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Various Articles & Budget Speeches

Black Economic Empowerment

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Black economic empowerment

South Africa's policy of black economic empowerment (BEE) is not simply a moral initiative to redress the wrongs of the past. It is a pragmatic growth strategy that aims to realise the country's full economic potential.

In the decades before South Africa achieved democracy in 1994, the apartheid government systematically excluded African, Indian and coloured people from meaningful participation in the country's economy.

This inevitably caused much poverty and suffering - and a profoundly sick economy.

The distortions in the economy eventually led to a crisis, started in the 1970s, when gross domestic product (GDP) growth fell to zero, and then hovered at about 3.4% in the 1980s. At a time when other developing economies with similar resources were growing, South Africa was stagnating.

Full potential

"Our country requires an economy that can meet the needs of all our economic citizens - our people and their enterprises - in a sustainable manner," the Department of Trade and Industry (DTI) says in its BEE strategy document.

"This will only be possible if our economy builds on the full potential of all persons and communities across the length and breadth of this country."

Despite the many economic gains made in the country since 1994 – growth has been 4% or higher in every quarter since 2004 – the racial divide between rich and poor remains. As the DTI points out, such inequalities can have a profound effect on political stability:

"Societies characterised by entrenched gender inequality or racially or ethnically defined wealth disparities are not likely to be socially and politically stable, particularly as economic growth can easily exacerbate these inequalities."

Broad-based growth

Black economic empowerment is not affirmative action, although employment equity forms part of it. Nor does it aim to take wealth from white people and give it to blacks. It is essentially a growth strategy, targeting the South African economy's weakest point: inequality.

"No economy can grow by excluding any part of its people, and an economy that is not growing cannot integrate all of its citizens in a meaningful way," the DTI says.

"As such, this strategy stresses a BEE process that is associated with growth, development and enterprise development, and not merely the redistribution of existing wealth."

Black economic empowerment is thus an important policy instrument aimed at broadening the economic base of the country – and through this, at stimulating further economic growth and creating employment.

The strategy is broad-based, as shown in the name of the legislation: the Broad Based Black Economic Empowerment Act of 2003.

This reflects the government's approach, which is to "situate black economic empowerment within the context of a broader national empowerment strategy … focused on historically disadvantaged people, and particularly black people, women, youth, the disabled, and rural communities".

As the DTI notes, discrimination "is at its most severe when race coincides with gender and/or disability".

How to achieve BEE?

Black economic empowerment is driven by legislation and regulation. An integral part of the BEE Act of 2003 is a sector-wide generic scorecard, which measures companies' empowerment progress in four areas:

- Direct empowerment through ownership and control of enterprises and assets.
- Management at senior level.
- Human resource development and employment equity.
- Indirect empowerment through:
    - preferential procurement,
    - enterprise development, and
    - corporate social investment (a residual and open-ended category).

This scorecard, as well as a scorecard for multinational companies, is defined and elaborated in the BEE codes of good practice.

The codes of good practice, which govern how companies do business in South Africa, allow global and multinational companies some flexibility in how they structure their empowerment deals. For example, representation does not only have to be at ownership level.

The codes are binding on all state bodies and public companies, and the government is required to apply them when making economic decisions on:

- procurement,
- licensing and concessions,
- public-private partnerships, and
- the sale of state-owned assets or businesses.

Private companies must apply the codes if they want to do business with any government enterprise or organ of state - that is, to tender for business, apply for licences and concessions, enter into public-private partnerships, or buy state-owned assets.

Companies are also encouraged to apply the codes in their interactions with one another, since preferential procurement will affect most private companies throughout the supply chain.

Different industries are required to draw up their own charters on BEE, so that all sectors can adopt a uniform approach to empowerment and how it is measured.

The DTI has all the relevant documents and information on black economic empowerment available online, including:

- BEE strategy document
- BEE Act
- BEE codes of good practice
- BEE sectoral charters

Article last updated: July 2008

SAinfo reporter. Sources:

Source:	South African Info
Date :	24 May 2007
By:	
Website:	http://www.southafrica.info/business/trends/empowerment/blackdiamonds-230507.htm

SA's booming black middle class

24 May 2007

South Africa's black middle class has grown by 30% in just over a year, with their numbers increasing from 2-million to 2.6-million and their collective spending power rising from R130-billion to R180-billion.

That's according to a new study by the University of Cape Town's Unilever Institute of Strategic Marketing and TNS Research Surveys. The study, *Black Diamond 2007: On the Move*, is based on a sample of 4 500 people and follows two previous studies by the research partners.

UCT/Unilever Institute director Professor John Simpson and TNS Research Surveys' Neil Higgs say the study reveals an unprecedented movement in South Africa's most important economic grouping.

"It is also clear that marketers and businesses have not yet got to grips with this market and therefore may be missing the opportunities it presents," Simpson said in a statement on Monday.

The new research shows that there is not only growth from new entrants into what the institute terms the "black diamond" segment, but also from within its ranks as people move up the ladder and establish themselves in the middle class.

Spending power
The combined annual spending power of South Africa's "black diamonds" had grown tremendously since the last study, from an estimated R130-billion at the end of 2005 to R180-billion at the beginning of 2007.

In comparison, white South Africans' annual collective buying power increased from R230-billion to R235-billion and that of black South Africans collectively from R300-billion to R335-billion over the same period.

Annual claimed buying power	Last quarter 2005 estimate	First quarter 2007 estimate
Whites	R230bn	R235bn
Blacks: total	R300bn	R335bn
Black diamonds	R130bn	R180bn

"Perhaps the most important figure here is that 12% of South Africa's black population account for over half (54%) of all black buying power," Simpson said. "This compares with 10% accounting for 43% of black buying power 15 months ago."

Maintaining township connections
In 2005, many respondents living in South Africa's townships expressed the desire eventually to move to the suburbs. "This prediction has proved correct, with the number of black middle-class families living in suburbs in South Africa's metropolitan areas growing from 23% to 47% in the past 15 months," Higgs said.

TNS Research Surveys' Nomsa Khanyile said many of those interviewed this time around claimed their hearts were still in the townships, but cited pragmatic reasons for making the move to the suburbs.

"As well as making a sound property investment, their reasons include tighter security and better-resourced schools for their children," Khanyile said. "Some also reported feeling societal pressure to move to the suburbs as it represented a visible mark of success."

There is a considerable change in where South Africa's black middle class live compared to 15 months ago.

"At the end of 2005, we estimated that 23% (0.45-million) lived in the suburbs and 77% (1.55-million) lived in the townships," Khanyile said. "The latest estimates reveal 1.2-million 'black diamond' adults in the suburbs (47%) and 1.4-million in the townships (53%)."

According to Simpson, this migration doesn't mean that black middle-class families are turning their backs on townships.

"Our study shows that a high percentage of 'black diamonds' who have moved to the suburbs return to townships on a regular basis. Even though they live in the suburbs there remains a strong desire, right across the board, to maintain their township connections."

SouthAfrica.info reporter

Source: Sapa

Date : 14 August 2008

By:

Website: http://www.sagoodnews.co.za/bee/sas_black_diamonds_grow_by_30_in_a_year.html

SA's 'black diamonds'
grow by 30% in a year

Tuesday, 14 August 2007

Mzamo Xala disavows the term "Black Diamond" conferred on members of South Africa's booming black middle class who now hold nearly a third of the country's buying power.

The expression implies superiority, he protested, which offends the collective-mindedness of his cultural background.

"It doesn't speak to where we come from in terms of that 'one for all'," Xala, brand manager for South Africa's Springbok rugby team, told AFP at his office recently.

"Black Diamonds" are categorised as black South Africans, wealthy or salaried in "suitable" occupations, who earn at least R7,000 a month, are well educated and credit-worthy, and own or are acquiring homes, cars and household goods.

Xala has bought the flat he lives in and owns a car. He has moved out of the townships and lives in a largely white-populated Cape Town suburb.

He is single, 29, and childless, and spends about a fifth of his salary on less fortunate family members - some of them still township residents.

His lifestyle is a far cry from how he grew up, "like any normal black kid in a township," after which he studied marketing and business management on a bursary.

A report by the University of Cape Town's Unilever Institute said the number of "Black Diamonds" has grown by 30 percent in just over a year, to 2.6 million out of a total South African population of about 48 million.

The group is worth about R180 billion, representing 28 percent of the total South Africans spend.

Nearly half live in suburbs previously inhabited only by whites, with 12,000 families or 50,000 individuals moving from the townships every month. Seventy percent reside in the financial hub province Gauteng.

Study leader John Simpson said "Black Diamonds" were sustaining the strong growth of the South African economy, which is averaging around five percent annually.

A key finding, he added, was that spending power had increased considerably among people already categorised as "Black Diamonds" since 2005.

"This shows they are climbing the corporate ladder quicker. It is not just about companies employing more people. This is not artificial, it is real," he said.

The growth in numbers was driven partly by the government's affirmative action policies, which hold companies to strict employment quotas that seek to make the workforce reflect South Africa's population, made up of 80 percent blacks and 51 percent women.

The "Black Diamonds" comprise civil servants, corporate employees and a "significant number" of entrepreneurs, said Simpson.

The new-found luxury of a middle-class lifestyle is not all fun and games, said Xala. The move from impoverished townships to the suburbs entails a major cultural adjustment for many "Black Diamonds," with less emphasis on a sharing culture and more on material welfare.

"There are big differences between where we have come from and where we are now.

"In the township, it is very exciting. There is a lot of social connection. There is a lot of intermingling with everybody on the street. It is really a nice vibe.

"In suburbs, the culture is very different. It is very much: get into to your house, stay in your house, get out. There is nothing happening on the streets. It is very ... structured, I would say.

It is for this reason that Xala often makes a visit on Sundays to Cape Town's Gugulethu township, one of the country's oldest black townships that lies about 15 to 20 minutes' drive outside the city.

"People like to meet and greet even if they don't know you. I miss the accessibility of that kind of life," he said.

Many among those who have risen to the top, he added, felt a sense of collective guilt that the struggle against white minority domination had not benefited all equally since the end of apartheid 13 years ago.

Despite economic growth, South Africa is still hampered by high unemployment rates - a legacy of the apartheid era - that officially stand at 25 percent and unofficially at around 40 percent.

"The sacrifices were for everyone, yet the fruit of the sacrifices has not transpired to everyone," said Xala.

Sapa

Source:	TNS Research Surveys
Date :	2008
By:	
Website:	http://www.researchsurveys.co.za/our-expertise/black-diamond.html

Who are Black Diamonds?

Black Diamonds are members of South Africa's fast-growing, affluent and influential black community.

TNS Research Surveys (Pty) Ltd and the UCT Unilever Institute originally coined the term "Black Diamond" during their groundbreaking research into this important market in South Africa in 2006. The results were presented at UCT Unilever conferences around South Africa.

Black-Diamonds are a complex and diverse group of people ranging from:

- the Mzansi Youth who are still living at home and studying towards their future;
- Start-me-ups who are starting out in the big wide world;
- Young Families, who have young kids; and
- the Established who are the older, wealthier families

Some facts about Black Diamonds

58% live in houses in the townships
70% have five or more people living in their households
86% believe in Labola
75% believe in slaughtering to thank ancestors
84% of Black Diamond children speak English fluently
72% believe that "the way your children dress, speak and are educated is a reflection of your wealth "
46% have access to some kind of formal credit

50% feel trapped by the amount of debt they have
87% say its necessary to have medical aid, 26% have medical aid
70% say Thabo Mbeki is doing a good job of running the country

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Source: Fin24

Date : Jul 24 2008

By: Evan Pickworth

Website: http://www.fin24.com/articles/default/display_article.aspx?ArticleId=1518-25_2362953

Black diamonds to top whites'
Jul 24 2008 7:01AM
Evan Pickworth

Johannesburg - Mzamo Masito, founder of Peoples Insights Consultancy and young global leader at the World Economic Forum, said on Wednesday that the black middle class is set to grow from a current 2.6m people and R180bn of value to become a key driver of economic growth.

He advised businesses to start preparing now for this inevitable growth spurt.

"In 20 to 30 years the landscape is going to change when the black middle class grows from 2.6m to 20m and business should then have a 90% market share and not only be starting."

Masito said the black middle class - or "black diamonds" - accounted for R180bn, or 28%, of SA's spending power or buying value according to first quarter 2007 statistics; as opposed to whites at R235bn.

He said this equated to 54% of total black buying power of R335bn.

"So there is money - but there is also huge black versus black income inequality."

"When it grows from R180bn, then there is money to be made," he added.

Masito said 47% of black diamonds now lived in the suburbs.

However, he pointed to an interesting trend where semi-suburbs would start developing in between townships and existing suburbs. He said these areas would prove accommodation in the R400 000 to

R500 000 range as suburbia at asking prices of around R800 000 was becoming too expensive for many emerging classes.

However, he adds that he also sees townships becoming suburbs.

"The market is going to change," he said.

He highlighted that young families would be around 27% of the new class as over 64% of children are born to single mothers.

"The divorce rate is on the up," he added.

Then the youth would make up 18%, and established people 36% at an average age 35. "Start-me-ups" would make up 19% - these are people who "want to be CEOs in five years".

What he says will be noticeable in the new black middle class will be people increasingly projecting their desires through their children.

He noted that the white population was declining and blacks were increasing, but did say that when you move to the middle class an average of three children per mother would be seen.

On empowerment, Masito said that the biggest beneficiaries over the last 12 years have been shown to have been white.

More black diamonds than whites

But he said the politics of the future would be class based -"race will be a card politicians will use now and again, but class will be the issue".

He emphasised that the growth rate of the black middle class of 2.6m was 30% year on year.

"All things constant - the consumer of the future is going to black and if you project forward then there will be more black diamonds than the entire white population," he said.

"The challenge is there are still over 20 million poor black South Africans," he said, prompting him to feel that this would be a serious threat to all the more successful people in the future.

He was speaking at an Association of Corporate Treasurers of Southern Africa (ACTSA) function at The Forum to commemorate its 20th birthday.

- I-Net Bridge

Source: Prof. Strydom

Date : 2006/09/05

Website:

http://www.sabusinesshub.com/section/content.php?SectionId=23&SubsectionId=12&ContentId=1381

posted: 2006-09-05 / Author: Prof PDF Strydom

Black Economic Empowerment In South Africa

Black Economic Empowerment in South Africa

Black Economic Empowerment (BEE) in South Africa is governed by the Broad-Based Economic Empowerment Act, 2003. The Act regulates the objectives of BEE, the establishment of the BEE Advisory Council, the BEE strategy to be formulated by the Department of Trade and Industry (DTI), the sectoral transformation charters and the financing of BEE. The DTI is primarily responsible for the management and implementation of BEE. In this exposition the sectoral BEE charters of the tourism- and financial sector will be considered and referred to as examples of broad-based BEE.

Historical background

The various reports on BEE that were released by the DTI concentrate on the economic, social and skills disadvantage of black people in South Africa owing to colonial rule and the apartheid system. These systems deprived blacks of access to assets such as land and capital. Moreover, blacks have been deprived of quality education and broad-based skills training. Unequal income distribution emerges as a major topic in these expositions. Moreover, it is maintained that the prominent unequal distribution in this country could easily lead to social instability. It is argued that globalisation tends to enhance unequal distribution as it discriminates against the unskilled in the sense that employment in the modern economic environment is primarily skills biased. These modern global developments, coupled with the historically deprived position of blacks have resulted in blacks occupying a minority position in the South African economy. From a macroeconomi! c perspective it is evident that black people have been denied access to market forces and consequently their skills could not be remunerated by the market mechanism. In terms of public choice theory one could speak of government as opposed to market failure. The extensive discriminatory government rules and regulations prevented market forces from remunerating and allocating the skills of black people effectively. It is not the market system that has failed us but the extensive government regulatory framework that obstructed the market from operating effectively. It is a matter of government as opposed to market failure that explains the historically deprived position of blacks. BEE is a specific government policy to advance economic transformation in order to enhance the economic participation of black people. The reversal of the political and social marginalisation of blacks that gained momentum since 1994 has to be extended to the economic sphere. Government intends to ! achieve this through its BEE policy.

Analytical background

The fighting of poverty is an important aim of government policy in South Africa. Poverty goes hand in hand with economic marginalisation in the sense that poor people, particularly black people in rural areas, have no or limited command over factors of production other than unskilled labour. In this respect the land reform programme together with the housing projects are important elements in the anti-poverty campaign. BEE is supplementing these measures. Over the past 10 years government has made little progress in alleviating poverty. BEE is, therefore, seen as an important new policy tool in alleviating poverty.

Several research papers at Wits University, the University of Stellenbosch and the University of Cape Town have emphasised that employment is the most effective way of fighting poverty. Employment creation in a growing globally integrated economy is primarily in favour of skilled people. In order to enhance the command over factors of production, particularly economic and intellectual skills, investment in people is imperative The outcome of this logic is that investment in people via education and health care are important in creating employment and fighting poverty. Within this framework it could be argued that an explicit policy of investment in people could play a significant role in fighting poverty while opening up access to factors of production for a large part of the South African people, including blacks. In the South African context such a growth policy that is to be achieved through a greater supply of quality people should be supported! by a more growth oriented macroeconomic policy as opposed to the present anti-growth macroeconomic policy in South Africa. Apart from this the liberalisation of the labour market is imperative. The various rigidities of the labour market such as insider-outsider rigidity coupled with hystereses are important barriers to employment growth in South Africa.

As opposed to a growth oriented policy that is aimed at quality people, a flexible labour market coupled with pro-growth macroeconomic policies the South African government is fighting poverty primarily through redistribution. Reforming the labour market does not feature on the policy agenda while education and health care are showing little progress in delivering quality people. The redistribution policy of government is not successfully fighting poverty. Recent research at the University of Kwazulu Natal and the University of Stellenbosch confirm that poverty has widened over the past 10 years in South Africa. BEE should be assesed within this redistribution framework and it is remarkable that the main rhetoric of the old RDP features prominently in official BEE documents. That means there is more emphasis on redistribution than on progressively inspired growth policies coupled with meaningful reform of the labour market.

BEE as a process towards the restitution of historical distortions in respect of the economic marginalisation of black people should be embraced as an important step in favour of the transformation of our economy. Unfortunately BEE is very much part and parcel of government's redistribution policy framework as will be demonstrated below. BEE is not supported by a growth oriented macroeconomic policy and it certainly lacks extensive support from education and health care in the delivery of quality people. As will be demonstrated below, BEE contains a skill-training dimension but this is achieved through private sector resources, again emphasising the redistribution nature of the exercise.

BEE and the broader legislative framework

The Broad-Based BEE Act should be seen within the framework of several acts aimed at addressing economic inequality in South Africa. There was the National Small Business Act, introduced in 1996. It established several institutions to support black small businesses. In 1997 government launched the public sector preferential procurement policy in terms of which government purchases were focused on supporting black small enterprise development. These procedures were regulated by the Preferential Procurement Act in 2000. The Competition Act of 1998 carried exemptions from the provisions on anti-competitive practices if such practices were promoting black-owned or black-controlled enterprises to become competitive. In 1998 The National Empowerment Fund Act created a trust to hold equity stakes in state-owned enterprises as well as private companies on behalf of historically disadvantaged persons. The aim was to promote and support business ventures run! by historically disadvantaged persons. The Employment Equity Act of 1998 outlawed all forms of unfair discrimination in the work place. It required employers of more than 50 people to take affirmative action in order to achieve a representative employment of designated population groups in all occupations and organisational levels within a particular time period.

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Government financial assistance for BEE

Government's approach towards the financing of BEE is that its own efforts are merely facilitating BEE and that the private sector should play a dominant role in the financing of BEE. Government has, nevertheless, allocated substantial funds for BEE. These were primarily channeled through the DTI and its agencies such as the IDC, the Land Bank, the Development Bank of Southern Africa, Nsika and Khula. The activities of the IDC give some indication of the extent of BEE funding via the state. The IDC started supporting BEE in the early 1990s when it secured the economic participation of previously disadvantaged persons in financing transactions involving National Sorghum Breweries, NAIL and MTN. Since 1990 the IDC has financed transactions exceeding R6 600 million.

Early private sector BEE initiatives

During the 1990s the private sector embarked on several BEE initiatives. Sanlam sold its major shareholding in Metropolitan Life, a JSE quoted company, to a black-owned consortium. This was followed by similar transactions that were characterised by financing procedures that were based on complicated corporate structures in order to generate the investment funds on behalf of the new black-owned shareholders. Unfortunately the sharp fall in the JSE during 1998 exposed the vulnerability of these transactions in the sense that the black-owned shareholders were unable to finance their debt in terms of the original scheme. From May to September 1998 the monthly average price level of all classes of shares fell by 39 per cent. Apart from these difficulties these so-called economic empowerment deals were characterised by limited multiplier effects in transmitting economic empowerment on a large scale. In a similar way government's efforts, discussed above! , proved to be slow in transmitting economic empowerment on a large scale. In view of this experience government embarked on a broad-based economic empowerment scheme.

Broad-Based BEE

Broad-based BEE is an explicit government policy aimed at redressing past economic imbalances. Moreover, BEE as an important policy instrument to broaden the economic base of the country, to stimulate economic growth, to create jobs while eradicating poverty. Within this framework of government policy BEE is regarded as an integrated and coherent socio-economic process that directly contributes towards the economic transformation of South Africa. It is intended to bring about significant increases in the number of black people that manage, own and control the country's economy as well as significant decreases in income inequalities. BEE is expected to facilitate human resource and skill development as well as investment in enterprises that are owned or managed by black people. The BEE scheme regulates preferential procurement. These claims in favour of BEE will be assessed later on. At this juncture we elaborate on the main elements of the scheme. !

Government is aiming to achieve meaningful progress in BEE by 2014. The following processes are to facilitate and to shape the BEE programme.

Legislation

Government conducts the overall BEE process by means of the Broad-Based Black Economic Empowerment Act of 2003.

Regulation

The progress in achieving BEE will be measured by a scorecard that indicates the achievement of sectoral or enterprise BEE targets over a particular time period ending in 2014. Scorecards measure three elements of BEE viz.

Direct empowerment through ownership and control of enterprises and assets. Human resource development and employment equity. Indirect empowerment through preferential procurement and enterprise development.

The scorecard will enable government to apply BEE criteria in determining qualification criteria for the issuing of licenses, concessions or other authorisations. The scorecard will be an important instrument in the determination of governments' preferential procurement policy as well as in the determination of criteria for the sale of state-owned enterprises.

Direct empowerment refers to an increase in the ownership and control of the economy by black people. This implies that a significant proportion of black ownership in a particular enterprise must be a controlling interest. Control means the right or the ability to control the majority of the votes attached to issued shares. The right or ability to appoint or remove directors by the majority shareholder. The right to control management.

The financial sector scoreboard has 25% as the ownership target for this sector by 2010. The tourism industry scoreboard has an ownership target of 21% for 2009 and 30% for 2014.

The human resource development and employment equity component requires firms to comply with the Employment Equity Act, i.e., to secure an equitable representation of blacks in all occupations and at all levels of organisation over a particular time interval. Skill development and training is to be achieved through the private resources of the firm. The financial sector's scorecard has the following targets in terms of employment equity and skills development by 2008:

Senior management 20%-25%
Middle management 30%
Junior management 40%-50%

Skill development comprises 1,5% of the annual payroll to be spent on skill development of black employees.

The tourism industry's scorecard has the following employment equity targets:

35% of black people in management by 2009 and 50% in 2014 53% of total staff will be black by 2009 and 75% by 2014

For skills development 3% of payroll expenditure will be devoted to skills development over the period 2009-2014. Black employees will receive 75% of the expenditure on skill development over the period 2009-2014.

Indirect empowerment measured by the scorecard refers to preferential procurement by private firms from BEE compliant companies. The financial sector scorecard is targeting 50% of the value of all procurement from BEE accredited companies by 2008 and 70% by 2014. The tourism industry scorecard requires 40% of total procurement to be spent on BEE compliant firms by 2009 and 50% by 2014.

A second component of indirect empowerment is enterprise development. That means investment in black owned and black-empowered firms as well as joint ventures with such firms that result in substantial skill transfer. The financial sector scorecard evaluates these actions in terms of a percentage of the rand amount spent on such developments. The tourism industry scorecard requires 1% of post-tax profits and1% of management time over the period 2009-2014.

The scorecard is an instrument in the ranking of firms. The financial sector distinguishes a rating in terms of 5 categories. The tourism sector distinguishes 3 categories that coincide with the categories that government applies in the ranking of firms.

A good contributor to BEE is a firm with a score of 65% and above

A satisfactory contributor to BEE is a firm with a score of 40% to 64,9%

A limited contributor to BEE is a firm with a score of below 40%.

Ownership and control feature prominently in terms of weights. In the 2014 tourism target it is the single most important element. That means that BEE is an important redistribution policy instrument. This conclusion is becoming more evident if we argue that skill development is a public good. The state is allocating private resources under BEE towards the production of a public good that should be delivered by the state. In the same direction, employment equity requirements are supporting that aspect of government's labour market policy that is concerned with redistribution. One could also maintain that government is applying BEE as a leverage instrument to achieve its labour market redistribution aims under the Employment Equity Act. Looking at the scorecard in this way renders 60% of the DTI weights in favour of redistribution. For the tourism sector this amounts to 63% in 2009 and 62% in 2014. For the financial sector this arithmetic renders 42! %. From this exposition it is evident that BEE and the scorecard in particular will be important instruments in allocating economic resources. The importance of the market system in remunerating and allocating skills and factors of production is overruled by one administrative percentage after the other. It would appear that this policy framework shares one important feature with the past, from which we so desperately want to escape namely the element of government failure.

Looking at the development of new black controlled enterprises the DTI guideline is 10% while tourism proposes 14% in 2009 and 10% in 2014. The financial sector is putting more emphasis on this component by a weight of 22%. We conclude that BEE allocates a greater weight to the redistribution of existing enterprises as opposed to the development of new black-owned enterprises.

Restructuring of state-owned enterprises
BEE is to be achieved through the transfer or sale of equity stakes in state-owned enterprises. Moreover, preferential procurement policies by state-owned enterprises will support the development of BEE.

Preferential procurement by government
Government is focusing its preferential procurement policy on the development of BEE and government departments are legally bound to follow specific codes of practice in channeling their preferential procurement towards black-owned firms.

Participation of black business organisations
Government is developing means of involving black business organisations in the institutional framework that will enhance BEE.

BEE advisory council
The Minister of Trade and Industry is responsible for the BEE Advisory Council. This body advises the President in respect of BEE and to review the progress in achieving BEE targets. It will promote

partnerships to enhance BEE and it will advise at the sectoral level as well as the enterprise level in respect of the development of BEE charters. It will also advise on codes of practice and guidelines regarding the promotion of BEE.

Partnerships and charters

Apart from legislation, regulation, preferential procurement, financial and institutional support, government is to seek partnerships with the private sector to accelerate BEE. In this regard the private sector is interpreted very broadly since it comprises private businesses, trade unions and community-based organisations. One could maintain that sectoral and enterprise based charters are a particular form of such partnerships. Charters are to define special mechanisms through which a sector or enterprise will achieve BEE. Government does not expect every sector and every firm to develop empowerment charters but sectors and enterprises that are extensively conducting business with government are strongly encouraged to develop BEE charters. Sectors that have been identified by government for the purpose of BEE, such as tourism, are strongly encouraged to develop charters. Voluntary participation in promoting BEE! is primarily via the scorecard.

Small businesses

A black small medium enterprise (SME) in terms of the financial industry charter is an enterprise with a turnover from R500 000 per annum to R20 million per annum and which is a black company or a black empowered company. A black company is more than 50% owned and controlled by black people. A black empowered company is one that is more than 25% owned by black people and where substantial participation in control is vested in black people.

The tourism industry charter defines a black SME as an enterprise with a turnover of up to R10 million per annum and with more than 50% direct ownership and management by blacks.

In the financial industry charter a financial institution with less than 50 staff members and less than R10 million of designated investments will be exempt from the provisions of the charter unless it opts to be bound voluntarily. In terms of the tourism charter a small business is one with an annual turnover of less than R5 million and with a staff complement of less than 50 employees. The tourism charter exempts a business with a turnover of R5 million and less per annum from the ownership requirement.

From the exposition above it is clear that the role of small businesses, whether white-owned or black-owned is not clear in the BEE programme. A white-owned small business in the tourism industry is exempt from ownership requirement but is obliged to adhere to other aspects of the score card. The financial sector is more explicit in its exemption of small businesses. Small businesses could easily end up in a no mans land where existing rules do not apply to them but where they are discriminated against in terms of preferential procurement.

Towards the end of 2005 the government promulgated new rules regarding BEE and small businesses in terms of a set of codes of conduct. The codes regulate the different elements of the small business score card as well as the criteria in terms of which a small business qualifies as a score card BEE participating business. The following 7 elements of broad-based black economic empowerment are covered by various codes, i.e., ownership, management control, employment equity, skills development, preferential procurement, enterprise development and residual or enterprise specific aspects. Each element (or indicator) carries a weight of 20%. That means that the 7 indicators carry 140 available BEE points. A qualifying small enterprise may elect to be measured in terms of 5 of the 7 elements of BEE.

The BEE status of a small business is defined in terms of 8 categories or levels. The top level secures a BEE procurement recognition level of 135% while level 8 secures only 10%. It follows that a non-compliant firm secures zero percent BEE procurement recognition.

Very small or micro enterprises qualify for BEE compliance exemption. Moreover, they qualify for a level 4 BEE status should they wish to be a participating firm. This secures them with a 100% BEE procurement recognition level. These firms are defined as enterprises with a turnover of less than the VAT registration limit. This tax benchmark is R300 000. In the event of the splitting up of a firm with the aim of qualifying for BEE exemption such procedures will be viewed as an explicit attempt at circumventing the BEE Act.

In order to establish whether a firm is a BEE qualifying enterprise the DTI has identified different firm sizes across various sectors in accordance with the Standard Industrial Classification. In the construction industry, for instance, these different categories are as follows. A medium size firm is one with less than 200 paid employees and a total annual turnover of less than R20 million. A small company has less than 50 paid employees with a total annual turnover of less than R5 million. A very small firm employs less than 20 people with a total annual turnover of less than R2 million. A micro enterprise employs less than 5 people with a total annual turnover that does not meet the VAT registration limit.

These new regulations have clarified many uncertainties regarding the position of small enterprises. From this exposition it follows that ownership and management control feature prominently while skills and enterprise development occupy a secondary position. This clearly illustrates the strong redistributive nature of the small business BEE project. Moreover, the project is clearly aimed at the medium to larger small businesses because they command more resources for redistribution. One would have expected a serious BEE project to accommodate small to micro enterprises more explicitly for future growth and employment.

The relatively high targets for employment equity demonstrate how BEE is being used as a leverage instrument in achieving the labour market redistribution aims of the Employment Equity Act.

Small businesses are often associated with niche markets and therefore they rely on small suppliers, in many cases individual traders or craft people. This is an important reason why these ventures are associated with employment creation. For these enterprises the high 50% BEE procurement target in respect of suppliers have little meaning. It is evident that the redistribution-biased approach of the small business BEE project is likely to fall short in terms of incentives for small businesses.

Summary and conclusion

Black economic empowerment as a specific programme to reverse the systematic exclusion of blacks from full participation in the economy in the past is a commendable effort. The present approach by government to form partnerships with the private sector through charters in achieving this goal is moving in the right direction.

A major criticism against the BEE programme is the fact that it is primarily redistribution inspired. It would have been far more effective if the emphasis had been on the development of new black-owned businesses. As indicated above, this appears to be a relatively small element in the BEE programme and this is regrettable. The evidence shows that government has been unsuccessful in reducing poverty meaningfully through its redistribution policy stance over the past 10 years. In view of the redistribution character of BEE it is likely to disappoint in its efforts to eradicate poverty, to create employment and to enhance economic growth. Its redistribution nature will in all probability merely be beneficial to a small black elite. Without an extensive investment in people BEE will in all likelihood follow the example of other South African redistribution policies in the sense that it will contribute towards a greater unequal distribution of income ! because it will create larger income disparities within the black community by benefiting elitist groups.

GLENHEATH
RUITERBOS
23 October 2005
Revised 28 March 2006

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Source: **South African Government Info.**

Date: **10 May 2001**

By: **Speech by Minister Jeff Radebe**

Website: **http://www.info.gov.za/speeches/2001/010523345p1001.htm**

ADDRESS BY MINISTER OF PUBLIC ENTERPRISES, JEFF RADEBE, ON BLACK ECONOMIC EMPOWERMENT: DEVELOPMENTS AND CHALLENGES INTO THE FUTURE, Durban, 10 May 2001

Premier Mtshali
MECs
Business and community leaders,
Ladies and Gentlemen.

It is most pleasant being back in Durban to participate in this important gathering to chart the way forward to securing the success of one of our most important tasks: the economic empowerment and emancipation of the black majority in South Africa. The conference programme for the next two days addresses very specific areas of endeavour, opportunity, risks and challenges that face us all.

Noted speakers will address specific topics that cover a wide range of areas and I do not wish to pre-empt or to steal their thunder with my remarks this morning. I am also aware that this conference more ideally should be a participative one, where delegates should be able to use as much of the time available as possible to raise their own concerns, suggestions, and proposals that we in government can then consider. Thus, I will keep my comments brief, so that we can use most of this session for discussion. However, I do believe it is important to lay down a number of pointers that may be useful as a tool to focus the discussions in a manner that will provoke imaginative responses to a complex task.

First of all, I want to identify and deal with the negative elements that some commentators have identified with the concept and practice of BEE before turning to the main thrust of my address, namely, the why, where, and how of black economic empowerment in South African society.

A frequent criticism of empowerment strategies, wherever they are implemented, includes accusations that they encourage corruption, cronyism, and even nepotism. Clearly, these diseases of economic development are assisted greatly when empowerment is implemented outside of a publicly defined policy framework, adequate legislation, and suitable policing structures. In South Africa, we have all three of these crucial elements to prevent corruption in all its forms. For some years now the affirmative procurement policy has been under discussion and implemented in part by a number of government departments. Last year, the promulgation of the Preferential Procurement Framework Act took the process a further step forward. At the same time, a number of investigative structures work ceaselessly to ensure that corruption is attacked and rooted out. We still have some way to go, but as the system is implemented, we are confident that where loopholes exist, these will be identified and closed accordingly. It is a struggle that involves everyone, not simply the state, but also those unscrupulous actors in the private sector who are willing to encourage officials and others to engage in corrupt practices.

Most of you will have read the interesting report released by Business Map last week, entitled Empowerment 2001: Better Outcomes that highlights the shortcomings of BEE in terms of black business participation, ownership, and partnerships on the JSE and through company indicators and so on. However, the report locks itself into a narrow methodology that although important does not do justice to the concept of BEE as we in government understand it.

I will not go into the report in any detail except to point to some of the points it raises. It suggests, for example, that BEE as practised today in the private sector operates less as a result of commercial priorities and more the result of government requirements of affirmative procurement that, in a bearish market, could prove too costly for many actors, including the larger players in the economic sphere. Whereas BEE should be seen as providing a competitive edge to companies, the benefits are seen as outmatched by the costs. We differ from this analysis, and we are of the firm opinion that the inclusion of a larger number of entrepreneurs into the mainstream of our economy via both public and private sector interventions is the best way to create a more competitive economy. The promotion of black economic empowerment should therefore be argued from a perspective that it is critical for our country's economic competitiveness.

Some political parties likewise have highlighted their resistance to these policies because they lead to challenges precisely in those areas that have been identified as lucrative, economically strategic, and internationally accessible by sections of their traditional supporters. So there is a battle over who should be allowed into the closed shop union of well-to-do businessmen and women that was previously defined as white. The issue is not the appearance of one or two faces, but the arrival of many people who thereby cross the threshold. If we step aside from the racial element of this equation for a moment, let me remind you of the social responses to the role of women in business in general. This was initially identified as an advance by women in terms of the struggle against gender inequalities. But consider how, since some progress has been made - not enough to be sure - on that front, voices that claim that men are now being marginalised in the workplace and the boardroom have become louder, emphasising the fact that companies and SOEs as well have more women directors today than there were in 1994.

We should perhaps remind ourselves that the fundamental reason for our adoption of black economic empowerment is the need to deracialise the South African economy. One of the critical distortions created and encouraged by apartheid was the prohibition on substantial property ownership by blacks in South Africa generally. What this meant was the suppression of basic living conditions of the majority of people, the restriction and dulling of their ability to contribute to economic development, and the systematic and sustained underdevelopment of the country as a whole. What the country's development requires urgently is the means to spread financial and economic resources to a much wider pool of people who will thereby be able to engage in productive, growth strategies and operations. Government's own policies include a range of different options that can be implemented in various contexts. These contexts include preferential procurement policies, the licence allocation and restructuring environment, employee-share-ownership schemes, equity options, and the operation of trusts and funds.

There are many challenges. These include the constant campaign of awareness against "fronting". Furthermore, whilst access to financial assistance remains a major stumbling block, we also have to bear in mind that we require black companies and consortia to begin adding extraordinary value to the business of business itself. We still await the reaping of the harvest of the beneficiaries of the new education system in our country. Meanwhile, we must guard against knee-jerk reactions to the problem. Recent comments by a senior SAA official ostensibly complaining about government's endorsement of the appointment of Andre Viljoen as CEO is but one statement of a particular genre. For us, the critical factors were simple: previous appointments were made without an adequate succession strategy in place. The appointment in question was of a highly competent South African to the post, alongside the adoption of a transformative succession strategy, and we are completely comfortable with it.

KwaZulu-Natal itself has been in the forefront of debate and the implementation of a new procurement policy that has earmarked government department procurement as an important tool of BEE. Beyond this element, the procurement budgets of state-owned enterprises are massive, amounting to some R40bn to R60bn annually. Already major strides have been taken to shift the buying power of these SOEs towards black companies. Bear in mind that we need to maintain a careful balance in this regard in line with the constitutional provisions that declare that whilst we are able to determine "categories of preference" in procurement and acquisition, this still has to be done in a manner that "is fair, equitable, transparent, competitive and cost-effective." Another element that crops up is the simple fact that many of our trading partners, particularly in Europe, feel constrained by their own rules and regulations about open competition and procurement that should remain within the terms of the regulations of the WTO and the EU. In some instances, preferential procurement can fall foul of some regulations for outside actors.

Government's programme for the restructuring of state-owned enterprises adopts the view that we need diverse, creative and holistic approaches to the question of empowerment. We have argued that genuine empowerment can take place even within SOEs themselves, both directly through the involvement of black people in management and as directors of these entities, as well as indirectly through the incorporation of a number of options that increase equity ownership opportunities within them. Our experience of empowerment in the early to middle 1990s provided important lessons that now point in the direction that we need closer attention to procurement and subcontracting arrangements, training, managerial and technical skills development and transfer, as well as a much more imaginative and bold role for worker and community investment and/or self-management schemes. Thus, the use of IPOs or Initial Public Offerings to promote empowerment have proved fairly successful so far, and given government's strong commitment to follow this route particularly in the Telecoms sector, they will continue to provide further momentum to the policy.

Government is also currently putting the final touches to proposals for sustainable employee-share-ownership schemes. The multiplicity of models, linked to the huge variety in international examples of extreme failure and great success, has required a longer period than we initially expected to come up with a suitable programme designed to take South African conditions into account. Not quite related to the question of ESOPs, however, are measures such as our ability to secure a resolution to the Transnet Pension Fund problem, a problem that placed huge financial burdens on the state and Transnet itself. By skilful use of provisions and formulas, we have created a situation in which black employees who were previously excluded from the benefits of a fund will now receive equal treatment through, inter alia, having their contributions subsidised in effect to make up for the time that they were excluded because they are black.

Government has utilised Private-Public Partnerships and the APOPS programme in Public Works very effectively, mainly to provide a much-needed boost to the construction sector whilst at the same time promoting small companies drawn from the ranks of the PDI. Of note, here is the successful completion of a number of major building projects for the maximum-security prisons and other facilities at for example Kokstad and Empangeni, with good progress in a number of other areas as well. The refurbishment of more than 50 police stations in the mainly rural areas of the Eastern Cape was performed by breaking up the total tender into a number of sub-regional blocks that allowed smaller firms to participate according to their size, their ability and resources. The planning, competition, and success of that project has resulted in a large number of local building companies in the province to obtain a well-earned boost in their prospects.

A major element of government's economic programme outlined by President Mbeki when he opened Parliament in February this year is the delivery of major infrastructure projects countrywide, particularly in the critical areas of rail, energy, ports and telecommunications. Billions of rands have already been committed by the state and the SOEs themselves to kick-start this programme. These projects are not only meant to create more or extend current systems, but also to engage in massive maintenance and upgrading of the networks. Such tasks we envisage can be carried out using the type of programme I have just outlined, where we bring in the smaller players, often in partnership with the more established firms and even international partners. We are currently finalising the restructuring models of Eskom, as well as for Petronet, and the divisions of Transnet.

Procurement goes a long way to providing an important stepping stone to black companies, but a major challenge is to increase the number of companies that, to use the definitions of the BEE Commission, can properly be called "black companies" or companies that are 50.1% owned and managed by black people. These companies are contrasted to "black empowered companies", that is where over 25% is owned and managed by blacks; "black influence companies"; and "engendered companies", where there is at least 30% representation of black women within the BEE portion of the equity and management structures.

But we must not conduct our business at this conference, or indeed elsewhere when we as policy-makers, implementers and participants get together, to make the common mistake of unconsciously thinking urban. Yes, Business Map and others are correct to highlight the decrease in black ownership on the JSE, but barely a word is whispered about the advances that have been made in the genuine and deliberate black economic empowerment of our people in the rural areas through a multiplicity of strategies that include community based public works programmes, the operationalisation of SDIs, the provision by various spheres of government of local infrastructure, maintenance and refurbishment of government buildings, the promotion and creation of co-operatives in agriculture through to arts and crafts. These initiatives have seen the rise of small villages, or even the burgeoning of new settlements around shops, markets, roads, and community gardens that have seen genuine empowerment reach into the rural areas. It is a mistake to ignore the successes of empowerment in rural areas whilst decrying the lack of progress in the urban-based sector.

Ladies and gentlemen, I have not provided a blow-by-blow account of government policy. Nor have I identified specific areas of the state sector where investors can expect to play a part. This is because this gathering is more about finding out what we can do to improve the systems we have in place than as a flea market for specific opportunities. I am confident that in the discussion that will follow we will all leave here with greater focus and much more determination to see the success of black economic empowerment in South Africa.

I thank you.

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By: David Harrison and Mnqoobi Nyembe

Website: http://www.mg.co.za/article/2008-06-26-empowerment-needs-connections

Empowerment needs connections

DAVID HARRISON AND MNQOBI NYEMBE - Jun 26 2008 11:29

We often speak in blasé ways about broad-based empowerment. But how will it happen? David Harrison and Mnqobi Nyembe take us on a tour of a local project that creates opportunities for young people and has proved its empowerment stripes.

It's about much more than pin-stripes and requires business and other leaders to open up social and economic connections between the world of plenty and the world of nothing. It may not win any deals of the year, but it is fundamental empowerment

Recent events have sparked calls for leaders who can make good on empty promises of service delivery. The simmering classes -- who feel excluded from the benefits of the new South Africa -- have erupted. The bewildered classes, on the other side of high brick walls, don't quite get what the complaints and the calls for a return to the values of the struggle are about.

Local leadership, efficient service delivery and strong values just aren't going to happen. Not without terrier-like initiatives to run ahead of the bulldogs of the state. Let us explain. The proctors of the new developmental state -- designed to muscle out apartheid-style thinking -- include BEE, the moral regeneration campaign and scorecards for corporate social responsibility.

Oxonians might refer to these custodians of national discipline as bulldogs. But what do we need now, now that the country has hit the skids?

The main difference between east-Asian economies and our own is that we live poles apart from one another. Too often, rich meets poor only through the tinted glass of an SUV at a street corner or at the end of a gun in a home invasion. Much of the post-apartheid focus centredon creating upward mobility; yet the drag effect of the masses at the bottom of the pile has stretched South African society even further apart. Social security has tempered the lower extreme. But, obviously, people are no longer willing to be paid off to keep the peace. Anyway, those most likely to explode -- young men -- don't get grants.

When people feel excluded, they lose the capacity to aspire. Every day they hustle just to get by. Personal initiative is stifled under the unrelenting weight of trivial matters such as a R10 taxi fare. The public sector mirrors these features: third-class citizens get third-rate services, hustling takes the form of corruption and nepotism and overwhelmed public servants become increasingly bureaucratic and officious.

The risk we face in marshalling the developmental state is that it could ossify along existing fault lines. Economist Anirudh Krishna argues that innovation ignites when the divides separating rich and poor are breached. There's new energy at the point of contact. In his view the trigger for real development is social connectivity -- not just trickle-down opportunity. This argument might help explain some of the most intractable problems of our society, including crime and HIV: there is new opportunity, but most people feel disconnected from it.

For example, for women half the lifetime risk of HIV is crammed into just five years after leaving school. It's not that they're stupid or don't get the message. In fact, condom use among women peaks at age 16and learners at school are relatively protected from HIV infection. The trigger for high-risk behaviour is school-leaving as most enter a state of limbo without jobs or further education. They have a vague sense of opportunity in the long term but, without the immediate connections, many surrender to day-to-day pressures and social expectations.

One of the authors of this article speaks from personal experience. He was rejected by his dad, raised by his grandmother while his mom looked for work, and pressured to leave school after impregnating a girl. Excluded, stripped of pride and possibility, he wandered around until a chance connection with a loveLife groundbreaker. His story is typical of millions of young South Africans.

Call in the bulldogs -- we need a better education system. But we must also respond immediately to the fact that more than half of school-leavers under 25 don't have jobs and have little sense that tomorrow will be any better than today. We need to bite holes in the social fabric that intertwines, yet still insulates us from one another. Whistle for the terriers -- an apt name which means "from the ground".

One of the most fulfilling aspects of loveLife's work is the emergence of a new leadership of young people in marginalised communities across South Africa, drawn "from the ground" and self-selected by their commitment to public service. A recent survey of its 7 500 groundbreaker graduates found that 40% followed up their year of service with post-matric studies, compared with 6% of their national counterparts. Sixty percent of them are now employed, while a further 20% are still studying full time. Among groundBREAKER alumni who are members of civic organisations, two-thirds hold local leadership positions.

They -- and other enterprising products of youth service programmes -- could make connections between the poles of South African society. They could be terriers. But even they hit the glass ceiling too quickly. What we now need is to link them to spheres of influence and develop their ability to solve problems. This time, though, the leadership must come "from the ground".

Imagine a network of at least 5 000 young leaders, rooted in their local communities, connected through a mobile social network and trained to think differently and solve problems. They'd need socio-political education and some may become leaders in political parties. The starting point is not political power, but a mindset of social entrepreneurialism. Without it, calls for community leadership, strong values of equality and justice and better service delivery will go unheeded.

In connecting to opportunity, they could create precedents and pathways for others. A system of volunteer placements in companies would bridge the time between school-leaving and employment or further study. In just two to three years their innovativeness could be directed towards improving the efficiency of service delivery in local communities. There's no guarantee that they won't capture all benefits for themselves and ride the elevator up alone, but the combination of service- and opportunity-linked leadership would minimise this risk.

To work well, this terrier initiative would cost about R100-million a year; that's R5-million each for10 top companies if government matched their funding.

We have enough politicians. Now we need really committed local sparkies.

Mnqobi Nyembe is an ex-groundbreaker who recently founded the String of Influence Institute to create new connections for young people

David Harrison is CEO of loveLife
TOPICS IN THIS ARTICLE

Source:	Mail & Guardian
Date:	27 May 2008
By:	Nic Dawes
Website:	http://www.mg.co.za/article/2008-05-27-beyond-the-usual-suspects

Beyond the usual suspects

NIC DAWES - May 27 2008 00:00

Empowerment works when it fosters new connections between established and emerging companies; develops skills at the lower and middle levels of the hierarchy;and creates space for new entrepreneurs to get a seat at the table. At its best, says a study by Matthew Andrews of Harvard's Kennedy School of Government, BEE can yield spectacular dividends.

Too often "firms keep looking to established networks" in search of BEE partners. The same already-empowered people benefit over and over and a relatively small group of highly skilled black business people finds itself desperately overstretched.

The government needs to reform the codes of good practice that form the template for BEE to encourage more of the growth-fostering empowerment that can genuinely transform the South African economy and fewer of the "usual suspects" equity deals that too often simply extract rents from the economy.

Andrews has seven proposals toinject new dynamism into a business environment from one that is dominated by large players with entrenched interests to an emphasis on the lower and middle levels of organisations, where scope for developing new skills is greatest.

 "Government should increase the number of points it rewards firms for doing BEE deals with new entrants," Andrews writes.

The usual suspects are a known quantity and so less risky to deal with by definition. Companies need to be given an incentive to take the plunge and deal with new partners.

 Too much emphasis is placed on employment equity at the top of organisations, where a relatively small group of previously disadvantaged people with top-level qualifications is already too thinly spread.

Government should focus on improving the available supply of black people with top-level qualifications instead through training initiatives.

More attention should be paid to ensuring that lower-level job openings create space in the corporate structure for black employees to move up through their companies over time.

 The Department of Trade and Industry should amend the codes of good practice to "reward firms for employing (especially from unemployed groups) and for training unemployed people", to shift the emphasis towardsthe lower levels of the economy further, Andrews says.

 A more radical reform, but in many ways a much simpler one to implement, would be a move towards "an open architecture approach to BEE".

A revised scorecard would have to be created, with up to 150 points on offer (rather than the current 100), including points for training and job creation, but the final score awarded would still be out of 100, with companies choosing the categories on which they want to be measured (or do not want to measured).

Under such a system, a company that truly excels in job creation and procurement but falls down on shareholding, for example, could still get a very high score.

An open architecture approach would put the emphasis back on industry charters, rather than the increasingly "one size fits all" approach that current scorecards seem to promote.

- Far too often trusts and other investment vehicles claiming to be "broad based" are nothing of the kind. There is little transparency about their ownership or the flow of benefits to the "disadvantaged" people they purport to represent. These entities must be made to provide a full account of their membership and finances, Andrews says.

- The government could literally show businesses how to benefit from breaking out of their "frozen" relationships with customers and suppliers, perhaps by sponsoring demonstration projects in crucial sectors of the economy. For example, setting up a forum for black panel beaters to gain access to the insurance industry.

- Finally, and critically, Andrews's research suggests that "BEE will catalyse structural change more effectively where firms believe the policy has a defined end point, specifically where firms believe that real BEE change will result in an end to BEE regulation".

Currently no such certainty is available. Companies do not know for sure how they will be treated if their BEE status changes as a result of events beyond their control â€” a black shareholder sells his stake to a white buyer for example, or an irreplaceable black executive leaves.

"Government should define what it is trying to achieve through the BEE policy," Andrews says. "It should stipulate what success will look like and it should set terms for business about when success will be declared and the policy will reach its conclusion."

At the heart of Andrews's research is the principle that in South Africa's highly concentrated economy BEE represents an opportunity to boost economic growth and broaden its benefits, but only if it is used as a tool to crack open the closed and static networks that dominate the business world.

Simply clipping on a small new elite to the old oligarchy will not achieve that, it will simply reshuffle the pack.

His proposals are simple and emminently implementable. Whether anyone is listening is altogether a different question.

Read the full study at:www.treasury.gov.za/publications/other/growth/06-Procurement%20and%20BEE/default.aspx

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Source: Business Report

Date: 2 September 2008

By: Justin Brown

Website: http://www.busrep.co.za/index.php?fArticleId=4588987

Motsepe's mining assets outshine Sexwale's
September 2, 2008

By Justin Brown

Johannesburg - On the face of it, two of the biggest names in black economic empowerment, Patrice Motsepe and Tokyo Sexwale, have built similar mining businesses, but with dramatically different results.

The key difference is the benefit of managing the assets that the company owns rather than investing in other businesses.

The market value growth in Motsepe's African Rainbow Minerals (ARM) over the past four years has been more than double that of Sexwale's Mvelaphanda Resources.

Analysts yesterday attributed that difference in market value growth to the commodities that ARM had invested in as well as the fact that it operated its assets, whereas Mvelaphanda was an investment holding company.

Since September 2004, ARM's market capitalisation has risen more than sevenfold to R52.7 billion, while Mvelaphanda's market value has increased more than three-fold to R9.8 billion.

ARM yesterday reported a 268 percent increase in profit after tax and minorities to R4.5 billion during the year to June, further widening the gap with Mvelaphanda.

Motsepe started in mining as a contractor in 1994. In 1997, he formed ARMGold, which was listed in 2002.

In 2002 ARMGold was part of a consortium that bought Free State gold mines from AngloGold Ashanti. In 2003 ARMGold and Harmony Gold merged. In 2004 Harmony did a three-way deal with Anglovaal Mining and ARMGold that ultimately resulted in the formation of today's African Rainbow Minerals.

Motsepe's consortium has a 43 percent stake in ARM.

Sexwale is a former freedom fighter who was imprisoned on Robben Island and became Gauteng premier in 1994.

After leaving politics in 1998, Sexwale formed Mvelaphanda Resources, which bought stakes or has agreements to buy stakes in Northam Platinum, Trans Hex and Gold Fields.

Sholto Dolamo, Stanlib's resources analyst, said it was difficult to compare ARM and Mvelaphanda as they were structured differently.

Mvelaphanda was a holding company, while ARM was an operating company, he added.

Dolamo said ARM was producing significant growth in volumes while the companies in which Mvelaphanda held major interests - Gold Fields, Northam and Trans Hex - had not shown volume growth over the past four years.

The commodities that ARM produced, such as iron ore and manganese, had seen significant price increases.

Anwaar Wagner, an Old Mutual Investment Group South Africa analyst, said ARM had grown more than Mvelaphanda because it had more operational control over its assets.

Until recently, Mvelaphanda had only been an investment holding company.

Daniel Sacks, Investec Asset Management's head of resources, said the difference in performance of their market values could be attributed to the different commodities that ARM and Mvelaphanda mined.

Source: Independent online (iol)

Date: July 02 2008 at 03:02PM

By: SAPA

Website: http://www.iol.co.za/index.php?set_id=1&click_id=3045&art_id=nw20080702144846608C162249

Black business rejects 'coloured' Chinese

Black business and professional organisations on Wednesday rejected the Pretoria High Court's ruling defining Chinese South Africans as black people.

"This judgment, in our view, revises a long-held historical view of the democratic struggle in South Africa," National African Federated Chambers of Commerce president Buhle Mthethwa told reporters in Johannesburg on Wednesday.

The ruling defined Chinese South Africans as "coloured", qualifying them as beneficiaries under the Broad Based Black Economic Empowerment (BBBEE) Act and the Employment Equity Act.

Economic empowerment did not address all forms of discrimination but sought to identify those who had suffered the most under the apartheid regime, Mthethwa said.

The identification of African, coloured and Indian people as major beneficiaries of BBBEE and Employment Equity was based on a sophisticated socio-economic analysis that took into consideration issues such as poor access to quality education, lack of economic access and poor living conditions.

"The economic transformation efforts sought to deal with the primary defining force of apartheid discrimination, which expressed itself through the socio-economic oppression of Africans, Indians and coloureds, hence their over-representation and visibility in the anti-apartheid struggle," Mthethwa said.

"We are also disappointed in our government's failure to consult major stakeholders on this history-defining court case.

"It is our considered view that the responsibility of clarifying legislative and policy ambiguities rests with the legislative or executive arms of government," he said.

"We call on the South African government to appeal this irrational decision. We furthermore call on political parties, principally majority black parties to reject this inexplicable decision.

"As black business and professionals, we see the Pretoria judgment as a disappointing revision of the struggle for economic emancipation in South Africa," Mthethwa said. - Sapa

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Source: Independent on line (iol)

Date: June 24 2008 at 02:24PM

By: SAPA reporter

Website:
http://www.iol.co.za/index.php?set_id=1&click_id=3045&art_id=nw20080624141916699C179780

BEE no solution to poverty'

Wealth redistribution is no solution to poverty, political analyst Moeletsi Mbeki told a conference on the world economy in Johannesburg on Tuesday.

"Redistribution can actually accentuate poverty and create social conflict," he said.

"I was one of the first to oppose Black Economic Empowerment (BEE), because if they're going to redistribute wealth, who is going to get what? Where are you going to get that wealth from?"

Broad Based BEE had only benefited top ANC leaders, Mbeki said.

It benefits the people in power, but what about the poor? BEE is more of a problem than a solution."

He suggested that the government look at wealth creation rather than "fight the ghosts of the past. The ANC expends a lot of energy with BEE in an attempt to correct the past".

The only way to go bridge the gap between rich and poor was to sort out the education system and concentrate more on the development of small and medium businesses.

"BEE stops black from becoming entrepreneurs," Mbeki said.

"Black people are not necessarily against capitalism," he said, adding that it was only the model of capitalism that the apartheid National Party had promoted that blacks did not like.

He was however unsure if the ANC could market capitalism to the electorate.

"The ANC leaders are afraid of the unions - groups like Cosatu and the SACP - they think these groups deliver a huge constituency but they don't."

He said that the ANC had been "very good" at establishing a political system and the Constitution, but had not done well in economics.

"I never expected them to because they have never run a business."

He said that at least he and his brother, President Thabo Mbeki, had worked in the family's spaza shop as children.

"But when my brother gets kicked out as head of government, you won't have anyone there who has actually managed even a spaza shop." - Sapa

Source: independent online

Date: March 20 2008 at 11:54AM

By: Siyabonga Mkhwanazi

Website: http://www.iol.co.za/index.php?set_id=1&click_id=3045&art_id=vn20080320111912496C726494

'BEE deals only benefit the few'

Black economic empowerment deals came under the spotlight once again with Deputy President Phumzile Mlambo-Ngcuka strongly criticising those with social connections being the only ones to benefit from the stakes.

Speaking in the National Council of Provinces (NCOP) during a reply session on Wednesday Mlambo-Ngcuka said BEE deals did not benefit the majority of black people, but a few connected people.

The deputy president's attack on big BEE deals on Wednesday joins a growing list of senior government and ANC officials who in recent times have spoken candidly about these transactions arguing that they benefited an elite with political connections.

Last year then ANC Secretary-General, now party deputy president, Kgalema Motlanthe, criticised big empowerment deals being awarded to the "usual suspects".

This was in reference to high-profile politicians, including senior ANC members such as Cyril Ramaphosa, Tokyo Sexwale and Saki Macozoma, who are known to have been the main beneficiaries in securing lucrative stakes in various sectors of the economy.

Even Finance Minister Trevor Manuel has entered the fray and launched a scathing attack on the policy saying it needed an overhaul as it benefited a few people.

Manuel has also complained bitterly that the system has been abused by companies who recruit black managers and board members only as token gestures.

A few weeks ago Bulelani Ngcuka the deputy president's husband was sidelined by his partners in a multi-billion rand Vodacom deal because of his political connections.

The former head of the National Prosecuting Authority was ditched by his partners in the

R7,5-billion Vodacom stake because of his association with President Thabo Mbeki.

In her reply to the House, Mlambo-Ngcuka said government was concerned that financing major BEE deals was becoming expensive for the majority of black people.

"Black economic empowerment must work for all South Africans, not just those with social networks to access big deals.

"That is why the three elements of procurement, skills development and employment equity should take precedence," she told MPs.

- **This article was originally published on page 15 of Cape Argus on March 20, 2008**

Source: Empowerdex Research Team, Empowerdex website

Date: April 2008

By: Empowerdex

Website: http://www.empowerdex.co.za/content/Default.aspx?ID=58

Financial Mail / Empowerdex Top Empowerment Companies 2008

Empowerdex is proud to announce this year's Top Empowerment Companies results. These results were compiled after collecting data from companies listed on the main board of the JSE, for the annual Top Empowerment Companies Survey, which was published in the Financial Mail in April 2008. The survey is now in its fifth year and has become a regular feature of the Financial Mail's special publications schedule. The survey is aimed at providing the public with a snapshot of the empowerment status of JSE-listed companies in order to raise awareness of Broad-Based Black Economic Empowerment (B-BBEE) and stimulate the use of B-BBEE as a competitive advantage.

With clarity on the Codes of Good Practice now being provided by the dti after the Codes were gazetted in February 2007, many companies have progressed their empowerment strategies further and have begun to implement B-BBEE more readily. The Top Empowerment Companies Survey is a mechanism to measure and monitor the empowerment achievements of the listed companies and rank the top 200 listed companies according to their scores.

The scope of participants in this survey is comprised of all the companies listed on the JSE, other than those on the venture capital and development boards. Also, Alt-X companies were not included in this year's survey.

Scoring Methodology:

Although Empowerdex recognises the progress made by certain sectors in terms of the development of Sector Codes; however, in order to facilitate meaningful comparisons between various sectors, all companies will be scored according to the methodology prescribed in the B-BBEE Codes of Good Practice (the generic codes). The information requested in the submission form attached is sufficient to fulfill the requirements of the generic codes.

The scores presented here are not verified by Empowerdex and, thus, do not constitute a valid basis for determining the procurement recognition level of each company. It remains, however, that many scores were derived from B-BBEE rating certificates submitted by participants in the survey.

2008 Results

Ranking	Overall Score	Company Name	Sector
1	81.69	Adcorp Holdings Ltd	Services
2	79.15	Merafe Resources Ltd	Resources
3	76.80	Hosken Consolidated Investments Ltd	Financials
4	75.64	Tongaat-Hulett Ltd	Food & Beverage
5	73.01	Metropolitan Holdings Ltd	Financials
6	72.32	Investec Ltd	Financials
7	70.93	Oceana Group Ltd	Food & Beverage
8	70.70	Super Group Ltd	Transport
9	70.08	Standard Bank of South Africa Ltd	Financials
10	69.90	Firstrand Ltd	Financials
11	69.51	Coronation Fund Managers Ltd	Financials
12	69.11	Paracon Holdings Ltd	ICT
13	68.84	Gijima AST Group Ltd	ICT
14	68.53	Glenrand MIB Ltd	Financials
15	67.81	Nedbank Ltd	Financials
16	67.54	Sun International Ltd	Travel & Leisure
17	67.21	Dimension Data Holdings Ltd	ICT
18	66.41	InfoWave Holdings Ltd	ICT
19	66.15	Business Connexion Ltd	ICT
20	65.59	Aveng Group Ltd	Basic Industries
21	65.43	Naspers Ltd	Media
22	65.34	Phumelela Gaming and Leisure Ltd	Travel & Leisure
23	65.20	Cadiz Holdings Ltd	Financials
24	65.11	Santam Ltd	Financials
25	64.28	The Don Group Ltd	Travel & Leisure
26	63.89	Discovery Holdings Ltd	Financials
27	63.35	Absa Ltd	Financials
28	62.95	Faritec Holdings Ltd	ICT
29	62.85	MTN Group Ltd	ICT
30	62.38	Telkom SA Ltd	ICT
31	61.54	Trans Hex Group Ltd	Resources
32	61.52	Mvelaphanda Group Ltd	Services

33	60.30	Medi-Clinic Corporation Ltd	Health
34	59.80	Barnard Jacobs Mellet Holdings Ltd	Financials
35	59.60	Raubex Group Ltd	Basic Industries
36	59.55	Aspen Pharmacare Holdings Ltd	Health
37	58.20	Network Healthcare Holdings Ltd(rating)	Health
38	57.56	Kelly Group Ltd	Services
39	57.40	Enviroserv Holdings Ltd	Services
40	57.40	Sekunjalo Investments Ltd	General Industrials
41	56.87	Petmin Ltd	Resources
42	56.53	Datacentrix Holdings Ltd	ICT
43	56.27	The York Timber Organisation Ltd	Resources
44	56.00	Metrofile Holdings Ltd	Services
45	55.27	Group Five Ltd	Basic Industries
46	55.21	Sanlam Ltd	Financials
47	55.17	Bidvest Group Ltd	Services
48	55.08	Argent Industrial Ltd	General Industrials
49	54.85	Allied Electronics Corporation Ltd	General Industrials
50	53.83	Hulamin Ltd(recently listed waiting for submission)	Resources

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Source: Polity (Creamer Media)

Date: 29 May 2008

By: Minister of Trade & Industry Mandisi Mpahlwa

Website: http://www.polity.org.za/article.php?a_id=135010

SA: Mpahlwa: Trade and Industry Dept Budget debate Vote 2008/09 NCOP (29/05/2008)

Address by the Minister of Trade and Industry, Mandisi Mpahlwa to the National Council of Provinces on the Trade and Industry Budget Vote 2008/09

Chairperson
Members of the Executive Councils of Provinces
Heads of provincial departments
Honourable Members
Ladies and gentlemen

Yesterday, in the National Assembly, we addressed the Honourable Members on matters relating to the state of the economy and through you Chairperson; I wish to repeat some of the key points here today.

Firstly, we argued that at the inception of democracy this government was faced with the massive task of re-building the economy. In taking up this responsibility the policy choices were defined by the objectives of eliminating poverty, the reduction of inequality and to that end ensuring the sustainable growth of the economy. There is no doubt that we have done remarkably well in this task, and there is no reason to doubt that we can and must continue to aspire to the higher rates of growth that we envisage in Accelerated and Shared Growth Initiative of South Africa (Asgisa). And we must, all of us, aspire to continue this level of growth if we are to make further inroads into reducing unemployment, poverty and inequality.

Secondly, we expressed the view that our economy is stronger than ever because overall, the economy grew by 5, 4% in 2006 and at 5,1% in 2007. Fixed investment, a key indicator of the underlying capacity of the economy, has grown dramatically from 15 percent in 2004 to 21 percent in 2007. Real income per capita has been rising at around 4% per person annually since 2004 and the rate of unemployment fell from 31, 2% in March 2003 to 23% in September 2007. This translates into an increase of approximately 1,8 million employed people and this means that employment is beginning to respond to the economy's higher growth rate.

Thirdly, and very significantly, the majority of new jobs since 2004 have been within the services-related sub-sectors of trade construction, financial and business services, and the manufacturing sector, which together also reported the highest rates of gross domestic product (GDP) growth. Growth in these areas is significant because it shows that our economy has undergone deep structural changes and that the fastest growth is taking place in increasingly diverse and new sectors of the economy. In fact, the data I have quoted reveal that there is a strong underlying growth momentum in the economy that should ensure its resilience in the current environment and sustain the upward trend over the medium to long term.

And while we found that the domestic manufacturing sector could not take full advantage from strong demand conditions, both globally as well as in South Africa, this should change as the sector has been re-capitalising and re-tooling with a view to expanding production into the future. Quite clearly then, our growth has thrown up a set of new challenges, such as the electricity supply and pressures on the infrastructure but it is in taking up these challenges that we also now have very significant new opportunities to exploit for the benefit of our nation. These new opportunities involve responding to the everyday needs of our people, our enterprises and industries for more and better infrastructure, means of public transport and, freight amongst others and the dti has a key role to play in assisting industry to respond to these demands.

In addition, as the demand for goods and services increase in South Africa and as we ramp up our capacity to respond to this demand, we will also find that our capacity to export increases. In turn, as our exports increase and are diversified through increased value-addition, it will impact positively on the current account balance and help reinforce macro-economic stability.

It is for this reason that the Department of Trade and Industry (dti) has and will continue to pursue strategies that will respond to these new opportunities. In this regard, the National Industrial Policy Framework and Action Plan we have developed has, as its central objective, the diversification and strengthening of manufacturing with an emphasis on non traditional tradable goods and services and labour intensive activities. This framework has therefore become the fulcrum around which our interventions in the real economy will rest. So, we will continually expand our access to markets, encourage investments and boost our exports. Simultaneously, we have and will continue to promote competition, vigorously combat anti-competitive behaviour in certain industries, protect consumers, and broaden participation, by encouraging massive growth in small businesses and co-operatives as well as promote broad based black economic empowerment (BBBEE).

As a whole, these initiatives which must be undertaken in a co-ordinated and integrated manner which will enable us to reach the objectives of halving unemployment and poverty by 2014 as set out in the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) programme. It is clear that pursuing these objectives is not the responsibility of the dti alone and we have been involved in intensive intra-departmental and inter-governmental co-ordination including through the Economic Cluster and MinMEC. As you know, in the context of the economic cluster, our work seeks to enhance economic efficiency in the economy by focusing on areas such as promoting dynamic growth sectors, and growing small enterprises. And the MinMEC is a vital forum and vehicle for us to engage and co-operate with provinces on these matters. In fact, we now have absolute clarity on what needs to be done and we have moved forward in implementing this plan.

Honourable Members, implementing our plan requires a national effort and no person in this country, in whichever province he or she may reside will be left untouched by these developments. But indeed at the policy and implementation levels it has been our experience that engagement with the provinces improves the depth and robustness of our work. During the past few years it has therefore been our privilege to work with provincial governments and municipal structures as we set about together building our economy. Our working together has enabled implementation in very significant ways and ensures the broadest possible impact of national policies and strategies.

For instance, the implementation of the Industrial Development Zones (IDZs) programme is an excellent example of how the efforts of the three spheres of government can be focused to achieve commonly desired goals. Since I last addressed this Council on this matter, the IDZ regulations have been amended in order to remove the "ultra vires" provisions of the Customs and Excise section, as well as in relation to issues regarding Value Added Tax administered by the South African Revenue Services. In addition, the IDZ enterprise permit has been replaced with broad guidelines which operators must comply with in assessing whether or not an enterprise can locate or trade within an IDZ or the Customs Controlled Area. These amendments improve the ease with which the establishment and operations of the IDZs can take place and together with the completion in February this year of the IDZ Operational Guidelines, has done much to promote investor certainty.

I can also report that the IDZ Policy Review has been completed and presented to MinMEC and other relevant stakeholders for inputs. Furthermore, we have completed an international benchmark study to ensure that we develop a competitive value proposition and I am confident that we will have a new policy in the near future. Together all of these initiatives and the possible introduction in future of an IDZ Bill will allow us to adapt our programme to ensure that we build on the momentum that has been generated in the four designated Industrial Development Zones. And certainly, what we have seen is that the Zones are increasingly being seen as attractive nodes for manufacturing and related service industries.

For instance, I am informed that the Coega IDZ has been able to generate private sector investment in excess of R49 billion. An interesting story to emerge from this IDZ is with regard to the firm Dynamic Products, which exports frozen yoghurt and pepper. The firm employs 650 people of whom over 80% are women, all from the surrounding areas, and the suppliers are mostly emerging farmers from the area. In using this business model, the firm is successfully exporting 25 tons of yoghurt per day to the United States, Canada and Europe. I relate this example because I think this is a good case study of the economic benefits to communities surrounding IDZs and in particular the potential for surrounding communities to build sustainable businesses based on the anchor IDZ investment.

We are therefore encouraged that the Richards Bay IDZ has secured major investors and that the Johannesburg International Airport IDZ is set to begin operating in the foreseeable future. Similarly, now that an International Airport License has been granted to the Mafikeng Airport, a major obstacle to the designation of the Mafikeng IDZ has been removed and further work can be done in this regard.

Chairperson, we have made this progress even though we could not take anything for granted when we undertook these initiatives. Yes there are and will be challenges but the fact is that we are succeeding in attracting investments that would not have materialised without the active intervention of government to enable such investments.

It is in this context that I raised the investment opportunities regarding Business Process Outsourcing (BPO) in the National Assembly yesterday and I wish to do the same here today. Because over the next few years the global BPO industry is forecast to grow at approximately 50% per annum and because we have several competitive advantages to offer investors, a window of opportunity exists for South Africa to realise significant value by developing this sector.

In fact, since the dti started supporting this sector in 2007, a significant number of direct and indirect jobs have been created and approximately R700 million in investment value realised. We have furthermore set a 100 000 jobs target and current indications are that we can achieve this if we continue to work hard at promoting this sector. I raise this matter here, Honourable Members, since I believe that BPO offers an opportunity to achieve some of our regional development objectives as already a number of localities-some in rural areas - have been identified as suitable for call centres. But I also raise this matter here because the mere possibility that such a highly technology dependant industry can locate in a rural area should alert us to the great many possibilities of investment for economic development, in whichever province or municipality we may find ourselves.

And provinces must become increasingly alert to this new range of possibilities. Consider for instance that the dti has during the past year - in its work to mobilise domestic and international investment - generated a pipeline of 74 projects worth R206 billion with the potential to create over 30 000 new jobs. Of this, domestic investment projects are worth R153 billion and foreign investment R53 billion, and already, R171 billion in the pipeline is committed or in progress. Manufacturing accounts for R19,7 billion, resources R182,7 billion and services R3,6 billion. I am also glad to be able to report that our trade and investment division have had great success working hand in hand with provincial investment agencies leading to the very significant R7, 7 billion Heineken brewery investment in Sedibeng, the new R3,2 billion cement plant investment by Larfarge in Mafikeng, and the Unilever and Cognis investments in a R750 million Hoodia extraction plant in the Western Cape as well as Agronomy investments in Karbees in the Northern Cape.

In the same way as the spin-offs from the IDZ investments, these investments will result in enormous opportunities for especially Black Economic Empowerment (BEE) companies entering the manufacturing sector, as suppliers in glass bottling and canning. Furthermore, procurement opportunities from local South Africa companies will be released in respect of raw materials, construction, distribution, warehousing, and transport, marketing and adverting.

Honourable Members, I have spoken to the detail of these opportunities to illustrate the importance of building local economic development capacity to ensure that we can respond effectively to the type of investments I have described.

In this regard, we have as the dti, working with the Department of Provincial and Local Government and other role players, begun to implement Project Khulisumnotho, which involves during 2008, addressing the Local Economic Development (LED) capacity building needs in 17 of our district municipalities.

The intention of this project is to assist district municipalities (or Metropolitan areas) in building capacity in order to ultimately develop credible LED strategies and bankable projects with viable business plans, thereby allowing them to take up investment opportunities when they arise. However, a key aspect to sustainable LED capacity building is the involvement of provinces in identifying the broader regional economic projects that are of industrial significance and that will impact on the selected districts and I thus urge all provinces to partner us in this project.

Honourable Members, in this way, from national to provincial to municipal, we can jointly give impetus to industrial development, on a more regionally spread basis, which in turn, can sustain growth in our economy for generations to come.

Finally, through you Chairperson, I wish to thank the National Council of Provinces, for its role in the dti's legislative programme. Since 2004, the Council has applied its wisdom to, amongst others, the National Gambling Act, the National Small Business Amendment Act, the Co-operatives Act, the National Credit Act and legislation relating to our technical infrastructure. All of this legislation, together with those pieces of legislation that you will be asked to consider this year, has a huge impact on our society and our economy. We are privileged to have been able to walk this journey with you.

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29 May 2008

Source: South African government Information Website

Date: 30 May 2007

By: Issued by Department of Trade and Industry

Website:
http://www.search.gov.za/info/previewDocument.jsp?dk=%2Fdata%2Fstatic%2Finfo%2Fspeeches%2F2007%2F07060616151003.htm%40SpeechesandStatements&q=(+((davies)%3CIN%3ETitle)%3CAND%3E(dc.Date%3E%3D2005%2F01%2F01)+)+%3CAND%3E(+Category%3Cmatches%3Es+)&t=R+Davies%3A+Trade+and+Industry+Dept+Budget+Vote+debate+NCOP%2C+2007%2F08

Department of Trade and Industry Budget Vote Debate at National Council of Provinces by Dr Rob Davies Deputy Minister of Trade and Industry

30 May 2007

Chairperson
Honourable members

This Council has unique responsibilities and perspectives which mean that its oversight over national government departments is of a different order and a different character from that of the other House in our National Parliament.

As honourable members know, the Constitution gives our provinces considerable powers in the areas of trade and the promotion of economic development. All our provinces have MECs and departments responsible for economic development. Municipalities, likewise, have powers and responsibilities for local economic development, particularly through the formulation and implementation of Integrated Development programmes. Our Constitution also entrenches the principle of co-operative government requiring that all three spheres of government work together to ensure coherence and complementarity. The National Council of Provinces (NCOP) is thus in a unique position to oversee the big picture of the relationship between the efforts of the three spheres of government, in this case, in the areas of trade and industry.

This year has seen advancement in our work on industrial policy at national level. We have announced that within the very near future, we will publish the Industrial Policy Framework Document, along with an Industrial Policy Action Plan for the current fiscal year. The mandate for the current year's Industrial Policy Action Plan (IPAP), derives from the President's State of the Nation address, where he indicated that action programmes would be formulated and implemented for a number of specific sectors. Essentially what we have done is to drill down into the Customised Sector programmes in various stages of development in the named sectors, and identified all the low hanging fruit initiatives recommended in key action plans, that we can move towards implementing quickly, and within available budgetary resources. This year's IPAP will thus outline a fairly broad range of actions across a fairly diverse range of sectors.

However, the IP Framework Document indicates that we intend to move towards making IP interventions on a larger scale, sufficient to strategically influence the direction of industrial development in this country, and also to make support measures available more conditionally. This means that even as we finalise this year's IPAP, we are beginning work on future IPAPs that will differ significantly from the current year's one. Essentially, making larger scale interventions requires that we engage with some of the big ticket recommendations in the comprehensive service plans (CSPs) and this will inevitably require greater choice, sequencing and prioritisation. Future IPAPs should therefore be expected to focus on a smaller number of larger interventions, focused on a smaller number of sectors than this year's.

One priority that has already emerged is capital goods industries capable of producing inputs for the very significant infrastructure development programme that is already underway. We need to ensure that a significant portion of the various items that will be procured by the various infrastructure development projects are manufactured in South Africa, and that we therefore use the infrastructure programme as a tool of industrial development. This will require that we drill down further and identify particular capabilities in this area that we now have, or had in the past, as well as other strategic inputs we can produce whose continued reliance on foreign suppliers would be problematic for one reason or another. We then need to identify what is required to promote the production of such capital goods in South Africa. In this work, we will be working closely with the Department of Public Enterprise's Supplier Development Programme, to identify the prospects for promoting offsetting foreign investment in targeted capital goods areas.

Beyond this, certain parts of agro-processing and of chemicals are emerging as possible new priorities along with ongoing programmes to promote beneficiation of mineral products. At the same time we will need urgently to respond on the successor programmes to the Motor Industry Development Programme (MIDP), and the clothing and textile DCCs, as well as the proposed capital upgrading programme for this sector.

Each of our provinces has simultaneously developed their own Growth and Development programmes. Most of these have identified sectors where provinces believe they have comparative advantages or could create competitive advantages. Municipalities, through their IDP processes, have likewise identified priority areas, in some cases in close collaboration with provinces.

A major challenge as we move into the next phase of our industrial policy work is to ensure that there is alignment and coherence between the priorities that have emerged from the work that has taken place at the three spheres. It makes no sense for a province or a municipality to be pursuing a priority that is not being championed at national level, and vice versa.

A further challenge will be to locate our industrial policy within a spatial development perspective. We all know that despite the significantly improved economic growth that has taken place in recent years, significant disparities persist and may even have been exacerbated in small towns and rural areas. Unless we act decisively, we could be in danger of further polarising our economy with dominant enclaves, well connected to the global economy, advancing, while areas marginalised by apartheid, become further isolated as wealth and employment disparities increase.

The key policy pronouncement in this regard is the 2003 National Spatial Development Perspective. The National Spatial Development Perspective (NSDP) identified various categories of development potential in the space economy of the country and laid the basis for determining guidelines and interventions appropriate to meeting the differing development needs of the various economic regions in South Africa. The NSDP is forcing all of us to confront some hard questions: do regionally specific plans and proposals have real prospects, or are they just wish lists? If proposals have real prospects, what do we all need to do to ensure a more equitable, but also realistic, spatial economic development? How do we deal with competing projects that have emerged from provincial processes?

A strategic conversation on some of these issues has begun, but only begun, at Ministers and MECs (MinMec) level. We have agreed on a need to develop a three year MinMec work plan focusing on high impact priorities. To this end we have begun to engage with the 174 or so provincial projects identified in provincial Growth and Development Summit (GDS) processes with a view to identifying between 10 and 15 that will be the focus of more substantive interventions. In this process we have agreed that there will be at least one such project in each of the nine provinces. We have also as dti proposed, 12 such projects and are awaiting any suggested amendments to the list from the provinces.

The Department of Trade and Industry is in the meantime finalising a new Regional Industrial Development Strategy (RIDS), which we hope to table soon. The RIDS will specifically seek to address spatial constraints and opportunities related to industrial development programmes at municipal level.

Finally, we are in the process of reviewing Industrial Development Zones (IDZs), not with a view to changing the basic concept underlying them, but in order to improve their effectiveness as a means of attracting investment. Changes in the regulatory framework as well as in support programmes may emerge as a result. As we improve programmes, we must however, expect to have to make choices and establish clearer priorities in decisions on future IDZs. We cannot expect to see IDZs everywhere in the country. If we did, we would be undermining the very rationale of IDZs as special export-orientated centres of production in our country.

As I indicated, at executive level we have really only begun our strategic conversation on some of the critical issues arising from the imperative to promote more equitable spatial economic development. I would respectively suggest that this Council might find it worthwhile also to engage on some of these critical questions.

Chairperson
Honourable members

It is pleasing to note that the NCOP continues to take an active interest in trade policy issues. As I indicated in my speech in the National Assembly yesterday, this year will see three very critical trade negotiation processes come to a head one way or another with implications for all of us. The first of these is, of course, the World Trade Organisations (WTO) Doha Round negotiations. With the French Presidential elections now completed, the German Presidency of the European Union (EU) about to end, and the United States (US) left with only a few months before its focus is entirely upon Presidential elections, a brief window of opportunity to restart the stalled negotiations has now been identified by some of the major players.

South Africa continues to favour the soonest possible conclusion of a developmental outcome to the Doha Round, but we must stress that for us, the content of an agreement and our insistence that it must in the end advance the interests of developing countries, is as and indeed possibly more important than an early close to the process. The fundamental issue in determining whether or not the WTO process moves forward, remains, in our view, whether or not the major developed country trading blocs can develop sufficient political will to make the kind of reforms in agricultural trade which have long been identified as necessary to give developing countries an opportunity to expand exports in an area where many already have a natural comparative advantage and/or could acquire further competitive advantages.

South Africa continues to pay particularly close attention to the negotiations taking place in the area of Non Agricultural Market Access (Nama). We have observed with dismay that Nama continues to be regarded by the major trading blocs as an area where so-called advanced developing countries, including South Africa, merely pay for the reforms which developed countries need to make in the agricultural sector. Through our work in coordinating the Nama 11 group in the WTO, we are striving to ensure that we do not find ourselves in a position where we are asked to make a disproportionate contribution in industrial tariff reductions, to secure only modest gains in agriculture.

The second critical negotiation this year will be the Economic Partnership Agreement (EPA) negotiations which African, Caribbean and Pacific regions are undertaking with the European Union. Following a proposal from the Southern African Development Community Negotiating Configuration, of which we are part, the review of the bilateral Trade

Development and Co-operation Agreement which we have with the European Union and South Africa will now be integrated and merged into the EPA negotiations. We believe that this could contribute to a harmonisation of an important external trading relationship within the region that could make an important contribution to regional integration. I mentioned in my speech yesterday that there are a number of difficult and complex questions we are having to confront in these negotiations, which the EU is insisting, must be concluded by 31 December this year, failing which they are saying most of the ACP will find themselves trading on worse terms than they currently do under the Cotonou arrangements.

The third trade related issue which looks likely to be resolved in one way or another during the course of this year, is the Southern African Development Community (SADC) regional integration agenda, and in particular the debate about a move to a Customs Union. We in South Africa, have insisted that a move towards a Customs Union will only be possible once the work of putting in place the SADC Free Trade Area, envisaged by the Maseru Trade Protocol, has been completed.

More than that, any move to a Customs Union must be shown to be contributing towards the promotion of growth and poverty reduction in the region, must take account of existing arrangements, and the variable geometry of the region, and must ensure that any common external tariff which emerges, allows space for tariffs to be a policy instrument of industrial development, and not simply a revenue raising device. This debate I believe, is a critical one for the future of the region, and merits much fuller engagements by parliamentarians.

Chairperson and honourable members, I have focused on just some of the areas of the work of the Department of Trade and Industry with which I believe we can all benefit from a deeper engagement with members of this Council, in the Select Committee in particular. I look forward to us having those opportunities in the near future and I have pleasure in commending Budget Vote 32 to this Council.

Thank you.

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Minister of Trade and Industry, M Mpahlwa, Budget Vote 2006/07

29 March 2006

Madam Speaker
Cabinet Ministers and Deputy Ministers
Members of the National Assembly
MECs and Heads of Departments (HODs)
Officials of the Department Trade and Industry (dti) and Council of Trade and Industry Institutions (COTII)
Leaders of organised Business and Labour
Distinguished guests
Ladies and gentlemen

The dti's role in driving forward economic growth

Madam Speaker, by all accounts our economic performance is impressive and is a source of inspiration for our nation and reinforces our belief that we can achieve our ideals of a better life for all. Gross Domestic Products (GDP) growth was close to five percent, business and consumer confidence reached new highs, job creation is starting to pick-up and investment inflows are steadily increasing.

However, Madam Speaker, to sustain this performance and improve on it we must pay attention to the conditions and structural changes that are necessary to support current and future economic growth. The fact is the current growth is based on the current commodity boom as well as positive consumer sentiment, both of which can be transitory. We are now at that critical juncture that requires us to take key decisions to prepare the ground for quality growth that is sustainable.

The dti has already been active on a number of fronts in regard to this challenge. The dti supports enterprises; dispenses financial support and incentives; continually seeks to promote competitiveness of our industries; promotes empowerment for both black people and women; undertakes supportive regulatory initiatives such as in respect of consumer protection and corporate law and seeks to influence the global trading environment for our enterprises through the work we do at the World Trade Organisation (WTO) as well as through a range of bilateral trade agreements.

Madam Speaker, we appreciate fully that the activities of the dti will need to be strengthened, broadened and properly resourced in order to more effectively fulfil its mandate in realising a better life for all. Indeed considerable challenges remain, not least continuing unemployment and underdevelopment. Thus in the year ahead, the focus will be on unlocking the potential thus far demonstrated by this economy by addressing some of the main constraints to growth. In this regard the dti has been central in the process of formulating the Accelerated and Shared Growth Initiative (AsgiSA), which has been championed by the Deputy President.

As is now well known, AsgiSA is a growth strategy involving targeted interventions to overcome key constraints in the macro-economic environment, in infrastructure and logistics provision, in skilled labour availability, in the competitive environment and cost structure of the economy as well as in the regulatory environment and in the institutional capacity of government to deliver.

In the immediate period ahead the dti will work with the rest of government in overcoming these challenges.

More specifically the dti will focus on those dimensions of AsgiSA that deal with industrial development, sector strategies, enterprise development as well as second economy initiatives more broadly. We will also support AsgiSA initiatives on skills and public investment including through our role as the co-ordinating Ministry and Department in the Economic and Investment Cluster.

Our work for 2006/07 will be guided by five integrated, strategic objectives underpinned by a number of key projects and initiatives.

First, promoting co-ordinated implementation of our commitments to AsgiSA including the contribution that the dti's agencies can make in this regard.

Second, promoting direct investment and growth in the industrial and services economy.

Thirdly, promoting broader participation, equity and redress in our economy.

Fourth, raising the level of exports and promoting equitable global trade.

Finally contributing towards the development and regional integration of Africa within the New Partnership for Africa's Development (NEPAD) framework.

It is clear from these objectives, Madam Speaker, that the mandate of the dti is very broad indeed and the Department has an important contribution to make to the work of growing the economy. An industrial policy framework for accelerated and shared growth

At this point, Madam Speaker I would like to outline what the work of the dti will be in fulfilment of our mandate, as well as in support of AsgiSA. This year will see the completion of the process of developing an overarching Industrial Policy Framework harnessing existing capacity of our industries and unlocking their potential and covering manufacturing, selected primary and services sectors. We believe that a robust Industrial Policy is necessary to fast-track industrial development. In this regard our human and financial resources will be more focused on a narrower range of high impact sectors. Increased financing for industrial development including improved incentives will be part of our focus going forward.

Within this broad industrial policy framework we will also accelerate the work we have been doing in respect of key priority sectors through the Customised Sector Programmes (CSPs). These will be strengthened to identify and act upon the constraints to growth and employment. The process has involved extensive inputs and consultations over recent months. Deputy Minister Davies will expand on this theme on his input.

Madam Speaker, included in our work on the industrial policy framework is a focus on services and regional industrial development. We see services as a crucial part of our growth and employment creation efforts. Services currently represent almost 70% of South Africa's employment and output. Uneven development of our economy remains a challenge, hence we want to give greater emphasis to the generation of industrial activity in underdeveloped parts of our country drawing on the comparative advantages of these regions and working with provincial governments.

Honourable Members, it is clear that an effective industrial development strategy will require adequate and appropriate financial resourcing and therefore work is currently underway to review the package of incentives with a view to sharpening their focus as well as to securing increased funding.

Sustainable growth requires a continued focus on competitiveness and competition that are necessary to unlock the potential of the economy. It has long become clear that downstream value-addition or beneficiation of raw materials is constrained by high input costs often arising from the anti-competitive pricing practices of monopolistic enterprises. Similar constraints exist in services. These factors have prompted, amongst other initiatives, a review of competition policy and measures to address import parity pricing and investigations into beneficiation incentives.

As regards import parity pricing I wish to take this opportunity to outline the decision that Cabinet has taken in respect of this matter. It is government's wish to see a phasing out of substantive price discrimination between domestic and export customers in key intermediate input sectors in the economy.

This will entail a number of changes, namely:

* The Competition Act will be strengthened to better deal with the high levels of concentration in certain sectors of the economy and attendant uncompetitive outcomes.
* Any future fiscal support by government or public entities will be dependant on adoption of non-discriminatory pricing between the domestic and export markets.
* Import tariff protection on product lines engaged in IPP will be removed and contingent protection legislation will be amended to ensure that anti-dumping and countervailing duties are not used as a form of protectionism to inhibit import competition in such commodities.
* Government will develop a state-owned enterprises (SOEs) pricing and procurement framework which links the pricing and procurement practices of SOEs to market behaviour of strategic input industries.
* Government is in the process of developing downstream beneficiation incentives to help address other constraints and the historical under-development of key downstream beneficiation sectors, particularly the metal fabrication, machinery and equipment and plastics sectors.

As outlined above the measures to deal with IPP form part of a broader strategy of promoting downstream beneficiation. We are confident that the co-ordinated approach to growing domestic and regional demand will generate profitable and sustainable growth and employment in both upstream and downstream beneficiation industries.

With respect to the steel industry there have been ongoing investigations and discussions that are still underway. Specific discussions with Mittal Steel are still underway. However, after careful review and in line with our policy of bringing down the cost of key manufacturing inputs, it has been established that there is no longer a need for a five percent import tariff on certain primary carbon and stainless steel products and that this duty is removed with immediate effect.

Our work on sectors constitutes the greatest contribution of the dti to advancing AsgiSA. In this regard we will prioritise those sectors that are labour absorbing and in which South Africa has a comparative advantage, stimulating investment, employment and our competitive capacity both in the international and domestic market. These include Business Process Outsourcing (BPO) and tourism. Further than that we will also focus on chemicals, creative and cultural industries, metals, agro-processing and textiles and clothing.

Madam Speaker, I would now like to deal with some topical issues in relation to some of the key sectors that have been reported on in the media. Regarding the automotive industry, I wish to reiterate government's continued commitment to supporting this industry which has displayed impressive performance; creating jobs, attracting investment, growth in exports and integrating the domestic industry into global manufacturing operations. The current support programme for the industry, the Motor Industry Development Programme (MIDP) is undergoing a review with an objective to seek sustainable ways of maintaining and improving this impressive performance and ensuring that our support is on par with international norms and standards. The review of the MIDP will be finalised in a matter of the following few months and any changes will be communicated to all stakeholders at that time.

Madam speaker, regarding the Clothing and Textile sector, it has always been our view that the challenges of the sector have to be addressed in a comprehensive manner focusing on both immediate issues, such as import surges, as well as long term competitiveness. For this reason we attach great importance and urgency to the work of finalising a customised sector strategy for Clothing and Textiles that will seek to secure the long term sustainability of the sector. This has been a stakeholder driven process and I intend to shortly convene a meeting of those who have been involved in order to finalise the strategy. On that occasion I will also unveil the arrangement we are entering into with the People's Republic of China in respect of import relief in the sector.

In terms of immediate support, I am glad to be able to use this opportunity to announce that the Duty Credit Certificate Scheme will continue for a 24 Month period, retroactive as from 1 April 2005. The current practice on tradability will be allowed to continue on a Southern African Customs Union (SACU) wide basis until 31 March 2006. Effective on 1 April 2006, the tradability of the certificates will be restricted to manufacturers only (however, will include those retailers who also have manufacturing facilities) until 31 March 2007.

Honourable members, our work on sectors will also inform our approach to investment and export promotion efforts. We believe that not only does the level and rate of investment in the economy need to increase, the type of investment that takes place needs to be more labour-absorbing if significant numbers of new jobs are to be created. Similarly greater efforts are required to boost flagging manufacturing exports and lock into new markets for our products and services. In both exports and investments we will unveil, during the course of this year, new plans, drawing on our lessons and expert advice from a range of sources, including multilateral agencies. This will build on the work that we have done on the Investment Climate Survey that identified our investment potential as well as the constraints to be overcome.

Equity and enterprise development

A central pillar of our work will be with respect to enterprise development, focusing on the small and medium sector, the micro-enterprise sector as well as cooperatives. This work is informed by our belief that enterprise development is a key vehicle for broadening economic inclusion and participation, this is more important in light of the challenges posed by the marginalisation of the second economy.

Two areas will receive greater emphasis with regards to enterprise development, namely financial support and non-financial advice. It is worth noting the speedy turnaround achieved by the National Empowerment Fund which is now properly established and functioning and is succeeding to increase the level of disbursements. As at the end of February 2006 the Fund had concluded 48 new deals and 60 disbursed investments to the value of R240 million.

Financial support for small, medium and micro enterprises (SMMEs) is attracting greater interest in the market as demonstrated by the Industrial Development Corporation (IDC) making R1 billion available for low interest loans to SMMEs and the initiative by Khula and Business Partners to create an instrument for SMME start-up funding focusing on the provision of loans of R10 000 to R250 000 to black entrepreneurs.

The Small Enterprise Development Agency (SEDA) will facilitate dedicated non-financial support to small businesses in priority sectors including those identified in AsgiSA. This will include the provision of crucial business development information to small businesses as well as mentoring and hand-holding. Progress in this work will depend on the roll out of the SEDA national network which we are giving the highest level of attention, including through the dedication of Deputy Minister Thabete to this work.

Madam Speaker, flowing out of AsgiSA, our work on small enterprise development will also involve two important initiatives. The first is to ensure that government honours its commitment to pay small business service providers within 30 days. The second relates to the identification of products and services that Government will procure from SMMEs alone. The dti has been assigned the responsibility to lead these initiatives in conjunction with National Treasury. We will report on this work through the course of this year.

With regard to micro-finance, the highlight of our work will be the launch of the APEX fund as a trading entity as from the 1 April 2006. The APEX Fund will establish 50 provincial offices by March next year, and operate a vastly expanded lending network.

Madam Speaker, we are encouraged with progress that has been made in respect of Black Economic Empowerment (BEE) as evidenced by the increase in the number of deals and the breadth of their coverage, which includes sectors like women and communities. All of this underscores the urgency which we will attach to concluding the work on the Codes of Good Practice, which we hope to gazette by the end of the second quarter of this year. At the same time we hope to ratify the Charters and launch the BEE Advisory Council.

Madam Speaker, on the regulatory front we are pleased with the profile we are giving to consumer protection as signified by the Consumer Bill, which will be introduced into Parliament in the second quarter of this year and the establishment of the National Credit Regulator.

Because our economy is integrated into the global economy through trade and investment, it is necessary that we pay engage in global trade negotiations and other trade arrangements, including continuing the forging of links with African economies. In this regard we will continue our efforts at ensuring the conclusion of the Doha Round, in which we have promoted the interests of Africa and developing countries. This issue will be further elaborated on by Deputy Minister Rob Davies.

Strengthening institutional capacity

Madam Speaker, what has been outlined is a wide-ranging and daunting agenda. It begs the question of the institutional, human and financial resources that will be necessary to ensure its successful implementation. A key requirement in this regard is a functioning and effective department. In the immediate period ahead we will pay greater attention to building the capacity of the dti, including leveraging our partners' and stakeholders' energies and capacity in support of this work.

In better resourcing the dti special focus will be given to both the number and quality of human resources as well as to strengthening the top management of the department. In this regard, I am pleased to announce that I have initiated the process of appointing a Director-General, which I will finalise as a matter of urgency.

In terms of financial resources, the Department is seeking ways to generate efficiencies both internally and within the Economic Cluster. In addition, we are working closely with the rest of government to ensure that budgetary allocations are aligned with agreed strategic objectives.

Conclusion

Finally, Madam Speaker, as we work towards creating sustainable employment by promoting vibrant manufacturing and services sectors in the economy, we are abundantly aware of the necessity to act in concert. Therefore, let us work together to achieve these ambitious and necessary goals.

I would like to thank Members of Parliament and particularly our Portfolio and Select Committees, for their keen interest and involvement in the workings of the department. I want to thank the National Economic Development and Labour Council (NEDLAC) constituencies, noting the improvement in the working relationship and encouraging participants to continue to build on the gains made. I also wish to thank my excellent Deputy Ministers, Elizabeth Thabethe and Rob Davies, my senior management and staff in the department and the leadership of the various COTI institutions for their hard work and dedication. I want to thank the Acting Director-General Tshediso Matona for his continued and tireless devotion to enhancing the impact of the department.

Honourable Members, I ask this House to support the efforts of the dti by approving its budget of R3.665 billion for this financial year.

I thank you.

Issued by: Ministry of Trade and Industry
29 March 2006

Source: Business Report

Date: August 24, 2008

By: Vuyo Jack

Website: http://www.busrep.co.za/index.php?fSectionId=2512&fArticleId=4573125

Verification manual sets standard for BEE ratings

This manual, which has been legally binding for verification agencies since the date of gazetting, seals the move of broad-based BEE from the arena of ratings to effective BEE audits.

The manual sets out assurances that the information underpinning a verification certificate's score has been tested for validity and accuracy.

The history of BEE measurement started out with the rating agency model, where the rating agency defined its own measurement criteria, usually articulated through a rating methodology paper. The rating outcome would be used by the measured entity to get money or business from third parties.

The first BEE rating agency was established in June 2001 and by 2003 there were no fewer than four companies operating in this arena. This meant that measurement criteria did not correlate, causing a great deal of confusion in the market. There was lack of uniformity and comparability, so there was a need for intervention.

The introduction of the BEE strategy in 2003 and the passing of the Broad-Based BEE Act in January 2004 set the scene for the regulation of the BEE measurement industry. The gazetting of the BEE codes of good practice firmly moved measurement agencies from self-regulated entities to a verification industry.

The publication of the verification manual seals the entry of the BEE verification industry into the assurance sector.

What are the implications of this move on the accreditation process of the BEE verification agencies by the SA National Accreditation System (Sanas)?

It makes sense for Sanas to suspend the accreditation of verification agencies until further notice.

The minister of trade and industry, in his preface to the verification manual, prescribed the manual as part of the accreditation process and stated that it should be used by all verification agencies.

Furthermore, the manual incorporates the relevant provisions of the Sanas R47 document. This legally elevates the manual above the status of the Sanas R47 document, which is broadly principle based, whereas the manual is very detailed.

The difficulty Sanas faces in going ahead with accreditation is that it cannot use the manual just yet because not all the agencies have applied all the manual's provisions. This effectively delays the accreditation process for at least six months.

Why is this manual so critical to the credibility of the BEE process?

It provides clarity on the minimum procedures that must be performed to provide certainty to companies.

The manual covers how to detect fronting, the biggest risk facing broad-based BEE. However, the biggest issue most companies want clarity on is what happens when a company is found to be fronting. The manual merely suggests that the verification agency not give a score to the particular element under evaluation.

Furthermore, if the company misrepresenting its scores dismisses the agency, this should be reported to the department. It is inherently difficult to come up with a holistic approach to deal with fronting as it is a moving target and fronting companies adapt their tricks. The manual at least goes a long way to eradicating fronting.

The manual allows verification agencies to minimise their risk by following the decreed methodology.

The potential downside effect of the manual is that the prescribed procedures require adequate capacity. This lengthens the time spent on the verification process, affecting the profitability of the agency. Gone are the days when a big company could be verified in two days.

The effect of the gazetting of this manual may be a bitter and hard pill to swallow, but overall it provides a strong base and accountability that broad-based BEE will take place over the next few years.

Source: Financial Mail (online article)

Date: 15 August 2008

By: Sibonelo Radebe

Website: http://secure.financialmail.co.za/08/0815/features/bfeat.htm

SHAREHOLDER ACTIVISM

BEE debate rages on

Shareholder activism and black economic empowerment (BEE) should make natural bedfellows, but not all black executives see it that way.

At a recent Black Management Forum (BMF) conference, most delegates were inspired by an address from shareholder activist Theo Botha. But one black executive at a table of six dismissed Botha's support of BEE as an opportunistic act driven by an attention-seeking man.

"I'm not feeling this Theo Botha," she confided to the table. "His approach is emotionless and mechanical. There are many of them out there and I'm not impressed by them. I'm wondering what difference they make."

Botha is becoming something of a celebrity among BEE hardliners and BMF recently bestowed on Botha its highest leadership award. That makes his critic's statements somehow "blasphemous", given the context.

But the retort from BMF managing director Mncane Mthunzi, who was at the table, was equally stinging. "Botha is playing a critical role in the battle to transform SA corporations." This is a role neglected by many self-interested black executives who are just happy with their huge salaries.

Herein lies a BEE debate which has been bubbling under for some time. A number of black executives are uncomfortable with the role played by shareholder activists such as Botha, Public Investment Corp (PIC) CEO Brian Molefe and, to a certain extent, BMF president Jimmy Manyi.

When the BMF shout from the rooftops about the poor BEE credentials of a company, it reflects badly on the black executives who are supposedly working hard from within to push transformation.

But Botha was on a mission at the conference and delivered a wide-ranging, vicious attack on the slow pace of transformation at some JSE-listed companies, castigating their BEE executives.

What are black directors who sit on these boards doing? Are they being stonewalled, or are they just happy to be there? he asks. It is this tone which irks many black executives.

But Botha is here to stay. His growing enthusiasm towards transformation cements the marriage between classic shareholder activism and BEE, a trend sparked by Molefe. Armed with about R700bn of PIC funds under management, Molefe has linked shareholder activism with progress in BEE. This at a time when many traditional (mostly white) investors spurn BEE on the basis that it compromises value creation.

The PIC has forced BEE into the good corporate governance spotlight. In the PIC's book, issues such as the independence of a company's board and directors' remuneration are on a par with black executive representation, employment equity and facilitation of black ownership. Molefe has used his muscle to sway the boards of a number of large listed companies, such as Barloworld and Sasol.

Botha has jumped on to that bandwagon and uses the PIC's version of responsible investment and general corporate governance guidelines like a bible.

On the basis of King 2, which emphasises the principle of triple-bottom line, broad-based BEE equals good governance, Botha says: "It is part of social responsibility which translates to good business. Implementing broad-based BEE should give companies a competitive advantage. "

Botha gave the BMF audience a list of perceived "culprits" and renewed his attack on Reunert's BEE deal, which awarded a chunk of shares to Wendy Lucas-Bull, one of the four women leading investment group Peotona: "When was Lucas-Bull ever disadvantaged?"

He noted that since the Reunert deal was concluded in 2006, the company remains untransformed. "Why haven't the Peotona members insisted on (board) representation? Maybe they are just too busy chasing the next BEE deal, or maybe [Reunert CEO] Boel Pretorius doesn't want them on the committee?"

Botha also hammered the JD Group's BEE credentials, saying the business relies on black spending power and yet, 14 years after independence, it is still trying to cobble together a BEE deal. So too Astral Foods and Altron.

Retailing giant Pick n Pay did not escape Botha's lashing, either. "Pick n Pay is insisting that it will deliver on procurement and other aspects of the broad-based BEE scorecard. My question is how can [chairman] Raymond Ackerman tell or insist that his suppliers must be BEE-complaint when he isn't?"

Botha trashed the concept of once empowered, always empowered, which allows companies to retain some ownership points if their BEE partners cash in. " It's an easy cop-out for business to say we have fulfilled our BEE requirements'," he said.

He challenged Standard Bank and Stanlib to replace BEE shareholders who have cashed in their investments.

He concluded that broad-based BEE should be about creating annuity-based income for disadvantaged communities - not focus on a one-off jackpot.

Source: Financial Mail (online article)

Date: 20 June 2008

By: Sibonelo Radebe

Website: http://secure.financialmail.co.za/08/0620/moneyinvest/dmoney.htm

BARLOWORLD

BEE train gathers pace

Industrial giant Barloworld went for broke in infusing the principle of broad-based black economic empowerment (BBBEE) in its R2,4bn initiative to transfer 10% of shares to black interests. There are even concerns that the industrial giant went too far.

Announced last week, the transaction cements a trend that has shifted mainstream deals away from benefiting a few individuals.

Says Barloworld CEO Clive Thompson: "We set out to ensure that our transaction was very broad-based so that as many black people as possible would benefit. We believe we have achieved this with all the various groupings after an extensive selection process."

It is not the size of the beneficiary base in the deal that is being questioned, but the sprawling organisation of the BBBEE interests, which will not be easy to manage.

Those who have been in the BEE game will know that arrangements like this tend to be unworkable. Experiences of individuals in the now-defunct BEE pioneering player, National Empowerment Consortium (NEC), are telling. One of them, Saki Macozoma, once commented: "Without a clear leader, BBBEE consortiums can be a serious headache. It's like herding cats."

It's hard to identify the leader who will be able to harmonise the varying interests in the Barloworld structure, says an analyst. There are too many bulls in the same space, he says.

Barloworld is to issue an equivalent of 10% of its equity, to be distributed across 14 BEE entities. A total of 5,8% goes to so-called strategic BEE partners, 2,3% to employees and the rest to community development entities.

The strategic BEE partner component features an entity called Gandanganda Trust, led by Barloworld Equipment CEO Dominic Sewela and including outside concerns. Gandanganda will get 1,3% of Barloworld's shares.

There is another group of Barloworld insiders riding the strategic BEE train. These include the YJ Family Trust and a group led by Litha Nkombisa and Ciko Thomas, executives in Barloworld's automotive division. In a simpler structure, the latter could have been lumped together with all black executives.

While Sewela and Nkombisa are Barloworld employees, their BEE holdings are held separately from each other and are independent of the general employee component. Will they be able to work together and not compete for further opportunities flowing out of this BEE deal?

The strategic black partners component also features prominent BEE group Ayavuna, led by Hixonia Nyasula and getting 1,5% of Barloworld shares. There are also Sipho Pityana's firm Izingwe Holdings, and Bheki Sibiya's Moty Capital (both 0,75%).

Barloworld's black non executive directors get 0,04% of group shares through a separate trust. Nyasula, who is also a non executive director, holds her BEE windfall separately from the other non executive directors. The latter include board chairman Dumisa Ntsebeza, Selby Baqwa and Bongi Mkhabela. Will this cocktail of personal interests not cause a corporate governance nightmare?

Should something go wrong in this deal, who will rise up beyond their selfish interests to save it? When the NEC financial structure was blown out of the water by adverse market conditions and required refinancing, a few individuals clamoured to save their portions and watched their co-beneficiaries sink.

While Barloworld's BEE deal is backed by stronger fundamentals and is unlikely to go the NEC route, nothing is impossible in equity markets.

The deal is launched into a troubled market, with Barloworld's share price trading far below the deal's strike price of R103,87/share. Barloword's shares have retreated from a high of R133,99 in October to a low of R80 in January. The share has since recovered to around R87.

The p:e of 9,4 suggests Barloworld is cheaply priced compared with its peers, which must be a source of comfort for the BEE partners.

Barloworld's BEE partners are getting special treatment compared with beneficiaries of other comparable companies because t hey are exposed to Barloworld's international earnings base. Other groups, such as Vodacom, tend to limit BEE deals to local operations.

Up to 35% of Barloworld's profits are generated in Europe, the US and Australia. For compliance purposes, the BEE deal translates into black ownership of about 29% of SA assets - above the required target of 25%.

The industrial group has also gone out of its way to facilitate funding, with a range of guarantees. Existing Barloworld shareholders will take a R682m hit on the income statement, representing about 3,2% of market capitalisation on June 6.

Source: South African info website

Date: 27 August 2008

By: SAinfo Reporter

Website: http://www.southafrica.info/business/trends/empowerment/mvela-270808.htm

Mvelaphanda moves into platinum

27 August 2008

Black empowered mining group Mvelaphanda Resources has secured funding from Nedbank Capital to increase its stake in Northam Platinum from 22% to 63%, in a R4-billion deal that will create the fourth-largest platinum producer in the world.

According to a Nedbank statement last week, the transaction will be done through directly acquiring Anglo Platinum's 22% stake in Northam Platinum, as well as through the vending-in of a 100% stake in Booysendal - 50% of which was acquired from Anglo Platinum - to Northam Platinum.

Mvelaphanda Resources chairman Lazarus Zim said the company was excited by the prospect of becoming a world-class platinum mining business, which will rank behind Anglo Platinum, Impala Platinum and Lonmin, in terms of platinum group metals (PGM) resources.

He said that the company was particularly positive about the acquisition of a stake in Booysendal, which still has a life of mine in excess of 100 years. This is as opposed to Northam Platinum, which was only left with a life of mine of 17 years.

"Prospects of our continuing presence in the PGM space looks decidedly positive," said Zim. "This acquisition will strengthen our position both in the western and eastern limbs of the Bushveld where the PGM ore body is mostly found."

A first for platinum

According to Zim, the acquisition of Booysendal by Northam was a landmark event, creating the first fully integrated, black-controlled platinum mining entity.

"This deal reinforces what we envisaged when Mvelaphanda Resources and Afripalm Resources joined forces in 2007, which is to become a pre-eminent black controlled mining house and principal consolidator of key opportunities," he said.

"As we promised at the time, we will continue to unlock value in our operations, diversify our portfolio and achieve a better balance between the existing components of diamonds, gold and platinum as well as pursuing other interests in other commodities."

Nedbank Capital acted as sole arranger and underwriter, as well as advisor to the deal, providing funding of R2.5-billion, with the balance being financed from Mvelaphanda's own cash resources.

Nedbank Capital MD Brian Kennedy said the bank was proud to have structured a deal that would help create an extremely significant BEE player in the platinum mining arena.

"This is a continuation of our relationship with Mvelaphanda Resources after Nedbank Capital was involved in financing Afripalm Resources in the acquisition of its stake in Mvelaphanda Resources in 2007," he said.

"This deal marks a historic occasion in the BEE mining space, and we feel honoured to have acted as advisors to the parties involved."

SAinfo reporter

Source: Sangonet website

Date:

By: Ann Bown of Charisma Communications

Website: http://www.sangonet.org.za/portal/index.php?option=com_content&task=view&id=6925&Itemid=446

Civil Society and Black Economic Empowerment

Transformation - CSOs Have a BEE Score Card Too!

Many non-profit organisations are unaware that they too should be keen participants in the Codes of Good Practice for Black Economic Empowerment. Implementation of Score Cards and Transformation Charters are an imperative for civil society organisations.

This framework is not uniquely applicable to the private sector and government, it encourages Civil Society Organisations (CSO), sometimes referred to as the third sector, to be proactive and embrace the spirit of transformation.

The fundamental principle of BEE measurement is really that of substance which in effect takes precedence over legal form.

So what do we mean by substance? Throughout the Codes, various criteria appear which advance the interests of certain categories of black people. These include:

- black women who should form between 40% and 50% of the beneficiaries of all Elements of the Generic Scorecard; and
- black people with disabilities, black youth, black people living in rural areas and black unemployed people who must form between 2 and 3% of the beneficiaries of all Elements of the Generic Scorecard.

Who is Black? African, Coloured and Asians (born in SA).

Ownership
Under the section called specialized enterprises in the Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice section 9 (1) of the Act (Broad-Based Black Economic Act 53 of 2003) highlights Non-Government Organisations, Section 21 Companies, Public Benefit Organisations and Higher Education Institutions and refers to the understanding around black ownership. Although such organisations are incapable of evaluation of black ownership under the Code series 100, as such entities don't have shareholders and most of their 'owners or caretakers' are in voluntary capacities anyway – there is no economic advantage for an individual.

The CSO Score Card
As mentioned above Civil Society Organisations do not have a shareholding, these organisations' contributions towards BBBEE can only be measured against six of the seven element of the generic score card. The score card weighting has been adjusted and omits Ownership for CSO Ratings as follows;

Generic Score Card Rating		CSO Score Card Rating	
Ownership	20	Ownership	Not Applicable
Management control	10	Management control	15
Employment equity	15	Employment equity	15
Skills development	15	Skills development	20
Preferential procurement	20	Preferential procurement	20
Enterprise development	15	Enterprise development	15
Socio economic development	5	Socio economic development	15

However, this does not mean that CSO's can ignore the 'ownership" element of BEE and should constantly review the equity levels of the leadership.

Getting to grips with the adjusted scored card for the sector takes some digesting and this means that board-members of non-profit organisations need to take-up this challenge and lead the process forward.

During a series of recent Centre for Resource and Funding Training (CRAFT) workshops we were able to engage with some concerns expressed by NPO's. Two organisations based in the Western Cape were struggling with their identities and the face of their leaders or owners;

- A palliative care service with its facilities based in a predominately white community had recently been told, by a long-term funder, that if they wished to enjoy ongoing support then they had to get the equity levels of the board right! Historically this organisation had always delivered their dedicated care to all people, regardless of their ethnicity, but the leadership had traditionally been those who had the time and money to give and lived in close proximity.
- Mitchell's Plain is a coloured community in Cape Town and is plagued by gangsterism, drugs and child abuse – the community is highly dependent on the

services of a mental health community based organisation – they too have leadership representing the typical face of the community and were worried that maybe they weren't black enough.

We posed both of these cases to Shirilee Bridge of Empowerdex, a BEE rating agency, who was able to allay fears as she proposed that they look at the strategic level, their beneficiaries, where they were probably going to score high on skills development, employment equity and socio economic development and that this would balance-out the ratings.

Ms Bridge suggested that "one of the solutions to this dilemma is for the leadership of an NPO to encourage beneficiaries to join the board and become part of the decision taking".

There is often pre-conceived thinking that a lack of skills or financial means discounts a person from participating in the management of an NPO (mainly coming from White leader-driven organisations) but wisdom and local knowledge is a valuable asset and by making space for this to take place presents an ideal opportunity for people to grow into their new role of becoming effective social builders.

It's no longer acceptable for White faces only to continue to run NPO's whilst the beneficiaries remain previously disadvantaged people. Its believed to be elitism or charity – BEE is not about charity but development of a nation and a poverty turn-around strategy.

What are the benefits

For an NPO or CSO to become a keen participant in the BEE process it is important to dangle one or two carrots, after all this sector is highly dependent on the generosity of individuals, corporate social investment, private foundations, government contracts and so forth so it needs to act rightly and justly.

- Equip the organisation with proof of its BEE status, which is often requested as part of a tender requirement by businesses working with organisations (this could include corporate social investment)
- Opportunity to increase potential donor contact through the inclusion in an accredited and rated CSO databse that is accessible to corporate and government funding bodies
- An independent assessment of the organisation's own status to fast-track and improve the elements analysed
- Safeguard existing donors by eliminating 'fronting organisations' as competitors
- Create additional avenues for funding
- Increase the level of public benefit derived through good-will.

"Resolving the issue of ownership is definitely a positive shift"said Andrew Miller of Project Literacy, an ABET training provider, "in the past we missed out on winning tenders with local government due to a lack of understanding that a Section 21 company does not have shareholders. We have worked hard over the years at transforming our voluntary leadership and ensuring that our managers are representative of our society. This has reaped rewards for us as we have recently been awarded a Department of Labour ABET tender of R30 million per annum over the next five years – this is our BEE success story".

Preferred Procurement
Procurement is another strong component of the Codes, proactive NPO's have already started to update their suppliers database and are requesting BEE Score Cards – one such organisation is Abraham Kriel Maria Kloppers Kinderhuis in Johnnesburg, an organisation that commenced the transformation journey some years ago – we asked their administrator Thuli Mkhonza why they were doing this and she clearly stated that it was vital for them to ensure BEE compliance by all their service providers, 'we have to start the process somewhere' she said. At this point she wasn't sure how this would help in raising funds.

Grantmakers are also seeking BEE compliance from suppliers; the Nelson Mandela Children's Fund in a recent meeting with a direct mail consultancy elicited the enquiry as to their BEE status and asked the question of 'where are the black fundraising consultants?"

Equity Mix
We often blame our historical backgrounds for hampered progress in transformation but getting the equity mix right is a challenge not only in South Africa. At last years' Association of Fundraising Professionals (AFP) Convention in Atlanta in the USA,. Chairman, Mr. Alphonse Brown, an African American, has introduced a new dimension to the international event by hosting sessions on the State of Diversity in the Profession. (AFP is highly sensitized in ensuring representivity and killing the image of elitism). One of the trailblazers in support of this initiative is dynamic Birgit Burton, head of Foundations Relations for the Georgia Institute of Technology, she related the problem as "when you are made to feel unwanted in selective groups it is very difficult to participate and contribute, you move out and restore your pride with your own kind and nothing changes". In a recent statement made by Minister of Finance, Mr. Trevor Manual on the flaws in the BEE system he echoed similar sentiments. They (his white partners) say "We want you there. You are a good man. But actually we do not need you too close to what we do. We will run the business, but we have bought an insurance policy through you."

BEE is by no means perfect and we have a challenge ahead of us all but we (CSO's) are no longer exempt from the government's measuring rule, civil society organisations will find themselves exposed to a new world order where they must transform to survive. But with civil society organisations already carrying administrative and legislative burdens and the constant battle for financial sustainability will there be a sense of flee or fight? Many will simply not know where to begin.

NOTE: All Codes were ratified by Government and Gazetted on 9th February 2007.

- Written by Ann Bown of Charisma Communications, a financial sustainability consultant to the non-profit sector and Andrew Miller, CEO of Project Literacy. Both are voluntary Directors of the Centre for Resource and Funding Training.

Source: Mail & Guardian Online Article

Date: 3 October 2007

By:

Website: http://www.mg.co.za/article/2007-10-03-empowerment-are-we-getting-it-right

Empowerment: are we getting it right?

Ann Bernstein, launching the CDE Conversations, contends: "Democracy needs strong institutions, a free press, an independent judiciary and the rule of law, among others. It also needs opportunities for citizens to engage with one another, to disagree, but perhaps also to find that sometimes you share more in common than you suspected. The CDE has always been a place where we've encouraged debate among people with different histories and from different places in our society."

On these pages you'll read some of our panellists' views about race, growth and development.

A true glass ceiling

Sipho Pityana, executive chairÂperson, Izingwe Holdings, says South Africa's corporates are trapped in the pre-1994 racial mode -- a major challenge Âfacing the country.

We need South African business to demonstrate active, enthusiastic commitment to the policies designed to transform the economy.

All business leaders must take up the issue. Thus far we have left this conversation to the leadership of black forums and other lobbying institutions.

The limitation of the two reports dominating our discussions on these issues in recent months is that both are only quantitative analyses. The Presidential Black Business Working Group's report and the Commission for Employment Equity show that we've made pathetically slow progress in meeting employment equity targets since 1994.

If you did a qualitative analysis you would find stories that attest to marginalisation of black talent, that speak to tokenistic appointments where there is little or no regard for expertise, no expectations on performance, affirmation of subordinates of those black appointees, marginalisation of black seniors and a never-ending battle for recognition, appreciation and reward. Indeed, [there is] unmitigated and systematic destruction of self-esteem.

South Africa's corporate environment is littered with black "pigeonholes", places deemed suitable for blacks to occupy, even though they're highly qualified in engineering, IT, law or other Âstrategic areas of the economy. This is a waste of human capital in a country that says it lacks skills. It is the result of racial prejudice in the workplace -- a true glass ceiling.

Why do black professionals cooperate? They feel their career progression will happen only if they accept jobs in non-core areas. They job hop. They become rolling stones gathering no moss. Then they branch out to BEE initiatives, where again their skills are underutilised and they are inevitably disappointed by the realities of preferential procurement.

They find more prejudice in South Africa's corporate world. But when they say: "I have a professional auditing firm with a range of skills," they are told: "You are too small and inexperienced to be awarded a contract." So the experience they had in corporate South Africa is repeated as they try their own luck, sometimes made worse by the "old boy" network.

Black people looking at ownership face capital constraints and demands for a track record. You're asked if you have the balance sheet to buy into a company and as soon as you have a healthy balance sheet you get labelled "the usual suspects". I've never heard the Ruperts, Oppenheimers or Ellerines called "usual suspects".

The biggest challenge in South Africa today -- the skills shortage -- is compounded by racism in the workplace. Marginalisation of black skills contributes to the shortage. South Africa's collective business leadership should have more conversations of this kind, not to talk about numbers, but about how we can address these problems.

A new sense of self
Seeing no trade-off between diversity and growth, Bobby Godsell, chief executive, AngloGold Ashanti, makes the following points:

First, without a constructive, honest way to talk to one another about race we will not build the nation we dreamt of in 1994.

The dialogue about race that essentially employs the grammar of the apartheid era, only changing the labels, is not useful.

In our society for 300 years whites have had power, wealth, status and citizenship. Blacks have been subjects, poor and second class. This history has created racial prisons for both black and white South Africans and other minority groups and it's going to require considerable time and effort for each of the groups to escape from these prisons. Black and white South Africans need to give new and positive meaning to their sense of self and the role that race plays in defining this self.

This is what Steve Biko was writing about -- creating the space for black South Africans to define their own identity in their own terms.

White South Africans need to strip out the assumption of privileged, prejudiced superiority that has defined in practical terms what whiteness has meant and has turned whiteness into the concept of chauvinism, as described by NP van Wyk Louw, rather than nationalism, a distinction that continues to be very useful.

A nationalist is somebody who thinks well of himself. A chauvinist is somebody who thinks he's better than other people.

Black South Africans, I think, face a similar challenge.

This process of creating a new sense of self should be profoundly exciting and creative. We should celebrate one another's progress in this project.
South Africa's economy -- our wealth-creating machine -- has so far utilised the energy, creative talents, wisdom and dress code of 5% of the gene pool of our nation. The 5% is the male half of the white race. How much better is it that we now have access to 100% of this talent pool? Fully utilising this pool will require much effort.

Human nature defaults to familiar software. It's easier to hire and promote someone from your own group -- race, gender, class -- than to risk an outsider. Yet this inbreeding comes at an immense price. We need a core of skilled, professional and managerial people that demonstrates access for all races and genders.

If we are to address the challenges of development and poverty and the marginalisation that exists in our society, then our wealth-creating machine will have to become more efficient and surely the 100% gene pool will do this; fronting will not. Surely giving somebody a grand title, a big office, a fancy car and no real function is the most perverse form of racism.

I do not believe there's a trade-off between diversity and growth. In my experience today's young graduates, diplomats and apprentices are better educated, more IT competent, more global in outlook, more responsible and exciting than their equivalent in my day. We've a major problem of what I can only describe as male menopause. It's a group of ageing white men who think that the world has gone to hell because the next generation is not as good as it is. This gets compounded with race and gender and it's just not true. Phoney empowerment will collapse in on itself very quickly.

Finally, beyond these two clusters of thoughts, we do need to have a clear vision of the destination of our journey. Our challenge remains to build a non-racial, non-sexist society. This is what our Constitution enjoins. It is the tradition of the ANC. It is enshrined in the Freedom Charter. It is also the core value of competing political parties in our country and non-racism stands at the heart of all of the major religions that have South Africa as its home.

We will know that we are getting close when white and black South Africans are as comfortable with the label African as they are with the label South African. We will know that we are getting close when black South Africans stop using the word African as a synonym for black.

The real problem
Professor Brian Figaji, CDE board member believes that:

- We accept our history is based on separation and oppression, which was based entirely on race and gender;

- There is a persuasive practice in our country of overt gender discrimination throughout the society;

- Our political change was a negotiated settlement, which implies that we chose evolution over revolution;

- The eradication of the feelings of superiority by the previous privileged group will take a long time;

- The previously oppressed will make increasing demands for access to the benefits the new order has to offer; and

- It will require a large investment in education and training to make up for the many years of unequal investment in the people of this country.

Given this context and its predication on race and gender, redress is not in dispute. Now dialogue is about how we achieve this redress, over what period of time and what priority we accord this action.

This seems to be simple and yet it's proving to be difficult because of perceptions, because of questionable intentions and ever-changing strategies and a change in the environment that seems to demand an immediate focus on growth. Ben Booysen writes in the HR Highway magazine: "Black economic empowerment and affirmative action is the main focus while the issue of skills retention has taken a backseat."

This seems to indicate that we should give something else a backseat and so it's the either-or choice. The assumption often in our society is that every black person appointed is an affirmative action appointee and therefore is incompetent. I get a feeling that those issues are changing slowly.

There are some birth pains in this new society because the society was born out of a negotiated settlement.

Should we delay some of the pains? Take stronger painkillers? Or have an abortion? We ask these questions while knowing we must keep in balance the issue of redress or corrective action, growth and development and the satisfaction of the electorate and political stability.

So-called affirmative action is not the real problem. Instead:

- There's a level of patronage involved in some appointments that consequently doesn't yield the best Âperson for the job;
-
- We are afraid of getting rid of black people when they prove to be incompetent; and
-
- There's a lack of opportunity given to black people.

The quote below comes from a report from the National Commission on Higher Education, printed in 1996 as a framework for the transformation of higher education and to spell out higher education's role within the transforming state.

"â€¦ There can be no doubt that the scarcity of high-level skills is hampering economic development as well as South Africa's competitiveness in the world market. If South Africa is to compete economically on the world stage it will need increasing numbers of competent higher-education-trained professionals and knowledge workers with world-class skills to strengthen its enterprise."

Well, let's look at what has happened in education in the years since this report was published. We dabbled in outcomes-based education without real preparation for it. We placed a limit on the extra remuneration that we could pay science and maths teachers because we wanted equality. The original focus was on penalising schools that were doing well -- the Model C schools -- rather than funding and supporting the weaker schools.

The National Qualifications Framework was approved. Saqa [the South African Qualifications Authority] was established. The Setas [sector education and training authorities], with a huge income from training levies but weak implementation and no action strategies, are alive and well. Education and labour departments are at odds with each other about the new turf created by the Setas. Colleges of education were closed and for two years nothing happened and two years later bursaries for teacher training were reinstituted.

Teachers are offered severance packages because there are too many in the system and so we lose the experience and appoint the inexperienced. Technikons and universities are merged and they shrink in numbers from 36 to 22. The full impact of this disaster has yet to be calculated.

Recently South Africa lost a contract to manufacture the new Ford range of motor vehicles to Australia because we did not have policies in place.

And so I ask myself if all this confusion is a result of redress and affirmative action.

A negotiated settlement -- evolution -- does not mean the repair of the damage of the past is going to be any easier or any cheaper than reconstruction after a revolution. We have not invested the money in the level of resources that reconstruction would require in this country.

An honest assessment

In conclusion Bernstein said: South Africa has an unemployment rate close to 40% and for young people (18 to 30) unemployment is more than 60%. In 80% of public secondary schools one person per annum on average passes maths at a level sufficient to enter university.

I think the discussion about race and empowerment has to start with these facts and how we are going to change them dramatically.

All over the world we know that small family firms drive entrepreneurship and yet South Africa is obsessed with how we transform the corporate sector. An unintended consequence is that we are falling behind in creating a dynamic and entrepreneurial society. South Africa's competitiveness compared with other developing countries is slipping and I am concerned that while so much attention is focused on employment equity in existing companies, we are not creating sufficient new companies. South Africa will not become the country we all want if we do not speak honestly about race and growth. Important choices lie ahead and more honest engagement on difficult issues is going to be essential.

Source: Mail & Guardian Website

Date: 27 May 2008

By: Nic Davies

Website: http://www.mg.co.za/article/2008-05-27-the-skills-paradox

The skills paradox

Black economic empowerment is supposed to ensure that the hoary cliché -- "our greatest resource is our people" -- comes to life. The intention is to open opportunities across the economy for black South Africans whose potential as economic actors has been constrained for years.

But what if it did the opposite?

This is the question that a Harvard panel of economists asks. The panel was commissioned by the government to study constraints to growth.

The final recommendations made by panel chair Professor Ricardo Hausman -- director of Harvard's Centre for International Development -- raises familiar concerns about the impact of a rigid empowerment dispensation on the economy.

But it is his remarks about the effects of BEE policy as pursued in skills and job creation that might be most telling: "The growth strategy of [the government] has to be based on the people that South Africa has, not on the people that it wished it had," he says.

That means expanding those sectors of the economy that can absorb large quantities of unskilled labour -- principally those that produce exportable goods.

It is a familiar suggestion, one that government and business have made little progress on in recent years. The balance of the economy is shifting more towards domestic demand with areas such as retail, services and construction dominating.

Hausman cuts through the usual debate about whether micro-economic policy should favour skills or labour-intensive industries by pointing out what should be obvious: highly skilled people create opportunities for less skilled people.

"All empirical studies of labour demand show that high-skilled and low-skilled workers are strongly complementary, not substitutes. Coffee and tea are substitutes while coffee and sugar are complements. The implication of complementarity is that the greater the supply of one, the greater the demand for the other."

Hausman asks why this is not happening through the market mechanism. Part of the answer, he suggests, might be BEE.

"There are elements of BEE that should form part of any strategy for shared growth in South Africa. Reversing discrimination allows society to use the talents of its entire people. A more equal distribution of ownership and control will make property rights more secure, encouraging investment and risk-taking."

So far well and good, but: "â€¦ there are ways in which the implementation of BEE can also create important trade-offs between ownership and control, on the one hand, and shared growth, on the other.

"For example, it may complicate firm creation, exacerbate skills constraints in managerial positions, create greater regulatory burdens and uncertainties and thus discourage investment and job creation."

The impact of empowerment rules on the availability of skills is a crucial part of this picture.

"The shortage of highly skilled workers causes a lower demand for low-skilled workers. So the lack of engineers may cause the loss of hundreds of blue-collar jobs.

"If the rate of substitution is low, the constraint on highly skilled workers may cause such a low demand for low-skilled workers that the wage at which they would be employed is unacceptably low.

"Since the shared-growth strategy involves maximising the job opportunities of the less skilled, it is fundamental that the high-skill constraint be relaxed."

One way to do that is to make immigration much easier -- a proposal the government has staunchly resisted since Mangosuthu Buthelezi and his adviser, Mario Ambrosini, proposed it almost a decade ago.

But it is also important to "stop and reverse the emigration of high-skilled whites".

"There is substantial anecdotal evidence that BEE rules may be sending a negative message to both young white university graduates and those in senior management.

"In addition, BEE rules are increasing the demand for high-skilled previously disadvantaged South Africans at a time when they are already facing a very high and rising demand. To the extent that this tightens the skills constraint at the top, it lowers the demand for lesser-skilled workers and thus widens income and opportunity disparities among the previously disadvantaged."

This reasoning represents a major inversion of the accepted wisdom surrounding both the skills crunch and BEE. Pushing skilled whites to one side and trying to keep foreigners out actually worsens the position of the vast majority of black South Africans.

"There is now very strong demand for blacks for senior management positions and it is likely to increase significantly with current growth trends," Hausman says. "As firms try to comply with this element of the BEE scorecard, they will face an increasing skills constraint at the senior management level.

By contrast, there is ample room to improve empowerment through job creation, training and supplier development for people currently at the bottom of the income distribution.

"We shall propose that the scorecard be rebalanced to encourage these latter types of activities. It would also be useful to define sunset clauses for BEE: if the policy is successful, it should become redundant," Hausman says.

Like all the best heresies, this one seems to be supported by common sense. It takes political courage to reform your own policies and to do it early in the game, but if we want to cut the Gordian knot now between empowerment and growth, someone has to take the plunge.

Source: Independent online (iol)

Date: 9 September 2008

By: Keith Ross

Website: http://www.iol.co.za/index.php?set_id=1&click_id=13&art_id=vn20080909111826148C434827

BEE progress shocking

A survey showing a marked drop in progress made with black economic empowerment (BEE) in the past year has come as a shock to many business organisations.

It showed that of the seven BEE elements measured, five had registered a decline of more than 25 percent over last year.

The only areas of the scorecard where slight progress seems to have been made were in socio-economic and enterprise development.

These were some of the findings discussed on SAfm Radio's After Eight Debate on the topic: "What should be done to ensure companies are BEE compliant?".

The debating panel included Sandile Hlophe, the BEE services director of auditing firm KPMG, which conducted the survey. He said it was the third such survey and had covered more than 500 companies.

The survey, Hlophe said, had included the government's new principles of transformation seeking to empower women and community groups, and included broad-based schemes.

Hlophe said there had generally been a lack of focus on the gazetted codes, which came in 18 months ago.

"In our sense, 18 months is a fair period for companies to have recognised some of these changes and brought them into account," he said.

There had obviously been a low level of compliance in many areas, said a second member of the debating team, Jimmy Manyi, president of the Black Management Forum.

Manyi said taking a closer look at the survey results, it would probably be found that the various parts of the BEE scorecard had been affected by different factors.

It was often found with broad-based empowerment that a whole lot of disadvantaged people were given a share in a company, but still had no say in the way it was run.

When this happened, the verification agency would often downgrade the company.

Manyi said that in the field of employment equity it was necessary to look again at the definition of a suitably qualified person, as more emphasis could be placed on practical experience, rather than formal education.

He said he was "thoroughly disappointed" at the poor performance of so many companies in the field of socio-economic development.

A third member of the panel, Jerry Vilakazi, chief executive of Business Unity SA, said two such surveys had been conducted last year with very different results.

"It could be that what we see as a terrible picture painted this year is just an adjustment of the survey that was performed last year," he said.

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