B-BBEE COMMISSION

Presentation to ESD Community of Practice

7 June 2023

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Background

2003
B-BBEE Act 53 of 2003 passed by Parliament

2013
B-BBEE Act of 2003 Amended by Act 46 of 2013

January 2014
B-BBEE Amendments Proclaimed to commence 24 October 2014

24 October 2014
B-BBEE Amendments come into effect

1 May 2015
Revised Codes of Good Practice come into effect

1 August 2015
Acting Commissioner & Task Team assigned to establish B-BBEE Commission

4 April 2016
B-BBEE Commission established and starts operating

6 June 2016
Minister publishes Regulations for operation of B-BBEE Commission

9 June 2017
Minister publishes Notice of Threshold for Major B-BBEE Transactions

Mandate of Commission under B-BBEE Act

- Established by the B-BBEE Act in terms of section 13B and functions are outline in section 13F as follows:
  - ***Oversee*, supervise and promote adherence** with the B-BBEE Act in the public interest
  - ***Strengthen* and foster collaboration** between public and private sector to safeguard objectives
  - **Receive *complaints*** and investigate complaints proactively and/or reactively
  - **Promote *advocacy and access*** to opportunities, educational programmes and B-BBEE initiatives
  - Maintain ***registry* of major B-BBEE transactions** (R25 million and above)
  - **Receive and analyse *compliance reports*** (JSE, SETAs, state organs)
  - Promote ***good governance and accountability***
  - Increase ***knowledge and awareness*** on B-BBEE
  - Exercise any power conferred by the Minister in writing, which does not conflict with the B-BBEE Act

ESD Cross-Cuts all Objectives of B-BBEE Act

- Increasing number of black people that own, manage, control enterprises
- Facilitating management and ownership of enterprises by communities, workers, cooperatives & others
- Human resource and Skills developmen t
- Achieving equitable representation in all occupational workforce levels and categories
- Preferential procurement from black owned or managed enterprises
- Investment in enterprises that are black owned or managed enterprises

ESD as Priority

- ESD, also known as Statement 400, is given highest importance of all priority elements of B-BBEE (40 points),
- ESD is aimed at strengthening **local procurement**, enhance local **supplier development** programmes and increase **financial support** to black-owned entities.
- Measured entities annually have to spend 2% (or 0.2% of allocated budget in public sector) of net profit after tax (NPAT) for supplier development and 1% (or 0.1% of allocated budget in public sector) of NPAT on enterprise development.
- ESD contributions can be facilitated through **financial and non-financial support**.
- Examples: loans at low or zero interest rate; subsidized rental for farm land; mentoring and coaching (technical skills); early payment of black suppliers, etc.

Commission's ESD Research Findings

- Since 2017, the Commission noticed that measured entities implement between 50% to 60% of ESD funds, and yet small and medium sized businesses continue to face access to funding challenges.
- The research aim was **how ESD funds can be implemented effectively** to promote the development and growth of black owned enterprises, in particular:
  - To determine the extent to which measured entities are **able to implement** the set NPAT or allocated budget targets for ESD.
  - To determine the portion of the funds from the **set NPAT or allocated budget targets** that measured entities have already deployed and that they may/are not able to implement.
  - To assess the **nature of the challenges** that hamper the ability of measured entities from fully implementing the ESD funds.
  - To determine how **the B-BBEE Commission can assist** measured entities to fully implement the ESD funds.

Commission's ESD Research Findings

How to Effectively Implement Enterprise and Supplier Development Survey:2022

- **Participating Entities**: Sixty-eight (68) measured entities participated in the survey and these largely include entities that submit B-BBEE compliance reports as prescribed by section 13G of the B-BBEE Act.
- **ESD Strategy**: 62% of the entities indicted to having clearly defined B-BBEE strategies, and 38% did not have.
- **Types of ESD Initiatives**: Grant contributions preferred form, followed by mentoring programmes and other professional services. Loans were seen as poor business practice and in the public sector they are not preferred due to limited financial capabilities.
- **Selection of Beneficiaries**: 64% of entities select supplier development beneficiaries based on relevance of their services/products to measured entity (57%), followed by beneficiary entity's overall B-BBEE rating and performance (55%)

Commission's ESD Research Findings

How to Effectively Implement Enterprise and Supplier Development Survey:2022

- **Beneficiary Type**: 82% of measured entities indicated they prefer to support exempted micro-enterprises (EMEs), and 18% preferred to support qualifying small enterprises (QSEs).
- **ESD Agreements**: 75% of participating entities indicated that they engage in ESD relationship via a formally defined agreement with beneficiaries, and 25% did not have ESD agreements.
- **Spending for enterprise development**: 23% of entities reported no budget for enterprise development in previous financial year, and 75% had budgets between following categories respectively, R101 000 – R999 999, R1 million – R5 million and R21 million or more.
- **Spending for supplier development**: 27% of entities reported a budget of between R1 million to R5 million, 23% of entities had an allocated budget of R21 million or more for the past financial year and 14% had a budget of between R6 million and R10 million.

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Commission's ESD Research Findings

How to Effectively Implement Enterprise and Supplier Development Survey: 2022

- **Level of Performance**: 92% of the 24 entities that had a supplier development budget indicated to have spent the entire budget.
- **Preferred method to implement ESD**: 73% of entities prefer to directly implement their own ESD initiatives, and 27% prefer implementing the funds via a third party.
- **ESD Performance**: There was an increase in both ESD spend targets between 2020 and 2021. However, this is only for those measured entities that responded to this specific question.

Commission's ESD Research Findings

Challenges:

- Absence of ESD strategies.
- No needs analysis conducted for beneficiary entities.
- Impact of ESD initiatives not being monitored.
- Lack of dedicated budget/resources to implement ESD initiatives. This can result in expenditure dumping.
- ESD implementation is not linked to broader economic policy of small and medium-sized businesses development and support, the interest being on scoring B-BBEE points for measured entities.

Commission’s ESD Research Findings

How to Effectively Implement Enterprise and Supplier Development Survey: 2022

Recommendations

- Centralised pool for ESD funds.
- Measured entities to develop long-term ESD strategies.
- Ongoing monitoring and tracking of progress of beneficiary entities.
- Reinforce commitment and responsibility of public sector/general to implement ESD.
- Mentoring and coaching to be made compulsory for all ESD initiatives.
- B-BBEE Commission to build and maintain a database with possible ESD beneficiaries.
- Local content must be promoted as part of ESD programmes to increase impact.
- Incentivise measured entities that exceed their ESD budgets.

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Best ESD Practices

The IFC and Newmont Ghana Gold Limited

The collaboration entails a **local procurement and supplier development program** that focuses on **capacity building** and integrating local firms into **supply chain**. This is followed by **business skills mentoring strategy** to assist local SMMEs. The aim is to build capacity of local SMMEs to be **ready to compete**; strengthen the **local economy** and the company's commitment to **sustainable development**; and support of SMMEs.

The programme had **scoping phase**, which includes an assessment of present conditions and **SMME mapping**; program **design**; management commitment; communication and **expectations management**, particularly with communities; organizational and **support structures** for sustainability.

Success factors includes involving a local expert and local communities in design and scoping stages to **ensure local content is properly incorporated** in program; **reviewing** program design early; **a steering committee** and **involving management at all levels of the company to be champions** for support and smooth implementation; a clear **access to finance plan** at the start; **focusing** on certain sectors to maximize resources and **build synergies among local businesses**.

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...Best ESD Practices

Supplier Diversity programmes in United States

Supplier Diversity originates in American Civil Rights Movement in the 1970s and 1980s. US firms have frequently been at forefront of "good practice" in terms of supplier diversity, primarily through use of intermediary organizations such as the **National Minority Supplier Diversity Council** (NMSDC) established in 1972 to **promote procurement and commercial opportunities for minority firms of all sizes**.

NMSDC has offered avenue for **large American firms and minority enterprises to** to form **supplier partnerships,** with support of US government. Black control of companies was seen as a potential remedy for black community problems, and in 1968 the US government pledged the promotion of black ownership.

…Best ESD Practices

ExxonMobil

is implementing Local Supplier Development Program in Chad, with IFC and the Chad Chamber of Commerce, to **strengthen relationships between ExxonMobil and local suppliers by training suppliers** on how to use a **transparent local electronic procurement system**, how to **tender** effectively, and how to **improve their businesses** to meet ExxonMobil's stringent requirements.

The program provides ExxonMobil with a **large local suppliers pool; reduces long-term costs and stimulates local economy** through **local procurement**. The five stages of program start with **planning** that includes obtaining **"buy in"** from all parties; 2nd **informing and training SMMEs** about company's procurement processes and standards prior to tendering; 3rd tendering; 4th providing SMMEs with feedback on successful and unsuccessful tenders, and help them implement successful contracts; and in final phase, SMMEs and the whole program are evaluated, and the results are fed back into a program improvement process.

Success factors: upfront **business buy-in**; specific and suitable **incentivisation** at key levels within firm; **dedication of supplier development implementation team**; transparent **communication** about tendering prospects; **interest, drive, and commitment to change from participating SMMEs**.

Conclusion

- The Commission is working with **the dtic** to process the recommendations.

- The Commission to continue engaging all entities, public and private that have an ESD obligation on how to best implement the ESD element.

Thank You!

"An Inclusive economy for all, together"