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**THE CODES OF GOOD PRACTICE FOR  
BROAD – BASED BLACK  
ECONOMIC EMPOWERMENT**

**FRAMEWORK FOR MEASURING BROAD-  
BASED BLACK ECONOMIC EMPOWERMENT**

**CITY OF JOHANNESBURG  
11-06-2008**



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Department:  
Trade and Industry  
**REPUBLIC OF SOUTH AFRICA**

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## BACKGROUND: BEE STRATEGY

- **Since 1994 Black Economic Empowerment (BEE) has been a major thrust of all government policies but there was no coherent strategy towards the implementation of BEE**
- **The BEE commission released a report in 2000 which gave the first attempt at broadly defining BEE**
- **The receipt of this report by government played a pivotal role in the development by government of a strategy towards the implementation of BEE**
- **In 2003 a strategy for Broad-Based Black Economic Empowerment (B-BBEE) was released which defines B-BBEE as**
  - 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.
  - Thus the BEE process will include elements of human resource development, employment equity, enterprise development, preferential procurement, as well as investment, ownership and control of enterprises and economic assets.

# B-BBEE Codes of Good Practice Implementation Framework

**Broad-based BEE Strategy**

**Strategic Framework**

**Broad-based BEE Act No. 53 of 2003**

**Legislative Enabling Framework**

**Codes of Good Practice**

**Implementation Framework and Guidelines**

**Generic or Sector-specific BEE Scorecards**

**Interpret BEE Definitions & Principles**

**Set BEE Indicators, Weightings and Targets**

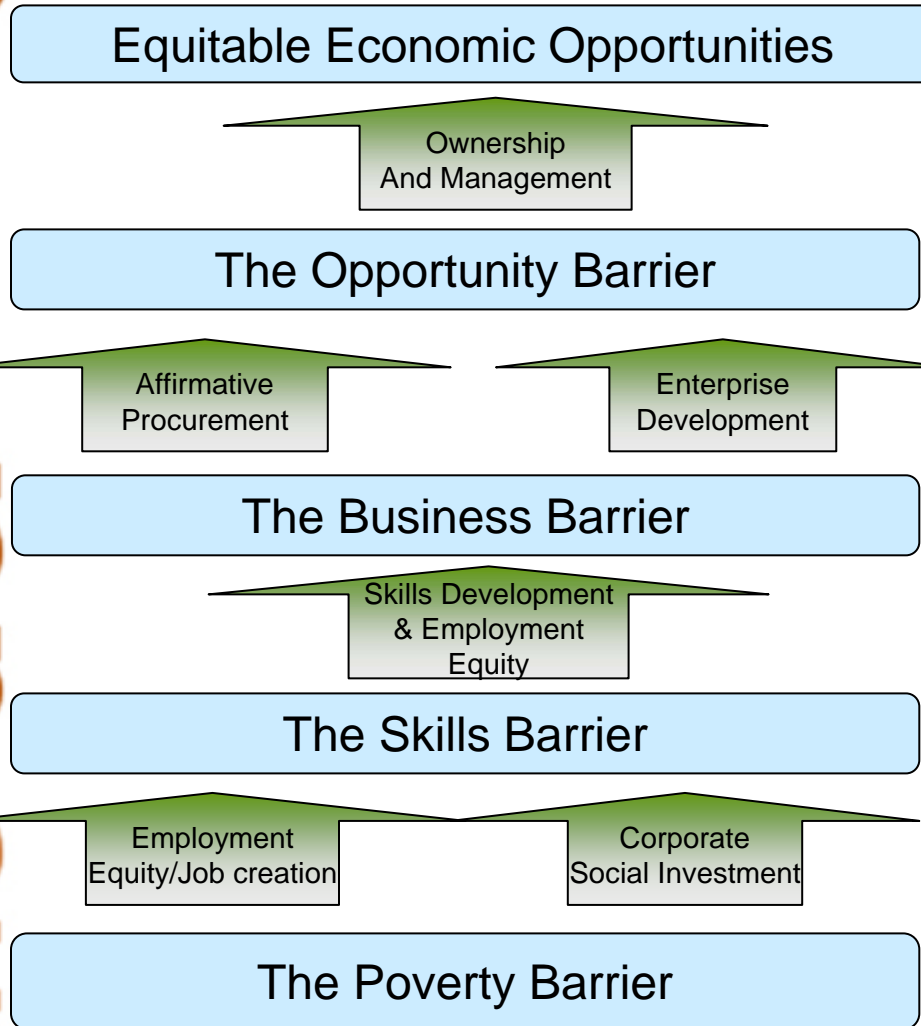
**Guidelines to draw up BEE charters**

**Guidelines to maintain Institutional Framework (BEE Council /Accreditation Agencies)**

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# BROAD BASED BENEFICIARY BASE

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Emerging black middle class & Investors



Black entrepreneurs



Black workers and job-seekers



Black unemployed & rural poor



# ARRANGEMENT OF THE CODES

Code	What is it?
000	Conceptual Framework of B-BBEE
100	Ownership
200	Management Control
300	Employment Equity
400	Skills Development
500	Preferential Procurement
600	Enterprise Development
700	Socio- Economic Development
800	Qualifying Small Enterprises

General Principles and the Generic Scorecard

Measures effective ownership of enterprises by black people

Measures effective control of enterprises by black people

Measures initiatives intended to achieve equity in the workplace

Measures the extent that employers carry out initiatives designed to develop the competencies of black employees

Measures the extent that enterprises buy goods and services from BEE Compliant suppliers as well as black owned entities

Measures the extent to which enterprises carry out initiatives contributing to Enterprise Development

Measures the extent to which enterprises carry out initiatives contributing to socio-economic development

Measures the extent to which enterprises carry out contributions made by Qualifying Small Enterprises

# CODE 000 : GENERIC SCORECARD

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Element	Weighting	Compliance Targets
Ownership	20 points	25% +1
Management control	10 points	(40% to 50%)
Employment Equity	15 points	(43% to 80%)
Skills Development	15 points	3% of payroll
Preferential Procurement	20 points	70%
Enterprise Development	15 points	3% (NPAT)
Socio-Economic Development	5 points	1% (NPAT)
<b>TOTAL</b>	100 points	

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# PREFERENTIAL PROCUREMENT CODE 500 – STATEMENT 500



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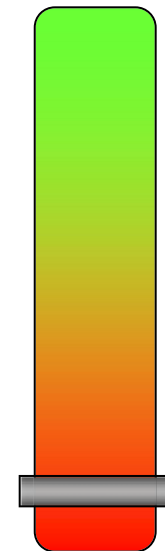
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# CODE 500 – PREFERENTIAL PROCUREMENT

- Preferential Procurement is used to drive transformation throughout the economy by encouraging procurement from suppliers that are compliant with B-BBEE Scorecard.
- Enterprises are encouraged to procure from those entities that have a good contribution level based on their performance on the scorecard.
- A supplier that has a very good B-BBEE contribution level is likely to be chosen as a preferred supplier as compared to his peers as they will give the enterprise they are providing goods and service a good scoring.

# CODE 000 : BEE STATUS

Level	BEE Score	BEE Recognition Level
1	>100	135 % (e.g. R1 = R1.35)
2	85 ~ 100	125 %
3	75 ~ 85	110 %
4	65 ~ 75	100 % (e.g. R1 = R1)
5	55 ~ 65	80 %
6	45 ~ 55	60 %
7	40 ~ 45	50 %
8	30 ~ 40	10 %
Not Compliant	< 30	0 % (e.g. R1 = R0)



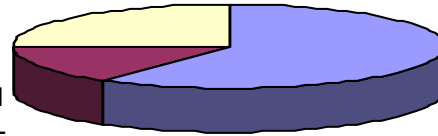
- **BEE status for companies will be recognised based on the status table above**
- **Customers (public and private sector) will prefer to interact and procure from companies with higher BEE status (for its own recognition)**

# PREFERENTIAL PROCUREMENT SCORECARD ALLOCATION

## Preferential Procurement Scorecard Allocation

–More than 50%  
Black Owned or  
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–QSE and  
Exempted-  
Micro  
Enterprises, 3



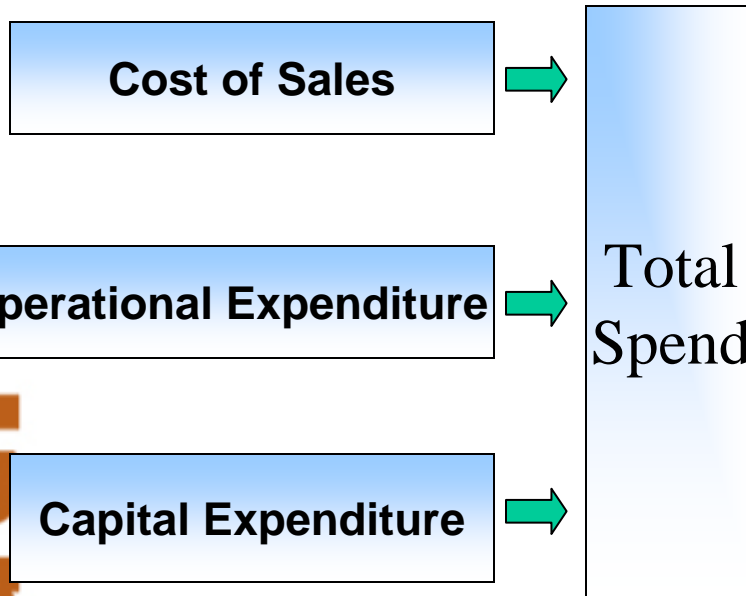
–All suppliers  
(including QSE  
and Micro): , 12

- **Weighting Allocation of Preferential Procurement to:**

– All suppliers (including QSE and Micro):	12 points
– QSE and Exempted- Micro Enterprises	3 points
– More than 50% Black Owned or More than 30% Black Women Owned	5 points
<b>Total</b>	<b>20 Points</b>
  
- **Target:**

	<b>0-5 years</b>	<b>6-10 years</b>
– All Suppliers	50%	70%
– QSE & EME Suppliers	10%	15%
– More than 50% Black Owned or More than 30% Black Women Owned	15%	20%

# PREFERENTIAL PROCUREMENT SPEND



- Allowable Exclusions:**
- Salaries
  - Loans and Donations
  - Certain imports
  - Rates & Taxes, levy and post retirement funding and
  - Investments loans, etc.
  - Imports (Specific Exclusions as detailed in Statement 500)

TOTAL MEASURED PROCUREMENT SPEND

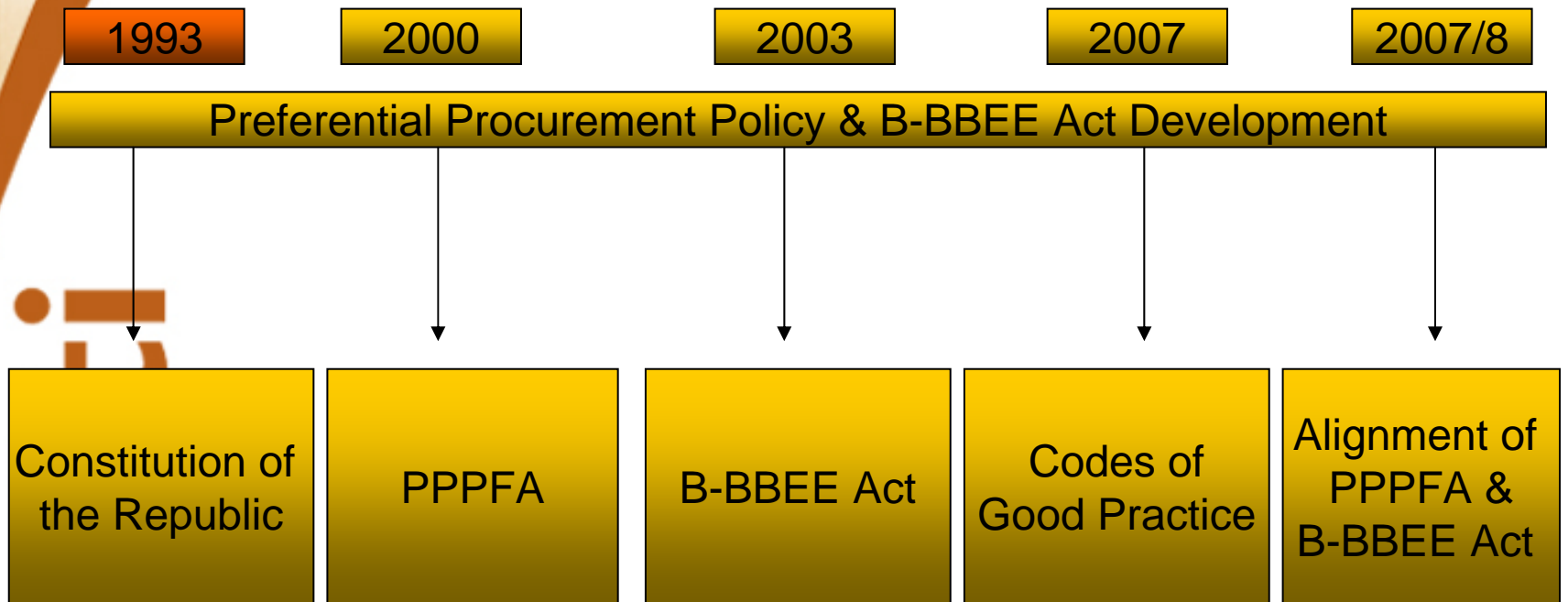
BEE Spend

Non-BEE spend

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# PREFERENTIAL PROCUREMENT POLICY IN THE PUBLIC SECTOR

# PREFERENTIAL PROCUREMENT AND B-BBEE ACT DEVELOPMENT TIMELINE



## **BACKGROUND:**

### **Constitution of the Republic of South Africa Section 217:**

When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for -

- categories of preference in the allocation of contracts; and
- the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

Protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

# LEGISLATIVE FRAMEWORK

- **Section 10 of the B-BBEE Act further gives the status of the codes by stating that:**
- **Every Organ of State and Public Entity must take into account and, as far as is reasonably possible, apply any relevant code of good practice issued in terms of this Act in –**
  - Determining qualification criteria for the issuing of licenses, concessions or other authorisations in terms of any law;
  - Developing and implementing a preferential procurement policy;
  - Determining qualification criteria for the sale of state-owned enterprises; and
  - Developing criteria for entering into partnerships with the private sector

## CONTACT DETAILS

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