

Understanding the benefits of B-BBEE in South Africa



Broad-Based Black Economic Empowerment (“B-BBEE”) is an integration programme launched by the South African government to address the inequalities of apartheid.

What is the objective of Broad-Based Black Economic Empowerment?

The main objective of B-BBEE is the *inclusion of black people, namely Africans, Indians and Coloureds who are South African citizens*, in the economy within a larger goal of national empowerment targeting historically disadvantaged people such as black women, the youth, rural communities and disabled people.

In the News24 article titled *“To BEE or not to BEE, that is the question”* published on 28 October 2013, the author explains the pro-BEE sentiment as follows:

“According to government, ‘South Africa's policy of black economic empowerment is not simply a moral initiative to redress the wrongs of the past. It is a pragmatic growth strategy that aims to realize the country's full economic potential while helping to bring the black majority into the economic mainstream’. Therefore, it is necessary to address the systematic exclusion of Africans, Indians, and Coloured people from meaningful participation in the country's economy by the apartheid government.”

In a previous article we touched on the reasons why *B-BBEE is here to stay*, in this article we aim to share more insights into the history and benefits of Broad-Based Black Economic Empowerment (B-BBEE).

History of B-BBEE

Apartheid had its origins in our colonial past. It was only in 1948 when the National Party came to power, that a political policy of racial segregation and discrimination was set out in a multitude of legislation. Race determined the position of an individual and their political advantages or disadvantages.

In 1994, South Africa elected the first democratic government which launched B-BBEE in 2003 as an ethnicity selective programme to empower previously disadvantaged groups, with the goal of amplifying the economy.

The South African government promulgated the B-BBEE Act 53 of 2003 (B-BBEE Act) in an attempt to address the injustices suffered by black South African citizens as a result of the apartheid policies.

Why was B-BBEE implemented in South Africa?

South Africa needs B-BBEE to advance economic adjustment and to enhance the economic participation of black people in the South African economy. The B-BBEE programme was put in place to promote an equal-opportunity economy and regain the ground lost because of apartheid discrimination. B-BBEE not only impacted the economy but has also further influenced multi-discipline industries operating in South Africa.

What are the benefits of B-BBEE in South Africa?

One of the decisions that business owners in South Africa must make is whether or not to participate in the B-BBEE (Broad-Based Black Economic Empowerment) process. While an entity is not penalised for failing to embrace broad-based transformation or for having a low B-BBEE score, it is unlikely to be awarded contracts and licences by the government and is less likely to be awarded contracts in the private sector. No business is forced to participate in B-BBEE. It is a voluntary process.

The following are some benefits that B-BBEE holds for the South African economy:

- o Skills Development - *Learning and training* provided in formal, non-formal and on-the-job settings.
- o *Employment Equity* - Hiring practices that encourage fair representation of members of minority groups, women and individuals who were likely to suffer discrimination.
- o Preferential Procurement - The procurement of goods and services from local, black-owned suppliers.
- o Enterprise Development - Investing time and capital in helping black people establish, expand or improve businesses.

Status and trends on B-BBEE

Statistics have shown a dramatic transformation of black-owned and -managed businesses since B-BBEE came into play in South Africa. The B-BBEE Commission has released the report on the *National Status and Trends on Broad-Based Economic Empowerment* which depicts statistics of the levels of transformation with the overall black ownership. The following was reported in the report from the Department of Trade, Industry and Competition :

“The 2018 data indicated 45% overall and 38.3% (male – 16.7%; female – 21.6%) black South Africans held directorship on JSE listed entities. Only 3.3% of entities listed on the JSE are 100% black owned, which was 1.2% in 2018 and 1% in 2017.”

The publication is informative on how positive the influence of B-BBEE has been in South Africa. Read the full report:

<http://www.thedtic.gov.za/b-bbee-commission-releases-annual-report-on-national-status-and-trends-on-b-bbee/>

Conclusion

In the profound words of the late Nelson Mandela, “During my lifetime I have dedicated myself to this struggle of the African people. I have fought against white domination, and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities”.

The heart and soul of B-BBEE has empowered black people, marginalised employees and small business owners and it is here to stay. The objective of the B-BBEE Act is to advance economic transformation and reinforce the economic participation of black people. The B-BBEE legislation makes provision for the creation of B-BBEE vehicles which assist small, medium and large businesses with the tools and skills to meet South Africa’s legislative requirements and help to structure their businesses to become B-BBEE compliant and simultaneously empower black people.

Various businesses strive for B-BBEE compliance as a growth strategy, not only to protect their existing business as a defensive strategy, but also in an endeavour to grow their business at the “expense” of those who lose out on business by not complying with B-BBEE (offensive strategy).

SERR Synergy assists businesses to implement viable B-BBEE initiatives and ensures alignment of initiatives with the legal requirements of the B-BBEE Codes. Our comprehensive B-BBEE service includes tailor-made solutions that meet existing B-BBEE challenges by implementing effective and value-adding strategies. We encourage our clients and other businesses to *contact us* for specific guidance in this regard.

About the author - Nicolene Cornelius joined SERR Synergy in May 2022 as a Corporate Legal Advisor. She received her Management Diploma from UNISA in September 2020 and takes pride in assisting companies with B-BBEE Ownership transactions.

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