



# TRANSFORMATION FUND FOR GAMING AND BETTING INDUSTRY

## TERMS OF REFERENCE FINAL 2020



## CONTENTS PAGE

Item	Details	Page Number
1.	Definitions	3
2.	Executive Summary	4
3.	Background	6
4.	Purpose	7
5.	Objectives	7
6.	Transformation Fund	8
6.1	Transformation Fund Administration, Monitoring and Auditing	9
6.2	Sources of Funding	10
6.3	Transformation Fund Proposals	10
	A: Ownership	10
	B: Management Control	12
	C: Skills Development	14
	D: Enterprise and Supplier Development	16
	E: Socio-Economic Development	19
7.	Consultation with Gambling Industry	20
8.	Fund Implementation, Monitoring and Auditing	21
9.	Governance Structures	21
9.1	Role, Duties and Responsibilities of the Board / Board Delegated Committee	21
9.2	Role, Administrative Duties and Responsibilities of Management and Sub-Programme	22
10.	Application Process	24
11.	Terms of Reference Approval	24

## 1. DEFINITIONS

“**BBBEE**” means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act

“**Black empowered enterprise**” means an enterprise that is at least 25.1% owned by Black persons and where there is substantial management control.

“**Black industrialist**” means a juristic person that includes co-operatives, incorporated in terms of the Companies Act (2008), owned by Black South Africans as defined by the B-BBEE Act who creates and owns value-adding industrial capacity and provides long-term strategic and operational leadership to a business. A Black industrialist can also be a natural person.

“**Black people**” is a generic term which means Africans, Coloureds and Indians.

“**Black owned enterprise**” is an enterprise/business where 50.1% owned by Black persons and where there is substantial management control by Black persons.

“**Broad-based black economic empowerment**” means the viable economic empowerment of all Black people, in particular women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to-

- a) Increasing the number of Black people that manage, own and control enterprises and productive assets;
- b) Facilitating ownership and management of enterprises and product assets by communities, workers, cooperatives and other collective enterprises;
- c) Human resource and skills development;
- d) Achieving equitable representation in all occupational categories and levels in the workforce;
- e) Preferential procurement from enterprises that are owned or managed by Black people; and
- f) Investment in enterprises that are owned or managed by Black people:

“**Black designated group**” means:

- (a) Unemployed Black people not attending and not required to attend by law and educational institution;
- (b) Black people who are youth as defined in the National Youth Commission Act of 1996;
- (c) Black people who are persons with disabilities as defined in the Codes of Good Practice on employment of people with disabilities issued under the Employment Equity Act.
- (d) Black people living in rural and underdeveloped areas; and
- (e) Black military veterans who qualify to be called a military veteran in terms of the Black Military Veterans Act 2011.

**“Board”** means the KwaZulu-Natal Gaming and Betting Board established in terms of section 5 of the KZN Gaming and Betting Act.

**“Committee”** means a committee established by the Board in accordance with section 18 of the KZN Gaming and Betting Act.

**“Manufacturer”** means any person who is registered as a manufacturer in terms of the Act and who makes, sells, leases, markets, offers or otherwise distributes any gaming equipment for use of play in the Province, or sells, leases or otherwise distributes any gaming equipment from a location within the Province, as well as any person who supplies product or services to the gambling sector.

**“Small, Medium and Micro Enterprise (SMME)”** means an enterprise with an annual turnover of R5 million or an entity where it is more than 50% owned by Black people or Black women.

**“Small Black supplier”** means a supplier with an annual turnover of R25 million or less and with Black ownership, risk and control of not less than 50%.

**“Supplier”** means any person who is registered as a supplier in terms of the Act and who makes, sells, leases, markets, offers or otherwise distributes any gaming equipment for use of play in the Province, or sells, leases or otherwise distributes any gaming equipment from a location within the Province, as well as any person who supplies product or services to the gambling sector.

**“The Act”** means the KZN Gaming and Betting Act 2017, as amended.

**“The Fund”** means the Transformation Fund as contemplated in Section 137 of the KZN Gaming and Betting Act.

## 2. EXECUTIVE SUMMARY

- 2.1 There is a need to develop terms of reference for the Transformation Fund which will set out how the KZNGBB intends to establish implement and administer the transformation fund.
- 2.2 The transformation fund is one of the mechanisms that will assist the KZNGBB in meeting the objectives set out in its Transformation Strategy to *“make change happen”* in the Gaming and betting industry of KZN.
- 2.3 The fund aims to not only accelerate and provide empowerment opportunities for people from poor and marginalised backgrounds to participate in the gaming and betting industry, but to transform and make a positive difference in society through ensuring the creation of a diverse and inclusive gambling industry.

- 2.4 In 2010, the Wiehahn Review Commission issued a report on the status of BEE within the gambling sector (this was in line with South African BEE Strategy, 2003). The Wiehahn report considered the following when looking at gambling licences: “*promote black economic empowerment; or promote*
- (aa) new entrants to the gambling industry;*
  - (bb) job creation within the gambling industry*
  - (cc) diversity of ownership within the industry;*
  - (dd) efficiency of operation of the gambling industry; or*
  - (ee) competition within the gambling industry.”*
- 2.5 In 2010, the Wiehahn Commission listed “*economic empowerment of the historically disadvantaged*” as one of the national policy objectives. It reviewed the status of economic empowerment of the historically disadvantaged within the gambling industry and emphasised the need for the promotion of economic growth and development and employment within the sector. This meant that transformation was a national imperative within all sectors of the gambling industry (*Reference: Gambling Review Committee, GRC Report, 2010*). The fund is an enabler to achieve this imperative.
- 2.6 After twenty years of the regulation of the gambling industry, some progress has been made in the areas of skills development in junior and middle management posts, preferential procurement and supplier development, however challenges remain at technical skills development and industry “know how”, as well as Black ownership participation within the industry and its value chain.
- 2.7 Absence of adequate sourcing of funding to allow for opportunities for Black entrants into the industry has been one of the barriers to entry. Notwithstanding that black economic empowerment has taken place in certain respects, further interventions are required to ensure meaning economic participation of Black People and Black designated groups, with specific focus to local participation.
- 2.8 The utilisation of funds will seek to address inequalities, skewed ownership and industry participant structures and the current lack of economic empowerment in the industry which is reflected through the limited participation by historically disadvantaged individuals, where ownership and industry skills and knowledge are located in the hands of a few Black South Africans.
- 2.9 The fund will support Provincial Government’s key transformation priorities, the Provincial Growth and Development Strategy and Medium Terms Strategic Framework, SMME and entrepreneurial development, job creation and skills development, thereby making change possible.

- 2.10 The Transformation Fund terms of reference have been developed against the requirements of Sections 6 and 137 of the KZN Gaming and Betting Amendment Act No. 4 of 2017. The purpose is to provide clarity of the Board's approach to broad-based black economic empowerment; it aims to encourage all sectors of our society to participate and contribute towards the process of empowerment within the Province and ultimately to ensure the successful implementation of the fund.
- 2.11 In addition, the fund is driven by the following strategies and programmes: KZN Radical Economic Transformation Programme; SA Black Economic Empowerment Strategy; and National Industrial Policy Framework.
- 2.12 The terms of reference will also support the objectives identified in the proposed Black Gambling Industrialist Programme to accelerate advancing Black ownership and meaningful participation within an inclusive gambling industry.

### 3. BACKGROUND

- 3.1 These Terms of Reference are developed to outline how the Board intends to implement the Transformation Fund, thereby "*making change happen*". The Fund was established to act as an enabler to support various transformation related initiatives/activities encapsulated in these terms of reference.
- 3.2 The Transformation Fund ("the Fund") is established in terms of Section 137 of the KZN Gaming and Betting Act and its aim is to provide access into the gambling industry to those persons who have not previously had opportunity to participate or benefit from the industry.
- 3.3 The terms of reference have been written to accommodate any proposals made by any member of the public and licensees/ registrants that fall within the following pillars of empowerment:
- (a) Equity Ownership
  - (b) Management Control
  - (c) Skills Development and Skills Transfer
  - (d) Enterprise and Supplier Development
  - (e) Socio-economic Development
- 3.4 The fund supports Provincial Government's key transformation priorities, the Provincial Growth and Development Strategy and Medium Term Strategic Framework, the Board's mandate, SMME and entrepreneurial development, job creation and skills development, thereby providing access to opportunities within the gambling industry to those who have previously been excluded, thereby making change possible.

## 4. PURPOSE

The purposes of these terms of reference are to set out:

- 4.1 What the Fund will be used for and outline activities/initiatives that will be supported by the Fund.
- 4.2 How the Fund will be set up, administered and managed by the Board.
- 4.3 What structures will govern the Fund as well as the roles and responsibilities of the Board and management when administering and managing the Fund.
- 4.4 What the qualifying criteria are to gain access to the funds and who can apply under this Fund.
- 4.5 What financing or funding mechanisms or sources of funding to be considered to fund the Transformation Fund.

## 5. OBJECTIVES

- 5.1 The key objective of the Fund is to provide funding to previously excluded persons in an effort to accelerate transformation in the gambling industry.
- 5.2 Other objectives include:
  - (a) Promoting opportunities for persons contemplated in the definition of “broad based black economic empowerment” as contemplated in the B-BBEE Act to participate in the gambling industry of the Province in the capacity of licensees or registrants under the Act.
  - (b) Increasing ownership stakes/equity ownership of persons mentioned in (a) above in the gambling industry of the Province.
  - (c) To strengthen and increase participation by Black people in the main stream economy which currently does not reflect the demographics of the South African population.
  - (d) To promote and provide opportunities for access to small businesses into the gambling or tourism related markets and participation in the value chain for the gaming and horseracing and betting industry by Black women, youth and people with disabilities (manufacturers, suppliers, and maintenance providers).
  - (e) To stimulate growth potential and create economic opportunities, entrepreneurial potential, jobs, skills development and socio-economic development and related projects within the Province.
  - (f) To create funding opportunities for the development of horse racing, infrastructural development, small gambling related business development, and gaming technological advancements.

- (g) To develop rural townships and communities.
- (h) Developing appreciation for and knowledge of horseracing amongst all communities, particularly those comprised of Black persons, including women, youth, people with disabilities and people living in rural areas, through supporting development of rural racing and education campaigns.
- (i) Helping reduce or extricate poverty and underdevelopment within the Province through accommodating initiatives that will support education programmes and future employment opportunities within the gambling industry.
- (j) Supporting any applications or proposals in respect of training institutions or training and development initiatives which aim to build skills and capacity in respect of operational expertise within the gambling sector to previously excluded Black people, Black women, youth and people with disabilities outside the industry.
- (k) Providing business, sub-contracting and procurement opportunities to exempt micro enterprises and start-up enterprises. SMMEs are said to enhance competition, entrepreneurship, innovation, growth and poverty alleviation and are key drivers of economic growth, and more importantly, provide a source of employment.

## 6. TRANSFORMATION FUND

- (a) In terms of Section 137 subsection (1) of the KZN Gaming and Betting Amendment Act No 4 of 2017, the Transformation Fund is to incorporate the entire gambling industry for transformation, and not only restricted to the horseracing and betting industry. Section 137(1) reads as follows: *“There is hereby established a fund to be known as the Transformation Fund”*.
- (b) Section 137(4) states that the assets of the funds must, subject to the prior approval of the responsible MEC, be utilised for the purposes of realising the objects of the Board contemplated in section 6 (1)(c), (d) and (e). To this end, the Board, is enjoined by section 6(1) as follows:
  - “(c) Promote opportunities for persons contemplated in the definition of “broad-based black economic empowerment” as contained in the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003), to participate in the gambling industry of the Province in the capacity of licensees or registrants under this Act;*
  - (d) Increase the ownership stakes of persons contemplated in the definition of “broad-based black economic empowerment” as contained in the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) in the gambling industry of the Province; and*



- (e) *Develop appreciation for knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons.”*
- (c) The funds will be used to try address inequalities, skewed ownership and industry participant structures and the current lack of economic empowerment in the industry which is reflected through the limited participation by historically disadvantaged individuals, where ownership and industry skills and knowledge are located in the hands of a few Black South Africans.
- (d) The fund is established with the intention of supporting Provincial Government’s key transformation priorities, the Provincial Growth and Development Strategy and Medium Term Strategic Framework, SMME and entrepreneurial development, job creation and skills development, thereby making change possible.
- (e) The utilisation of the funds will be based on various categories of broad-based black economic empowerment initiatives which will assist the Board in transforming the gambling industry to be all-inclusive.
- (f) The participants of the Fund must reside or operate within the KZN Province.

## 6.1 TRANSFORMATION FUND ADMINISTRATION, MONITORING AND AUDITING

- (a) The Board will administer the fund in terms of Section 7(2) of the Act, and the implementation of the Transformation Fund Strategy and utilisation of the funds will be closely monitored by the Board. The Board will in terms of Regulation 3 of the KZN Gaming and Betting Regulations, report quarterly to the Portfolio Committee on:
- Information regarding the progress of transformation in the horse racing and betting industries in the Province (Reg 3(1)(f)); and
  - Information regarding progress made, through the activities of the Board, towards the promotion of tourism, employment and economic and social development in the Province and including the fulfillment of conditions of licence, actions taken, or projects managed by licensees and registrants which contribute towards the promotion of tourism, employment and economic and social development in the Province (Reg 3(1)(h)).
- (b) The accounting, internal controls and other related records of the Transformation Fund will, at the expense of the Board, be audited by the Auditor-General, as required by Section 137 (9) of the Act.
- (c) The Board will establish Board or Board Committee and Management Committee governing structures with detailed terms of reference.

- (d) The Board will approve the application process, whereby the standards and rules of any applications that will be considered in terms of the Fund.

## 6.2 SOURCES OF FUNDING

The Transformation fund may be financed from the following sources:

- (a) Grants allocated by the Responsible Member of the Executive Council out of monies appropriated by the Provincial Legislature. These funds are subject to any terms and conditions imposed by the MEC Responsible (Section 137(3) of the KZN Gaming and Betting Amendment Act.
- (b) Interest accrued on existing or future funds held by the Fund (Section 137 (6) of the Act).
- (c) Funding support from Treasury and/or other sources, for example:
  - (i) A percentage of betting taxes generated by the industry.
  - (ii) Admission of guilt fines to be paid to the Transformation Fund.
  - (iii) Long-term interest bearing investments.
  - (iv) Licensees encouraged to make contributions to the Transformation Fund in terms of their CSI contributions with the aim of the fund being self-sustaining.
  - (v) Investments made by prospective partners across the private and public sectors.
  - (vi) Unclaimed credits from licensees.

## 6.3 TRANSFORMATION FUND PROPOSALS

### A: OWNERSHIP

**Definition: “Ownership”** refers to the ownership of gambling or related businesses and assets through shares and other instruments that provide the holder thereof with voting rights and economic benefits such as dividends and/or interest payments.

Access to finance remains a challenge to most entrepreneurs as they have no track record and, understandably, are not be able to secure start-up capital from private banks. The proposals hereunder seek to create and accelerate access and entry to Black persons within the gambling industry. The proposed Black Gambling Industrialist programme seeks to create a source of funding for the advancement of Black ownership and participation. There is a need for funding resource of business development that will assist new entrants to acquire funding support for acquisitions of licences or businesses, as well as small business development with the industry’s value chain.

## Activities / Initiatives supported by the Fund

Proposals that cover the following equity ownership activities or initiatives will be considered under the Fund.

- (a) **New or existing business development** – Provision of capital to fund start-up businesses or equity to allow Black persons to access or buy into the gambling industry for Black people and Black designated group to own/run a gambling business, required to be licenced or registered in terms of the KZN Act (direct funding).
- (b) **Financial Acquisition in terms of the Act** – Subsidy to provide financing support or other form of credit extension to a new Black people or Black designated group entrant wishing to acquire equity shares into an existing licensed gambling business.
- (c) **Licence Application Fees and Investigation/Probity Costs** – Payment of costs of application fees, investigation costs and probity costs to new Black people or Black designated group entering the industry as a licensee contemplated in the Act (beneficiary examples: bookmaking; tote agents; LPM site operators) or shareholder (person acquiring a financial interest as contemplated in the Act).
- (d) **Registration Application Fees and Investigation/Probity Costs** – Payment of costs of application fees, investigation costs and probity costs to new Black people or Black designated group entering the industry as a registrant contemplated in the Act (beneficiary examples: manufacturer, supplier, maintenance provider).
- (e) **Investment Opportunities** – Support acquisition or financing of equity ownership in existing hospitality linked gambling related businesses as currently funding is a challenge. There is also a need for including broader ownership (Black women and youth).
- (f) **Business Development** – Support sourcing of funding for the development of Black start-up gambling related manufacturers and suppliers of gambling equipment (slots and tables technology, surveillance products, advanced 3D web tech etc.) and maintenance provider businesses.

## Qualifying Criteria for Ownership

Proposal Type	Minimum Requirements	Who Qualifies
<b>New or existing business development (gambling business or industry value chain) – direct funding</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents (e.g. shareholders agreements etc.) and relevant clearances (e.g. SARS, Police clearance etc.)</li> <li>• Motivation letter by Applicant</li> <li>• Business Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Black people over the age of 18</li> <li>• KZN resident</li> <li>• Applicant for a licence or registration under the Act, if applicable</li> </ul>

Proposal Type	Minimum Requirements	Who Qualifies
	<ul style="list-style-type: none"> <li>Financial statements or management accounts (existing business)</li> <li>Company, Trust Deeds or NPO registration documents (where applicable)</li> </ul>	<ul style="list-style-type: none"> <li>Business at least 51% owned by Black people or Black designated group</li> </ul>
<b>Financial Acquisition in terms of the Act</b>	<ul style="list-style-type: none"> <li>Board Application form for Financial Acquisition with supporting documents (e.g. Agreements)</li> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> </ul>	<ul style="list-style-type: none"> <li>Applicant for a financial acquisition in terms of the Act</li> <li>Applicant must be over the age of 18 and fall into the category of Black people or Black designated group</li> </ul>
<b>Licence Application Fees and Investigation/Probity Costs and Registration Application Fees and Investigation/Probity Costs</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> </ul>	<ul style="list-style-type: none"> <li>Black people or Black designated group entering the industry as a licensee or registrant contemplated in the Act</li> </ul>

## B: MANAGEMENT CONTROL

**Definition: “Management Control”** refers to the effective control of an enterprise by Black people. It aims at addressing certain key issues surrounding management and control of enterprises. These include: (i) Representation at Executive/Board level; and (ii) involvement of Black people in daily operations and strategic decision making at the most senior level.

These initiatives will enable exposure and access to the industry which will ultimately promote economic benefit, employment opportunities, and will increase the number of Black People that manage, own and control businesses within the gambling industry.

### Activities / Initiatives supported by the Fund

Proposals that cover the following management control activities or initiatives will be considered under Fund:

- (a) **Director / Executive Development Programmes** – Any development programme that will assist new or existing Directors/Executives in the industry to understand the roles and responsibilities of being a director/executive in a gambling or related business and understanding how to manage shares and related activities.
- (b) **Leadership Development Programmes** – Any learnership or development programme that will assist new or existing Black People or Black designated groups as Directors, Executives and Senior Managers

in the industry to improve knowledge and skills in respect of running gambling related businesses at director, executive, senior management level.

- (c) **Mentorship Programmes** – Any programme which aims to equip new or existing Black People or Black designated groups as Directors/Executives, and senior, middle or junior managers with business management knowledge and skills.
- (d) **Management and Operational Development Programmes** – Any programme with aims to equip new or existing Black People or people from Black designated group in senior, middle or junior managers with management skills and core operational gambling related competencies and activities.

### Qualifying Criteria for Management Control

Proposal Type	Minimum Requirements	Who Qualifies
<b>Director / Executive Development Programmes</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> <li>Programme must cover Executive / Development and facilitated by a recognised institution with SETA</li> </ul>	<ul style="list-style-type: none"> <li>Black gambling industrialist</li> <li>Black directors and executives within the gambling industry</li> </ul>
<b>Leadership Development Programmes</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> <li>Programme must cover leadership development and facilitated by a recognised institution with SETA</li> </ul>	<ul style="list-style-type: none"> <li>Black gambling industrialist</li> <li>Directors, executives and senior managers within the gambling industry</li> </ul>
<b>Mentorship Programmes</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> <li>Programme must cover business management and facilitated by a recognised institution with SETA</li> </ul>	<ul style="list-style-type: none"> <li>Black gambling industrialist</li> <li>Senior, middle and junior management within the gambling industry</li> </ul>
<b>Management / Operational Development Programmes</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> <li>Programme must cover business management or gambling related competencies and skills</li> </ul>	<ul style="list-style-type: none"> <li>Black gambling industrialist</li> <li>New or existing senior, middle junior managers who are Black people or Black designated groups</li> </ul>

## C: SKILLS DEVELOPMENT

### Definitions:

“**Skills development**” refers to the process of engaging in activities that advances the knowledge, experience, attitude and general ability required in the workplace.

“**Skills transfer**” refers to the process of conveying requisite knowledge, experience, attitude and general abilities needed in the work plane to persons or groups who previously may not have such work place knowledge, experience, attitude and general abilities.

The fund may be used to provide funding for any proposal that seeks to support the inclusion by Black people into the gambling industry. This will enable exposure and access to the industry which will ultimately promote economic benefit, employment opportunities, and will increase opportunities for Black people to manage, own and control businesses within the gambling industry.

### Activities / Initiatives supported by the Fund

Proposals that cover the following skills development and skills transfer activities or initiatives will be considered under the Fund:

- (a) **Operational / Technical / Managerial Development** – To provide funding for any proposal that seeks to support the inclusion by Black people and Black designated group which contributes to the development of operational, technical and managerial knowledge and skills (beneficiary examples: slots operations; bookmaker managers, games tester etc.).
- (b) **Study Bursaries (Local and International)** – To provide study bursaries for Black people and Black designated groups in respect of technical skills within the gaming sector. Such studies could be in respect of technicians, gaming testing, electronics, mechanical engineering for hardware; and game software design (coding) and engineering. The fund will also subsistence and travel costs related to such study.
- (c) **Training and Development Programmes** – The South African Bookmakers Association identified that the training needs for the Bookmaking industry, according to their data results, were:
  - Soft skills – 32%
  - Customer skills – 17%
  - Product skills – 15%
  - Technology skills – 9%
  - Financial skills – 6%
  - Legislation skills – 6%
  - Leadership skills – 4%
  - Marketing skills – 4%

- Admin skills – 4%
- Ancillary skills – 2%

The Fund will support any program or business plan or partner with an institution that is aimed at empowering Black people and Black designated group within the gambling industry. The South African Bookmakers' Association is proposing a training and development academy which will offer various training modules to PDIs e.g. product and systems training; horse and sports bet types; betting rules, scratchings; and deductions; customer service skills; FICA compliance requirements; National Responsible Gambling etc.). Other examples of training and development programmes that could be considered under the Fund include the following areas:

Grounds management	Farriers	Stable Yard Management
Bookmaking management and operations	Breeding and Stud management	Stipendiary stewards and judges
Grooms and work riding	Rural and Informal racing	Leatherwork
Jockeys	Riding and equine training	Horse well-being – care, equine dentistry, veterinarian

- (d) **Grants to Training Institutions** - To make grants to training institutions which aim to train and develop Black people, Black women, youth, unemployed youth and people with disabilities in order to obtain relevant expertise within the gambling sector. The training programmes should encompass all levels of employment within the gambling industry and should equip learners with relevant skills to perform tasks in the various sectors within the gambling industry.
- (e) **Sponsored Learnerships/Apprenticeships** - To sponsor learners from rural or disadvantaged communities in fully sponsored apprenticeships relating to the horseracing and betting industry (beneficiary examples: development of grooms, jockeys, trainers etc.). ABET, numeracy and literacy education programmes should be included.

### Qualifying Criteria for Skills Development

Proposal Type	Minimum Requirements	Who Qualifies
<b>Operational / Technical / Managerial Development</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> <li>• Programme must cover development of operational, technical and managerial knowledge and skills</li> </ul>	<ul style="list-style-type: none"> <li>• Black gambling industrialist</li> <li>• Black people or Black designated groups</li> </ul>

Proposal Type	Minimum Requirements	Who Qualifies
<b>Study Bursaries (Local and International)</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> <li>Programme must be intended for the following fields: technicians, gaming and testing, electronics, mechanical engineering for hardware and gaming software design (coding) and engineering</li> <li>International bursaries to be in respect of recognised gambling training institutions</li> </ul>	<ul style="list-style-type: none"> <li>Black gambling industrialist</li> <li>Black people or Black designated groups</li> </ul>
<b>Training and Development Programmes</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> <li>Programme must cover any training and development initiatives listed in 5.3.3 (c) or relevant a gambling environment</li> </ul>	<ul style="list-style-type: none"> <li>Black gambling industrialist</li> <li>Black people or Black designated groups</li> </ul>
<b>Grants to Training Institutions</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> <li>Recognised institutions must offer any gambling related training to Black people or Black designated groups</li> </ul>	<ul style="list-style-type: none"> <li>Recognised training institution</li> </ul>
<b>Sponsored Learnerships/Apprenticeships</b>	<ul style="list-style-type: none"> <li>Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>Motivation letter by Applicant</li> <li>Learnerships / Apprenticeships must cover any training and development areas within the gambling, horseracing and betting industry.</li> </ul>	<ul style="list-style-type: none"> <li>Black gambling industrialist</li> <li>Any person on behalf of qualifying learner/apprentice.</li> </ul>

## D: ENTERPRISE AND SUPPLIER DEVELOPMENT

**Definition:** “Enterprise and Supplier development” relates to the creation of new Black owned enterprises, new Black women owned enterprises, and Black empowering enterprises, as well as the development thereof.



Access to finance remains a challenge to most entrepreneurs as they have no track record and, understandably, are not be able to secure start-up capital from private banks. SMMEs are said to enhance competition, entrepreneurship, innovation, growth and poverty alleviation and are key drivers of economic growth, and more importantly, provide a source of employment. The proposals hereunder seek to create and accelerate access to SMMEs within the gambling industry who may be exposed to economic benefits derived from the industry.

### **Activities / Initiatives supported by the Fund**

Proposals that cover the following enterprise and supplier development activities or initiatives will be considered under the Fund:

- (a) **Entrepreneurship and Innovation (Manufactures, Suppliers and Maintenance Providers contemplated in the Act)** – Any new business idea or innovation that must be registered under the Act as a manufacturer, supplier, maintenance provider, (beneficiary examples: casino chip manufacturers, slot machine manufacturers, roulette wheel manufacturers; gambling/game manufacturers, hardware and software developers (coding) etc.).
- (b) **Entrepreneurship and Innovation (Provision of goods and services not covered in the Act)** – Provide start-up subsidy and capital financing required to start a venture for Black people, Black women, youth, and people with disabilities which provide goods and services to the gambling industry (direct funding) (examples include: horse transport; horse feeds, catering; horse care; riding equipment and attire, arts, craft and entertainment etc.).
- (c) **Registration Application Fees and Investigation/Probity Costs** – Payment of the costs of application fees and investigation and probity costs to new Black people, Black women, youth and people with disabilities entering the industry as manufactures, suppliers and maintenance providers (not as a licensee).
- (d) **Developers** – Financial assistance to Black people and Black designated groups to cover the costs of testing laboratories and certifications of gaming and wagering software.
- (e) **Guarantees / Securities** - Financing of, or other forms of credit extension for gambling related facilities to Black people and Black designated groups.
- (f) **Hospitality Suppliers** – Provide funds to Black people and Black designated groups to supply hospitality supplies/services to gambling venues or operations (beneficiary example: vendors).
- (g) **Infrastructure development** – Provide funding in respect of any gambling related construction / infrastructural development undertaking in rural areas.

## Qualifying Criteria for Enterprise and Supplier Development

Proposal Type	Minimum Requirements	Who Qualifies
<b>Entrepreneurship and Innovation (Manufacturers, Suppliers and Maintenance Providers contemplated in the Act)</b>	<ul style="list-style-type: none"> <li>• Board Application form for Registration as Manufacturer, Supplier and Maintenance Provider as contemplated in the Act with supporting documents (e.g. Agreements)</li> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> <li>• Business Plan</li> <li>• Products must be defined in the Act.</li> </ul>	<ul style="list-style-type: none"> <li>• Black gambling industrialist</li> <li>• Business at least 51% owned by Black people or Black designated group</li> <li>• Anticipated turnover must be ≤ R5 million</li> </ul>
<b>Entrepreneurship and Innovation (provision of goods and services not covered in the Act)</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> <li>• Business Plan</li> <li>• Goods and services must fall within the gambling industry value supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>• Black gambling industrialist</li> <li>• Business at least 51% owned by Black people or Black designated group</li> <li>• Anticipated turnover must be ≤ R5 million</li> </ul>
<b>Registration Application Fees and Investigation / Probity Costs</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> </ul>	<ul style="list-style-type: none"> <li>• Black gambling industrialist</li> <li>• Black people or Black designated groups</li> </ul>
<b>Developers</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> </ul>	<ul style="list-style-type: none"> <li>• Black gambling industrialist</li> <li>• Black people or Black designated groups</li> </ul>
<b>Guarantees / Securities</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> </ul>	<ul style="list-style-type: none"> <li>• Black gambling industrialist</li> <li>• Black people or Black designated groups</li> </ul>
<b>Hospitality Suppliers</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> <li>• Hospitality services or goods must be specifically for the gambling industry</li> </ul>	<ul style="list-style-type: none"> <li>• Black people or Black designated groups</li> </ul>

## **E: SOCIO-ECONOMIC DEVELOPMENT**

**Definition:** “**Socio-economic Development**” refers to projects aimed primarily at Black groups, rural communities, and individuals that have a strong development approach and contribute towards transformation and a better life for the disadvantaged people of KZN.

The fund may be used to benefit rural communities and for any activity that aims to create awareness of opportunities available in the gambling industry for Black People and Black designated groups; and to develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of PDIs.

The fund seeks to support projects aimed primarily at Black People, Black designated groups, rural communities, and individuals that have a strong development approach which contribute towards transformation and a better life for the disadvantaged people of KZN.

### **Activities / Initiatives supported by the Fund**

Proposals that cover the following CSI activities or initiatives will be considered under the Fund:

- (a) **Rural Infrastructure Projects** – To provide funds towards projects that support the development of gambling related activities in rural / under developed areas which contribute towards equitable access to economic resources. Such infrastructure projects could include the following:
  - (i) Construction of race tracks and stands.
  - (ii) Construction of buildings or multi-purpose centre (administration offices, stabling, catering, ablutions, horse veterinary hospital, education and training centre for jockeys, trainers, farriers, work riders, stabling hands, stable management, breeding/cross breeding, healthcare, harness and cart building etc.)
  - (iii) Maintenance of tracks and facilities in such areas.
- (b) **Awareness/Education Campaigns** – The fund may be used for activities that aim to create awareness, and develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons, or any other gambling related campaign.
- (c) **Grants to Coastal Care Unit** - Grants to Coastal Care Unit towards provision of the following services:
  - (i) Support to rural horse owners through rural clinic services.
  - (ii) Training in horse care and education around accessories.
  - (iii) Attendance at rural racing to assess participating horses' states of health.
- (d) **Research funding for gambling industry** – Funds and support to be provided to the following research and services:

- (i) To fund and direct the work of equine research centres whose focus is a broad-based investigation into African Horse Sickness, epidemiology, alternative vaccine technology, and diagnostic testing capability.
  - (ii) To fund and direct the work of the import, export working group with a view to improving South Africa's horse export protocol.
  - (iii) To fund and direct the work of the African Horse Sickness Trust, an organisation established to raise awareness of African Horse Sickness Trust and to provide SA veterinary services with an early warning system.
  - (iv) To fund and direct the work of the SA Equine Trade Council to promote South African of all breeds to the global markets.
  - (v) Any other gambling related research to support the objectives of the Board, the Act, and transformation strategy.
- (e) Any other project determined by the Board from time to time that relate to CSI projects in respect of health, welfare, education, community upliftment projects, sports and recreation, arts and culture and other donations.

#### Qualifying Criteria for Socio-Economic Development

Proposal Type	Minimum Requirements	Who Qualifies
<b>Rural Infrastructure Projects</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> <li>• Business Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Any person</li> </ul>
<b>Awareness/Education Campaigns</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> <li>• Business Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Any person</li> </ul>
<b>Grants to Coastal Care Unit</b>	<ul style="list-style-type: none"> <li>• Completed prescribed Transformation Fund Application Form with supporting documents</li> <li>• Motivation letter by Applicant</li> <li>• Business Plan (where applicable)</li> </ul>	<ul style="list-style-type: none"> <li>• Coastal Care Unit</li> </ul>

## 7. CONSULTATION WITH GAMBLING INDUSTRY

- 7.1 The Board recognises that stakeholder feedback and commitment is invaluable to the successful implementation of the Transformation Fund.
- 7.2 As is required in terms of the Promotion of Administrative Justice Act, 2000, formal industry and public engagements across all sectors will be facilitated through an approved communication plan within the Board's Communications Strategy which will inform the gambling industry of criteria, measurement, disclosure and reporting requirements.
- 7.3 Minimum criteria will be presented to the SET or designated Committee for future consultation with the gambling industry. These criteria will help the Board promote the following targets:
- (i) Successful implementation of the Board's Black Gambling Industrialist Programme.
  - (ii) Increased ownership participation by Black People, with emphasis on local and Black designated group.
  - (iii) Development, transfer of technical industry skills and knowledge transfer for Black People.
  - (iv) SMME and entrepreneurial development within the gambling industry, including those that support the industry's value chain.
  - (v) Securing of long-term funding sources for the fund.
  - (vi) Contribution to spatial development for KZN.
  - (vii) Growth in tourism and infrastructural development.
  - (viii) Employment creation and economic development of local communities in the gambling industry and value chain.

## 8. FUND IMPLEMENTATION, MONITORING AND REPORTING

- 8.1 A detailed Transformation Fund Implementation Plan will be developed for inclusion in the Board's operational plans.
- 8.2 Quarterly reporting in respect of the implementation progress will be undertaken.
- 8.3 A monitoring system will be developed and implemented to allow for the evaluation of the progress made towards our strategic imperative relating to industry transformation.

## 9. GOVERNANCE STRUCTURE AND ADMINISTRATION

The fund will be administered by the KZNGBB through the establishment of the following governing structures:

- (a) The Board or Board delegated Committee

- (b) Management Committee
- (c) Sub-Programme and budget structure (Transformation and Social Development)

## 9.1 ROLE, DUTIES, RESPONSIBILITIES OF THE BOARD / BOARD DELEGATED COMMITTEE

The Board's role, duties and responsibilities in respect of the Fund include the following:

- 9.1.1 The Board is the accounting authority, contemplated in Part 2 of Chapter 6 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), for Fund, and must administer and manage the funds of the Fund in accordance with the provisions of that Act.
- 9.1.2 The Board will appoint a Management Committee chaired by the CEO or delegated appointee.
- 9.1.3 The Board is required to ensure that:
  - (a) Formal industry and public engagements across all sectors will be facilitated, as is required in terms of the Promotion of Administrative Justice Act, 2000, through an approved Communication Plan within the Board's Communications Strategy.
  - (b) Best practice is followed in the administration of the Fund and in accordance with S137 of the Act.
  - (c) Rules and procedures to administer the Fund are approved.
  - (d) Transformation Fund Terms of Reference is reviewed on an annual basis, and approved where appropriate.
  - (e) Qualifying criteria are approved for implementation of the Fund.
  - (f) The review and approval of Transformation Fund budget on an annual basis.
  - (g) Effective mechanisms exist to process applications received under the Fund.
  - (h) Mechanisms are in place for the investment of the funds.

## 9.2 ROLE, ADMINISTRATIVE DUTIES AND RESPONSIBILITIES OF MANAGEMENT AND SUB-PROGRAMME

Management's role, administrative duties and responsibilities in respect of the Fund include the following:

### 9.2.1 Development of Strategic and Annual Performance Plan Targets

Management must ensure that:

- (a) Clearly defined annual and quarterly targets must be included in the Board's Strategic Plan and Annual Performance Plan.
- (b) Quarterly reporting of performance against targets, as required.

### **9.2.2 Budget Management**

Management must ensure that:

- (a) Transformation Fund Budget is prepared and submitted to Finance Committee for approval.
- (b) Processes for the reporting of budget spending of the Fund are in place.
- (c) Performance against budgets are monitored and reviewed.

### **9.2.3 Financial Management**

Management must ensure that:

- (a) A separate bank account or savings account at a banking institution in the Province is opened and maintained and that all monies accruing to the Fund from any source must be deposited therein.
- (b) The interest on monies deposited must accrue to the Fund.
- (c) No amount standing to the credit of the Fund forms part of the assets of the Board or may be attached on behalf of a creditor or creditors of the Board.
- (d) The accounting and other related records of the Fund are audited by the Auditor-General, at the expense of the Board.
- (e) Effective, efficient and transparent financial and risk management and internal controls are in place.
- (f) An appropriate process which is fair, equitable, transparent and cost effective is in place.
- (g) Effective, efficient, economical and transparent utilization of resources in the management of the Fund.
- (h) Structures that will ensure appropriate processes to disburse funds to the approved beneficiaries are set up.
- (i) Applicants comply with any tax, levy and duty commitments as may be required by the relevant legislations.
- (j) The Transformation Fund be classified as an NPO as contemplated by the provisions of section 18 A of the Income Tax Act 1962.

#### **9.2.4 Financial Reporting**

Management must ensure that:

- (a) Separate and proper accounting records are kept in respect of the Fund, which contain particulars of any money or interest on money received and any money paid.
- (b) Financial statements for each financial year for the Fund are prepared.
- (c) Financial statements for the Fund are submitted to the Auditor-General for auditing.

#### **9.2.5 Administration**

Management must ensure that:

- (a) Board Rules are developed in respect of this Fund for approval by the Board.
- (b) Application procedures and forms are developed for approval by Board or delegated Committee.
- (c) Internal audit undertaken on internal controls to ensure appropriateness thereof.
- (d) A structure with appropriate terms of reference is set up that will consider and adjudicate on applications received.
- (e) Processes and IT systems are in place to ensure proper record keeping of all applications received and minutes of all decisions pertaining to the Fund.
- (f) Quarterly Transformation Fund Reports prepared to the Board in respect of all matters pertaining to the Fund.
- (g) Appropriate delegations of authority in respect of approvals of applications and payments are in place.
- (h) Funding criteria and standards for non-compliance in line with the Public Finance Management Act as well as section 137 (4) of the KZN Gaming and Betting Act are determined for approval by the Board.
- (i) A Communications Plan developed for approval by Board to ensure proper consultation and engagement with the gambling industry and the public in respect of this Fund.
- (j) Implementation of the Communications Plan and progress of transformation is reported by the Communications Unit.



## 10. APPLICATION PROCESS

- 10.1 The KZNGBB will set out an application process, whereby the standard and rules of any applications that will be considered in terms of the Fund.
- 10.2 Every application will be considered on its merits, and where applicable, preference will be considered for local beneficiaries and small Black suppliers.

## 11. TERMS OF REFERENCE APPROVAL

- 11.1 These terms of reference are approved by the Board and its approval is reflected by insertion of the applicable Resolution Number.
- 11.2 The terms of reference shall be reviewed annually on the anniversary of its approval date, unless circumstance indicates otherwise.

<b>DOCUMENT NAME</b>	<b>KZNGBB Transformation Fund Terms of Reference</b>
<b>APPROVAL BY BOARD</b>	
<b>APPROVAL DATE</b>	
<b>BOARD RESOLUTION NUMBER</b>	
<b>APPROVAL BY MEC RESPONSIBLE</b>	
<b>APPROVAL DATE</b>	