has achieved significant progress since it was first enacted in 2003. Yet, more than 20 years later, critics have argued that the pace of transformation is too slow. By aligning BEE with impact investing, we can enhance B-BBEE's effectiveness and accelerate the transformation it seeks to achieve by shifting its focus on outcomes rather than inputs.

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Although all five major components of the generic B-BBEE framework are amenable to impact investing to some extent, the Enterprise and Supplier Development (ESD) component lends itself particularly well and offers some immediate opportunities for maximising the transformative potential of B-BBEE through impact investments. This workstream will work on specific proposals on how ESD can be directed through impact investment strategies leading to significant enhancements in the impact such investment has.

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