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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

**PRESENTATION TO THE DOE
WORKSHOP
LIMPOPO**

**AMENDED B-BBEE ACT
AND CODES**

13 AUGUST 2015



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PRESENTATION LAYOUT

- ☐ What is B-BBEE?
- ☐ How does B-BBEE affect me?
- ☐ Constitutional Mandate for B-BBEE
- ☐ B-BBEE Journey
- ☐ Ushering in a new era for Empowerment (B-BBEE)
- ☐ Amended Act
- ☐ Amended Codes of Good Practice
- ☐ Amended Generic Scorecard
- ☐ Amended QSE Scorecard
- ☐ Amended B-BBEE recognition levels



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WHAT IS B-BBEE

Definition:

An integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities.

Why B-BBEE?

- To address high inequalities in SA
- To create opportunities for all South Africans in particular Black people
- Grow the economy (shared growth)



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WHAT IS B-BBEE

Beneficiaries:

Black people is a generic term which means Africans, Coloureds and Indians-

- (a) who are citizens of the Republic of South Africa by birth or descent; or
- (b) who became citizens of the Republic of South Africa by naturalisation-
 - (i) before 27 April 1994; or
 - (ii) on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date;



HOW DOES B-BBEE AFFECT ME?

- ❑ Measured entity – need to embrace the spirit of B-BBEE and develop strategies to implement it.
- ❑ Black Women Owned Enterprises – have an opportunity to sell products and services to established entities.
 - Develop relationships with established companies to be their enterprise or supplier development beneficiaries (knock at the doors!).
 - Partnerships with other entities to grow their businesses
 - Access to ED funding
- ❑ Organs of state and public entities – obligation to implement section 10 of the B-BBEE Act.
- ❑ Black professionals and graduates – skills development and employment opportunities
- ❑ Communities and rural areas – development through socio economic development contributions
- ❑ the dti is working on a Black Industrialists Development Programme



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CONSTITUTIONAL MANDATE FOR B-BBEE

Section 9 of the Bill of Rights

“Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons or categories of persons disadvantaged by unfair discrimination may be taken”





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BEE JOURNEY

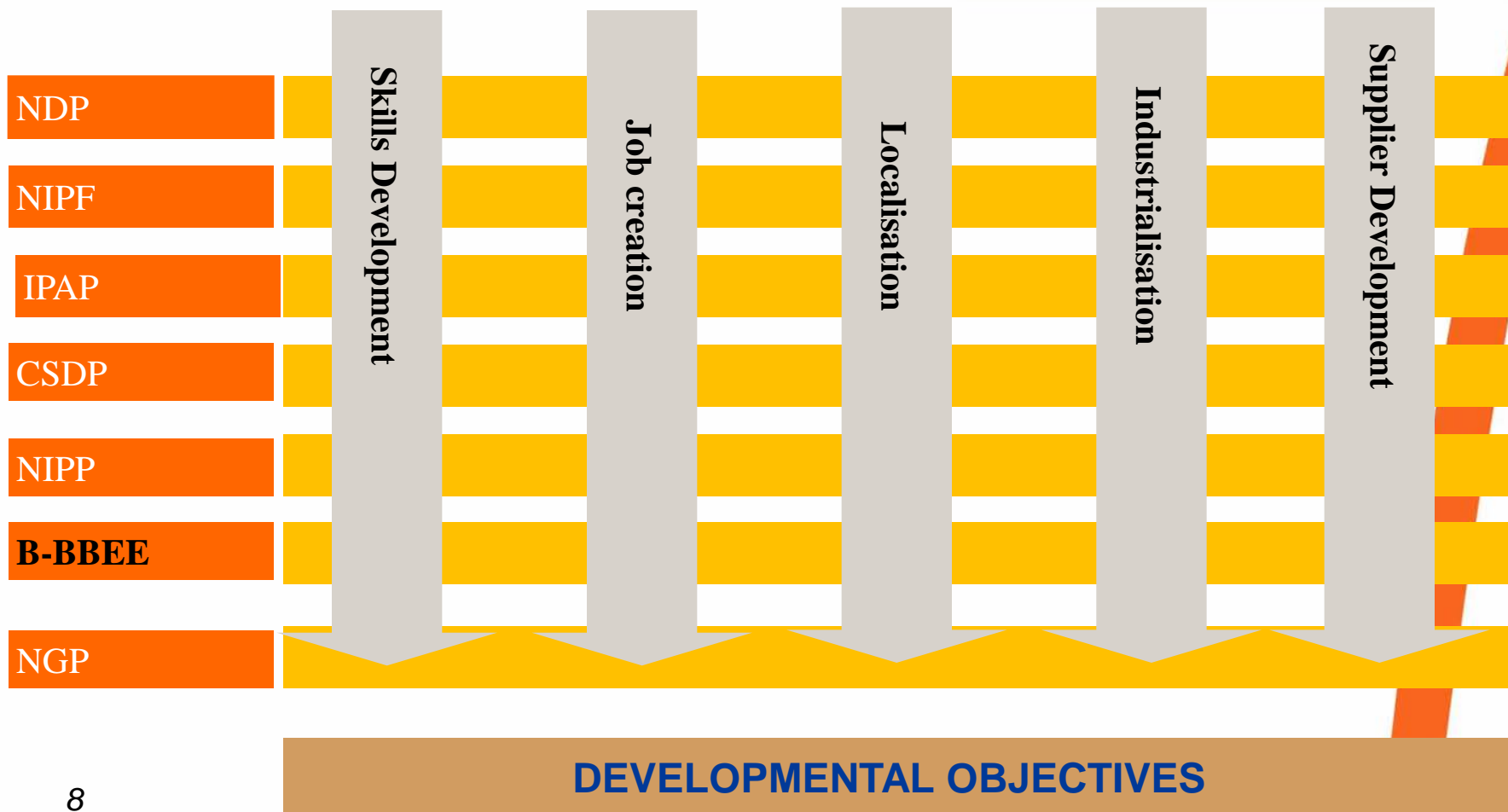
- BEE Commission Report in 1998 – Economic Development, Social Transformation and Political Buy-In
- B-BBEE Strategy of 2003;
- Legislative framework the B-BBEE Act no. 53 of 2003
- Codes of Good Practice for B-BBEE 2007 (implementation)
- The establishment of the Presidential BEE Advisory Council 2009
- Recommendations to Cabinet by Presidential BEE Advisory Council 2010
- Amended B-BBEE Bill 2012
- Revised Codes of Good Practice for 60 day Commentary 2012
- Amended Codes of Good Practice 2013 (18 Months Transitional Period)
- Proclaimed Amendment Act No 46 of 2013 October 2014
- Implementation of the Amended Codes of Good Practice 1 May 2015



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USHERING IN A NEW ERA OF EMPOWERMENT





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MATERIAL AMENDMENTS OF THE B-BBEE ACT

- Introduction of a trumping clause
- Creating the B-BBEE Commission
- Specifying requirements re: monitoring, evaluation and reporting
- Introducing offences penalties & prohibitions for fronting
- Introducing the concept of “B-BBEE verification professional Regulator”
- Clarifying & extending the Minister’s power to make regulations
- In sectors where there is a sector code measured entities will be measured only in terms of that sector code
- Entities must report annually on their B-BBEE status to Sector Councils
- Specify qualification criteria for procurement and other economic activities for organs of state or public entities



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THE CODES OF GOOD PRACTICE

CODE 000 : KEY PRINCIPLES

- The Amended Scorecard reduced from seven (7) to five (5) elements:
 - **Ownership**
 - **Employment Equity** and **Management Control** merged into one element: **Management Control**;
 - **Skills Development**
 - **Preferential procurement** and **Enterprise Development**, plus **Supplier Development** merged into one element: **Enterprise and Supplier Development**; and
 - **Socio Economic Development**



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THE CODES OF GOOD PRACTICE Cont....

Key Principles	Description	Implication
Adjusted Threshold	<p>Exempted Micro Enterprises (EMEs) : Annual Total Revenue R 0 - R10 million Previously R 0 – R 5 million</p> <p>Qualifying Small Enterprises (QSEs): Annual Total Revenue R10 million - R50 million Previously R 5– R 35 million</p> <p>Large entities: Annual Total Revenue of R50 million and above Previously R 35 million and above</p>	<p>Companies that are expected to comply with the generic scorecard represents 2% of all active fillers.</p> <p>SOURCE: SARS 2012</p>



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THE CODES OF GOOD PRACTICE Cont....

Key Principles	Description	Implication
Priority Element	Ownership, Skills Development and Enterprise and Supplier Development have 40 % subminimum	<ul style="list-style-type: none">• QSEs to comply with at least two of the priority elements• Ownership is compulsory and either Enterprise and Supplier Dev. or Skills Development;• Large entities to comply with all priority elements• Non-compliance of the thresholds in priority elements, the overall Score will be discounted by one (1) level down
Enhanced Recognition Status (ERS)	Enhanced the recognition status of Black Exempted Micro Enterprises (EME) and Qualifying Small Enterprises (QSE)	<ul style="list-style-type: none">• EME and Start-ups do not have to be verified. Only have to obtain a sworn affidavits or CIPC certificates



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THE CODES OF GOOD PRACTICE Cont....

- ❑ A template affidavit was developed for consistency and is available for downloading from **the dti** website - http://www.thedti.gov.za/gazettes/Affidavit_EME.pdf
- ❑ Further entered into a Memorandum of Understanding with the Companies and Intellectual Property Commission (CIPC) to provide a service to issue B-BBEE certificates for EMEs and Start-up companies when registering a new company and filling annual returns.
- ❑ This is a free service accessible at all CIPC self service terminals.



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CODE 000 :AMENDED GENERIC SCORECARD

Element	Weighting	Compliance Target
Ownership	25 points	25% + 1 vote
Management control	19 points	(50% to 88%)
Skills Development	20 points	6% of payroll
Enterprise and Supplier Development	40 points	PP = 80% SD = 2% (NPAT) ED = 1% (NPAT)
Socio-Economic Development	5 points	1% (NPAT)
TOTAL	109 points	



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CODE 600 :AMENDED QUALIFYING SMALL ENTERPRISE SCORECARD

Element	Weighting	Compliance Target
Ownership	25 points	25% + 1 vote
Management control	15 points	(50% to 60%)
Skills Development	25 points	3% of payroll
Enterprise and Supplier Development	30 points	PP = 60% SD = 1% (NPAT) ED = 1% (NPAT)
Socio-Economic Development	5 points	1% (NPAT)
TOTAL	100 points	



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AMENDED B-BBEE RECOGNITION LEVELS

B-BBEE Status	Current Qualification	New Qualification	B-BBEE recognition level
Level One Contributor	≥100 points on the Generic Scorecard	≥100 points on the Generic Scorecard	135%
Level Two Contributor	≥85 but <100 points on the Generic Scorecard	≥95 but <100 points on the Generic Scorecard	125%
Level Three Contributor	≥75 but <85 on the Generic Scorecard	≥90 but <95 on the Generic Scorecard	110%
Level Four Contributor	≥65 but <75 on the Generic Scorecard	≥80 but <90 on the Generic Scorecard	100%
Level Five Contributor	≥55 but <65 on the Generic Scorecard	≥75 but <80 on the Generic Scorecard	80%
Level Six Contributor	≥45 but <55 on the Generic Scorecard	≥70 but <75 on the Generic Scorecard	60%
Level Seven Contributor	≥40 but <45 on the Generic Scorecard	≥55 but <70 on the Generic Scorecard	50%
Level Eight Contributor	≥30 but <40 on the Generic Scorecard	≥40 but <55 on the Generic Scorecard	10%
Non-Compliant Contributor	<30 on the Generic Scorecard	<40 on the Generic Scorecard	0%



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