



the dti

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REPUBLIC OF SOUTH AFRICA

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B-BBEE ADVISORY COUNCIL CALLS FOR DECLARATION OF A TRANSFORMATION WEEK FOR THE COUNTRY TO REFLECT ON ECONOMIC TRANSFORMATION

The Broad Based Black Economic Empowerment Advisory Council met on Friday 12 April 2019 at **the dti** Campus in Sunnyside, Pretoria, Tshwane. The meeting was chaired by Minister of Trade and Industry Rob Davies on behalf of the President. The B-BBEE Advisory Council is a body appointed by the President in terms of the B-BBEE legislation to advise the President and government on B-BBEE and transformation of the South African economy in order to achieve an inclusive economy. The purpose of the meeting was to provide strategic direction and share insights to the contemporary discourse in the realm of B-BBEE and broader transformation in South Africa.

The Council recognise that a lot has been achieved over the 5 years in the economic transformation space using B-BBEE Policy as an instrument. Those achievements include amongst them the implementation of the Black Industrialist Programme which intends to create majority black-owned entities in the productive sectors (of which 138 beneficiaries have been supported by the dti), the hosting of the National B-BBEE Township and Rural Economies Summit, the establishment of the B-BBEE Commission to effectively monitor implementation and progress, the prioritisation of supplier development and procurement in the B-BBEE Policy to strengthen the participation of black businesses in the mainstream economy.



Understanding the primacy of B-BBEE in the government's drive to effect fundamental change and economic redistribution, the Council discussed and number of issues that have an effect on the implementation of B-BBEE. This includes the significance role of development financing institutions (DFIs) in financing and supporting empowerment, clear directive and policy is required for B-BBEE funding specifically. In addition, the role of DFIs, should be complemented by the broader, the financial sector to intensify funding for B-BBEE as per the commitment of the Financial Services Charter. Preliminary report of the B-BBEE Commission showed that vendor-financing is higher, followed by funding by financial institutions in respect of major B-BBEE deals already registered, with government funding being the lowest. Focus should be on financing SMMEs and Black Industrialists, especially those in the productive sectors.

Furthermore, the collective acknowledged the veracity of the economic transformation work that still need to be advocated in society to educate and ensure increased B-BBEE compliance. The collective also acknowledged that the country's procurement laws need to be strengthened to embed B-BBEE compliance in their content. The Council emphasised the need to intensify efforts of ensuring that SMMEs get markets to sell their wares, and also appreciated the significance of public and private sector partnerships in this regard. The Council also mulled on the appropriate way to utilise the 30% as contained in the procurement policies to empower SMMEs in local communities.

The Council contended that the generic 25% black ownership target should be inclusive of active participation of the beneficiaries and not passive involvement. In the same breath, the Council raised concern on the usage of broad-based ownership schemes and trusts that do not meet the ownership requirements, the abuse of the third party for enterprise development, supplier development and skills development, and the non-participation of black shareholders and directors in 51% black owned structures. Council also noted significant recommendations of the Roundtable on Black Ownership held in February this year.

The sanctioning of entities as well as verification agencies that have violated/circumvented the provisions of the B-BBEE Act was noted and welcomed. Acknowledging that fronting is becoming more sophisticated aided by consultants and verification agencies in the



market, Advisory Council urged government to finalise the development of regulation for verification agencies and B-BBEE practitioners to complement the work of the B-BBEE Commission and South African National Accreditation System.

Recent developments such as the collaboration between the B-BBEE Commission and the Auditor-General of South Africa on the consideration of B-BBEE compliance by the public sector were shared by the collective. There was consensus at the meeting that there is a need to declare a Transformation Week in the country to showcase best B-BBEE practice, create awareness, and educate, with platform to share progress and introspect regarding economic transformation.

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