

Chapter 40

Broad-Based Black Economic Empowerment

‘Poverty is not natural. It is man-made and it can be overcome and eradicated by human beings. Overcoming poverty is not a gesture of charity. It is an act of justice.’

NELSON MANDELA (1918–2013)
FORMER PRESIDENT OF SOUTH AFRICA

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WHY THIS CHAPTER IS IMPORTANT

The primary purpose of Broad-Based Black Economic Empowerment (B-BBEE) is to promote ownership and control by black persons over the South African economy, as measured by ownership and management.

It is important to understand how the B-BBEE contribution made by businesses will be measured in a scorecard. This is because the results of that scorecard will be a highly important criterion in the granting by government of any licence, concession or authorisation.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

1 Introduction

The legacy of apartheid led to economic imbalances that continue to exclude most South Africans from meaningful participation in the economy. In 2001, the Black Economic

Empowerment Commission's report recommended a national strategy to co-ordinate measures to achieve meaningful participation by black people in the economy.¹ Broad-Based Black Economic Empowerment (B-BBEE) aims to ensure that equitable economic opportunities are created and offered to black South Africans in a sustainable manner.

2 The purpose of Broad-Based Black Economic Empowerment (B-BBEE)

'Broad-based BEE' means the sustainable economic empowerment of all black people, in particular women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socioeconomic strategies that include, but are not limited to:²

- Increasing the number of black people that manage, own and control enterprises and productive assets.
- Facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises.
- Human resource and skills development.
- Achieving equitable representation in all occupational categories and levels in the workforce.
- Preferential procurement, including the promotion of local procurement.
- Investment in enterprises that are owned or managed by black people.

The Broad-Based Black Economic Empowerment (B-BBEE) Act³ defines black people as a generic term that means Africans, coloureds and Indians who are citizens of South Africa. The primary purpose of the B-BBEE Act and the Codes is to address the legacy of apartheid and promote the economic participation of black people in the South African economy.

B-BBEE has three separate objectives:⁴

- **Direct empowerment:** This objective is the promotion of ownership and control by black persons over the South African economy, as measured by ownership and management.
- **Human resource development.**
- **Indirect empowerment:** This evaluates a range of criteria relating to a business, including purchases from black-empowered or black-owned businesses, as well as investment in, and joint ventures with, black-empowered or black-owned businesses.

3 The B-BBEE Commission

The Act creates a B-BBEE Commission, headed by a commissioner. The functions of the B-BBEE Commission are to oversee and supervise compliance with the Act, to investigate complaints and fronting practices, and to maintain a register of B-BBEE transactions above a value determined from time to time by the minister.

1 *Amendments to the BBEE Act and the Codes Explained*, Johannesburg: Werksmans Attorneys 2015. Available at: <http://www.werksmans.com/wp-content/uploads/2015/04/042870-WERKSMAANS-bbbee-booklet-sp.pdf>.

2 Ibid.

3 Broad-Based Black Economic Empowerment Act 53 of 2003.

4 Pillay, V *The Way to BEE - A Guide to Broad-Based Black Economic Empowerment in South Africa 2004*, Sandton: Cliffe Dekker Hofmeyr Attorneys 2004. Available at: <https://www.cliffedekkerhofmeyr.com/en/news/publications/2007/the-way-to-bee.html>.

The B-BBEE Commission has the same powers as those conferred on the Companies and Intellectual Property Commission and may launch court proceedings to prevent any breach of the Act. In addition, the Commission may report any conduct to the National Prosecuting Authority or SA Police Services, South African Revenue Service, the Independent Regulatory Board for Auditors or any other regulatory authority.

4 The regulation of B-BBEE

B-BBEE will be regulated by government and by organisations themselves. The Act and the codes published in terms of the Act do not impose legally binding obligations on businesses to comply with B-BBEE targets, which are not legally binding.⁵ They set out the methods to be used when measuring a business's B-BBEE status. However, a business's B-BBEE rating is an important consideration when tendering for contracts with the government or a public entity, in obtaining mining or gambling licences, and in entering into public private partnerships. This means that B-BBEE is an important strategic factor when doing business in South Africa.⁶

5 Codes of Good Practice

The Act sets out a framework for a generic Code of Good Practice applicable to the country as a whole. However, if a specific code is published for a particular sector, then the businesses in that sector must comply with the relevant code for that sector.

The Minister of Trade and Industry may issue Codes of Good Practice either generally or for particular sectors. These codes will be used to:⁷

- Determine the criteria for granting licences, concessions and other authorisations under any law.
- Develop preferential purchasing policies for government.
- Define the qualification criteria for the sale of State-owned enterprises and the establishment of public-private partnerships.
- Establish targets and weightings for the purpose of measuring B-BBEE compliance.

To date, codes have been published for the following specific sectors:

- Property sector.
- Forestry sector.
- Agricultural sector.
- Information and Communication Technology sector.
- Financial services sector.
- Transport sector.
- Chartered accountancy sector.
- Construction sector.
- Tourism sector.
- Marketing, advertising and publication sector.
- Defence sector.
- Liquid fuels sector.

5 *Government Gazette* 38766/6-5-2015; 38799/15-5-2015; 42496 /31-5-2015.

6 Steyn, P, *Presentation on the amendments to the BBBEE Act 53 of 2003 and the Codes of Good Practice issued in terms of the BBBEE Act*, Werksmans Incorporated trading as Attorneys, Cape Town: January 2014. Available at: https://www.slideshare.net/Werksmans_Attorneys/bbbee-presentation-cape-town-29-august-2014-final.

7 Steyn, 2014.

The minister may also promulgate transformation charters developed by consensus of the major stakeholders in various sectors within the South African economy.

Organs of State and public entities,⁸ in exercising their discretion to award licences, concessions or other authorisations, must examine an applicant's B-BBEE compliance credentials and prepare a scorecard, based on the applicant's direct and indirect empowerment and human resource development. The scorecard will be constituted either in terms of the sectoral transformation charter or in terms of an applicable code.

B-BBEE compliance will not be the only requirement for the granting of any licence, concession or authorisation, but will be a highly scoring criterion amongst other evaluation factors.⁹

***AllPay Consolidated Investment Holdings (Pty) Ltd and others v Chief Executive Officer, South African Social Security Agency, and others*¹⁰**

The SA Social Security Agency issued an invitation to submit tenders that called on bidders to pay social grants on behalf of the agency. Each proposal would be assessed in three stages. Stage 1 was a technical assessment of the proposal, and required a minimum score of 70% to proceed. Stage 2 was an oral presentation, which also required a 70% score to proceed. Stage 3 assessed finance and B-BBEE.

Twenty-one proposals were received, but only two qualified for stage 2. One of those scored 58% and was then excluded, leaving only one bidder to reach stage 3. As there was only one bidder left in the race, the agency awarded the tender to that company without assessing its finances and B-BBEE scores. AllPay, the bidder excluded at stage 2, then launched legal action to have the tender award set aside.

The Constitutional Court held that the agency had not complied with its own rules for awarding tenders. In terms of these rules it was required to consider the finances and empowerment credentials of any bidder before awarding a tender.

6 Reporting obligations imposed

Government, organs of State and public entities are required to take B-BBEE codes into account when developing their procurement policies and criteria for issuing licences and authorisations and entering into public partnerships. They are also required to report on B-BBEE compliance to the B-BBEE Commission.

6.1 Self-regulation of B-BBEE

The B-BBEE scorecard will measure a company for its level of purchases from and investment in other B-BBEE-compliant companies. In this way, the private sector will be encouraged towards compliance in its choice of suppliers and the entities into which it invests.

Until sectoral charters or codes are developed, any procurement from or investment in any business satisfying the requirements of a 'black-owned enterprise' or 'black-empowered enterprise' may be counted towards the customer's or investor's B-BBEE scorecard.¹¹

⁸ Public Finance Management Act 1 of 1999.

⁹ Pillay, 2004.

¹⁰ *AllPay Consolidated Investment Holdings (Pty) Ltd and others v Chief Executive Officer, South African Social Security Agency, and others* 2014 (1) SA 604 (CC).

¹¹ Pillay, V, BEE Amendment Act and draft codes of good practice, *BEE Alert*, Sandton: Cliffe Dekker Hofmeyr, 3 November 2014. Available at: www.cliffedekkerhofmeyr.com/en/news/publications/2014/bee/bee-alert-3-november-bee-amendment-act-and-draft-codes-of-good-practice.html.

6.2 Reporting

All spheres of government, public entities and organs of State must report on their compliance with B-BBEE in their audited annual financial statements and annual reports. All public companies listed on the securities exchange of the Johannesburg Stock Exchange must provide a report on their compliance with B-BBEE as contained in their sustainability reports.

7 Sanctions and penalties

7.1 Criminal offence

A person commits an offence if they knowingly engage in fronting, or knowingly misrepresent their B-BBEE status, or provide false information to secure a particular B-BBEE status or outcome. An offender may be subjected to a fine or imprisonment not exceeding ten years, or to both a fine and imprisonment. If the offender is an enterprise and not a natural person, it could be subject to a fine of up to 10% of its turnover.¹²

In addition, a conviction carries a permanent ban on contracting with any organ of State or public entity.

A 'fronting practice' means a transaction, arrangement or conduct that directly or indirectly undermines the objectives of the Act. It includes the following:

- The appointment of black persons who are discouraged or inhibited from substantially participating in the core activities of that enterprise.
- Economic benefits received as a result of the B-BBEE status of an enterprise not flowing to black people in the ratios specified in the relevant legal documentation.
- A legal relationship with a black person to achieve a level of B-BBEE compliance without granting that black person the economic benefits that would reasonably be expected to be associated with that status or position. This may take the form of an agreement with another enterprise to enhance B-BBEE status where there are significant limitations on the identity of suppliers, service providers, clients or customers; the maintenance of business operations that is improbable in terms of resources; or terms and conditions that were not negotiated on a reasonable basis.

Indicators of fronting include any of the following:

- The black people identified by an enterprise as its shareholders, executives or management are unaware or uncertain of their role within an enterprise.
- The black people identified by an enterprise as its shareholders, executives or management have roles of responsibility that differ significantly from those of their non-black peers.
- The black people who serve in executive or management positions in an enterprise are paid significantly lower than the market norm, unless all executives or management of an enterprise are paid at a similar level.
- There is no significant indication of active participation by black people identified as top management at strategic decision-making level.

¹² Pillay, 2014.

- An enterprise only conducts peripheral functions and does not perform the core functions reasonably expected of other, similar enterprises.
- An enterprise relies on a third party to conduct most core functions normally conducted by enterprises similar to it.
- An enterprise cannot operate independently without a third party, because of contractual obligations or the lack of technical or operational competence.
- The enterprise displays evidence of circumvention or attempted circumvention.
- An enterprise buys goods or services at a significantly different rate than the market from a related person or shareholder.
- An enterprise obtains loans, not linked to the good faith share purchases or enterprise development initiatives, from a related person at an excessive rate.
- An enterprise shares all premises and infrastructure with a related person, or with a shareholder with no B-BBEE status or a third party operating in the same industry where the cost of such premises and infrastructure is disproportionate to market-related costs.

7.2 Contract termination

Any person convicted is banned from contracting with any organ of State or public entity for ten years. In addition, any government or public entity may cancel a contract or authorisation awarded as a result of false information on B-BBEE status.

8 Classification of entities

All businesses in South Africa are divided into three categories, based on annual turnover:

- Large entities (turnover greater than R50 million).
- Qualifying small enterprises or 'QSE' (turnover between R10 million and R50 million).
- Exempted micro-enterprises or 'EMS' (turnover less than R10 million).

Each category has a different set of measurement criteria to determine its level as a B-BBEE contributor, as shown in Table 40.1. Calculation of the points for each element is set out later in this chapter.

Table 40.1 B-BBEE levels

B-BBEE status	Points required
Level 1 contributor	100 points or more
Level 2 contributor	95 to less than 100 points
Level 3 contributor	90 to less than 95 points
Level 4 contributor	80 to less than 90 points
Level 5 contributor	75 to less than 80 points
Level 6 contributor	70 to less than 75 points
Level 7 contributor	55 to less than 70 points
Level 8 contributor	40 to less than 55 points
Non-compliant contributor	less than 40 points

Source: Author

An annual assessment of a large entity must be completed by an accredited B-BBEE verification agent, who will issue a B-BBEE certificate confirming the B-BBEE status as a contributor. This certificate can be used for business purposes, including when tenders are submitted. EMSs and QSEs do not require such an annual assessment.

9 The generic B-BBEE scorecard

The generic scorecard is used to measure progress towards B-BBEE of businesses subject to a transformation charter or a code. The scorecard is also relevant to any enterprise making application for a licence, a concession or other authorisation to an organ of State, or bidding for public procurement contracts.¹³

The scorecard works on the basis of points allocated to specific elements. B-BBEE levels are assigned depending on how many points the business achieves.

An example of how the calculations would operate over the elements is demonstrated in Table 40.2.¹⁴

Table 40.2 Sample generic B-BBEE scorecard

Element	Description of what each element measures	Weighted points	Minimum target to achieve compliance
Ownership	Initiatives designed to develop the competencies of black people internally and externally.	25 points	40% of the debt-free portion of the B-BBEE ownership of the business
Management control	The effective control of the entity by black people.	20 points	
Skills development	Initiatives designed to develop the competencies of black people.	25 points	40% of the weighted points
New enterprise and supplier development	Purchase of goods and services from empowering suppliers and the extent to which the entity carries out enterprise and supplier development.	50 points	40% of the weighted points
Socioeconomic development	Initiatives that contribute to socioeconomic development or sector specific initiatives that promote access to the economy for black people.	5 points	
TOTAL SCORE		125	

Source: Author

¹³ Pillay, 2014.

¹⁴ Ibid.

Ownership, skills development, and new enterprise/supplier development are identified as three 'priority' elements. Generally, if a target is not met the business will not receive the maximum number of possible B-BBEE points. However, businesses are expected to reach minimum targets in respect of the three priority elements.

If a large enterprise or QSE fails to achieve 40% minimum on all three priority elements, then its B-BBEE status will be downgraded automatically by one level for each non-qualifying element. For example, if it would have scored a level 3 but was not compliant on one priority element, then it will be downgraded to a level 4. Similarly, if it did not comply with two priority elements, it would be downgraded to a level 5.

A startup company is deemed to be an EME with a level 4 rating in its first year after incorporation. If, however, an EME or a QSE is 100% black owned it is deemed to be a level 1; EMEs and QSEs that are 51% black owned are deemed to be level 2.

Table 40.3 Priority elements

Size of enterprise	Annual turnover	Which priority elements are measured
Large enterprise	R50 million or more.	All three priority elements: ownership, skills development, and new enterprise and supplier development.
Qualifying small enterprise (QSE)	Between R10 million and R50 million.	Only two priority elements: ownership, and either skills development or new enterprise and supplier development.
Exempted micro-enterprise (EME)	Less than R10 million.	Exempted; deemed to have a minimum of a level 4 rating.

Source: Author

If a large enterprise or QSE fails to achieve 40% minimum of all the relevant priority elements, then its B-BBEE status will be downgraded automatically by one level for each element it is not compliant. For example, if it would have scored a level 3 but was not compliant on one element, it will be downgraded to a level 4 instead. If it was not compliant on two elements, however, it would be downgraded to a level 5.

A startup company is deemed to be an EME with a level 4 rating in its first year after incorporation. However, if a QSE or EME is 100% black owned it will be deemed to have a level 1 B-BBEE rating; or if 51% black owned a level 2 rating.

Multinational foreign companies are assessed in the same way, and may have their rating levels downgraded if not compliant. However, foreign companies may use an equity equivalent programme that enables them to score B-BBEE points without having a B-BBEE shareholder. Approval must be obtained from the Department of Trade and Industry and may require funding of an approved government programme.

9.1 Ownership

Ownership has three components: 'voting rights', 'economic interest' and 'realisation points'.

Table 40.4 Ownership weighting points

Element	Indicator	Description	Weighting points	Target	
Ownership	Voting rights	Exercisable voting rights in the enterprise in the hands of black people.	4	25% + 1 vote	
		Exercisable voting rights in the enterprise in the hands of black women.	2	10%	
	Economic interest	Economic interest in the enterprise to which black people are entitled.	4	25%	
		Economic interest in the enterprise to which black women are entitled.	2	10%	
		Economic interest in the hands of the following designated groups in the enterprise.			
		Black designated groups. Black participants in employee share ownership plans (ESOP). Black beneficiaries of broad-based ownership schemes. Black participants in co-operatives.	3	3%	
		Black new entrants (not previously having held equity in another firm with a total value of R50 million).	2	2%	
	Realisation points	Net value (portion of ownership interest of black people within a business which is not subject to outstanding acquisition debts).	8	40%	
TOTAL SCORE			25		

Source: Author

Black people may hold a right of ownership in an entity as direct participants or as participants through some other form of entity such as a company, close corporation, co-operative, trust, broad-based ownership scheme, employee share ownership programme, partnership or any other form of juristic person.

The 'flow-through' principle applies to black ownership. This means that in a multiple chain of owners, the rights of ownership must be traced backwards to the rights of ownership held by black natural persons.¹⁵

¹⁵ Steyn, 2014.

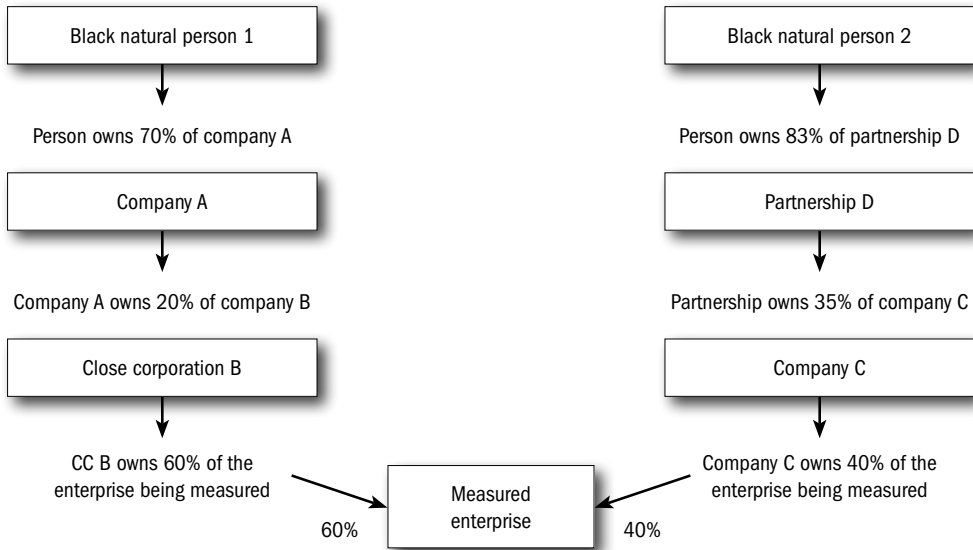


Figure 40.1 Calculation of ownership by black persons

Source: Author

In this example, the effective ownership by black people in the measured enterprise is 20.02% (this comprises 70% of 20% of 60% = 8.4% through close corporation B; plus 83% of 35% of 40% = 11.62% through company C).

The Act includes a gender element in respect of ownership. This differentiates between male and female black persons.

9.2 Management control

‘Management control’ comprises six components of participation: board, executive management, senior management, middle management, junior management and disabled employees.

Table 40.5 Management control weighting points

Element	Indicator	Description	Weighting points	Target
Management control	Board participation	Exercisable voting rights of black members as a percentage of all board members.	2	50%
		Exercisable voting rights of black female board members as a percentage of all board members.	1	25%
		Exercisable voting rights of executive black members of the board as a percentage of all such employees.	2	50%
		Exercisable voting rights of executive black female members of the board as a percentage of all such employees.	1	25%
	Other executive management	Black executive management as a percentage of all such employees.	2	60%
		Black female executive management as a percentage of all such employees.	1	30%
	Senior management	Black employees in senior management as a percentage of all such employees.	2	60%
		Black female employees in senior management as a percentage of all such employees.	1	30%
	Middle management	Black employees in professionally qualified and experienced specialist positions and mid-management as a percentage of all such employees.	2	75%
		Black female employees in professionally qualified and experienced specialist positions and mid-management as a percentage of all such employees.	1	38%
	Junior management	Black employees as a percentage of all junior management.	2	88%
		Black female employees as a percentage of all junior management.	1	44%
	Disabled employees	Black disabled employees as a percentage of all employees.	2	2%
	TOTAL SCORE			20

Source: Author

The strategy and code allocate 20 points to management control on the B-BBEE scorecard.

9.3 Skills development

The strategy and code use skills development expenditure as a percentage of the total payroll, plus training initiatives, as the indicators of skills development contribution for the purposes of the scorecard.

Table 40.6 Skills development weighting points

Element	Indicator	Description	Weighting points	Target
Skills development	Skills development expenditure on any programme specified in the Learning Programme Matrix for black people as a percentage of leviable amount.	Skills development expenditure on learning programmes specified in the Learning Programme Matrix for black people as a percentage of leviable amount.	6	3.5%
		Skills development expenditure on bursaries for black students at higher education institutions.	4	2.5%
		Skills development expenditure on learning programmes specified in the Learning Programme Matrix for black people with disabilities as a percentage of leviable amount.	4	0.3%
	Learnerships, apprenticeships and internships.	Number of black people participating in learnerships, apprenticeships and internships as a percentage of total employees.	6	5%
	BONUS	Number of black people absorbed by the industry at the end of the learnership and apprenticeship programme.	5	100%
TOTAL SCORE			25 (+ 5 bonus points)	

Source: Author

The strategy and code allocate 25 points (plus 5 bonus points) to skills development on the B-BBEE scorecard.

9.4 Enterprise and supplier development

Enterprise development is defined in terms of the total investment by a company in other entities that are B-BBEE compliant.

Table 40.7 Enterprise and supplier development weighting points

Element	Indicator	Description	Weighting points	Target
Enterprise and supplier development	Preferential procurement	B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	5	80%
		B-BBEE procurement spend from empowering suppliers that are qualifying small enterprises based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	4	15%
		B-BBEE procurement spend from all exempted micro-enterprises based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	5	15%
		B-BBEE procurement spend from empowering suppliers that are at least 51% black-owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	11	40%
		B-BBEE procurement spend from empowering suppliers that are at least 30% black women owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend.	5	12%
	Bonus points	B-BBEE procurement spend from designated group suppliers that are 51% black owned.	2	2%
	Supplier development	Annual value of all supplier development contributions as a percentage of the target.	15	2% of net profit after tax
	Enterprise development	Annual value of enterprise development contributions and sector specific programmes as a percentage of the target.	5	1% of net profit after tax
	Bonus	Graduation of one or more enterprise development beneficiaries to supplier development level.	1	
		One or more jobs created directly as a result of supplier development and enterprise development activities.	1	
TOTAL SCORE			50 (+ 4 bonus points)	

Source: Author

The strategy and code allocate 50 points (plus 4 bonus points) to enterprise and supplier development on the B-BBEE scorecard.

9.5 Socioeconomic development

The strategy and code measure the socioeconomic contributions made by grants and human resources capabilities.

Table 40.8 Socioeconomic development weighting points

Element	Indicator	Description	Weighting points	Target
Socioeconomic development	Grant contributions, and human resource capacity contributions.	Annual value of all socioeconomic development contributions and qualifying socioeconomic development contributions as a percentage of the target.	5	1% of net profit after tax
TOTAL SCORE			5	

Source: Author

The strategy and code allocate 5 points to socioeconomic development on the B-BBEE scorecard. The focus is to result in significant job creation and address socioeconomic challenges.

10 Criticism of B-BBEE

B-BBEE has become highly controversial.

Critics argue that it blocks foreign investment, encourages a re-racialisation of the political economy and promotes the growth of a small but wealthy, politically connected elite.

B-BBEE, like other affirmative action measures, appears only to help a relatively small number of people within the broader disadvantaged group. To the 20 million South Africans still living in relative poverty – on less than R5 000 a month for a household of at least eight – it is unlikely ever to bring benefits such as ownership deals, management posts, preferential State contracts, the development of workplace skills or new business enterprises. Critics say that what the poor need most of all are jobs, backed by good schooling, and the growth rate needs to reach 7% a year to bring increasing prosperity to all.¹⁶

Gill Marcus, the former governor of the South African Reserve Bank, said: ‘Growth matters. With growth of 7%, you double your income every ten years. With growth of 3%, it takes 24 years to double your income.’¹⁷

¹⁶ Cunard, D, Gouws, I and Steyn, P, *Unpacking the significant implications for business of the latest amendments to the BBBEE Act and Codes Of Good Practice*, Cape Town: Werksmans 2014. Available at: www.slideshare.net/Werksmans_Attorneys/bbbee-presentation-cape-town-29-august-2014-final.

¹⁷ Gill Marcus: Jeffery, A BEE is flawed and should be scrapped, *Mail & Guardian*. Available at: <https://mg.co.za/article/2013-01-18-bee-is-flawed-and-should-be-scrapped/>, 18 January 2013, accessed 30 October 2022.

In 2010 the Minister of Finance said: 'B-BBEE policies have not worked and have not made South Africa a fairer or more prosperous country.'¹⁸ In the same year, the president of the National African Federated Chamber of Commerce and Industry said B-BBEE and preferential procurement had marginalised small businesses instead of helping them. It had also promoted 'tenderpreneurs who were tender thieves because they got their tenders through [political] connections'.

Critics say that B-BBEE helps to keep the growth rate down. Since 2016 the growth rate in South Africa has been around 1%, and in 2020 was minus 8%. At this rate of growth it will take over a century for the size of the economy to double. Throughout this long period, it will be the poor who pay the price for the hobbling of the country's potential.

THIS CHAPTER IN ESSENCE

- 1 The objectives of B-BBEE are to promote ownership and control by black persons over the South African economy, as measured by ownership and management, human resource development and indirect empowerment. This evaluates a range of criteria relating to a business, including purchases from black-empowered or black-owned businesses as well as investment in, and joint ventures with, black-empowered or black-owned businesses.
- 2 The Minister of Trade and Industry issues Codes of Good Practice to develop preferential purchasing policies for government, and to establish targets and weightings for the purpose of measuring B-BBEE compliance.
- 3 The B-BBEE scorecard measures a company for its level of purchases from and investment in other B-BBEE compliant companies. In this way the private sector encourages compliance through its suppliers and the entities into which it invests.
- 4 The scorecard proposed in the code identifies four elements and each is given a weighted number of points: management control; skills development; new enterprise and supplier development; and a socioeconomic development element most relevant to the specific circumstances of the enterprise

18 Jeffrey, A, 2013.