

## Black Economic Empowerment and South Africa's Economic Transformation

10 April 2003

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Ladies and Gentlemen, it is appropriate that when we award achievement in South Africa that we reflect on the importance of Black Economic Empowerment (BEE) in South Africa's economic transformation. The structure of economies does not change quickly and good economic policy understands this and builds up its success in phases. We have done this in South Africa. This allows us to now focus on the microeconomic aspects of our economy with the aim of increasing the growth rate and reducing inequality. For these reasons now is the time to place increased emphasis on BEE.

For those of you who have looked at the Strategy Document you will see that the government places heavy emphasis on the link between economic growth and development and BEE. We see these as associated processes and therefore a process that is to the benefit of all enterprises irrespective of the race of their owners.

Apartheid and the colonialism before it systematically dis-empowered the majority of the people in South Africa and this legacy still impacts on us. Things are improving but the levels of poverty and inequality are still too high. This must be changed in the interests of our political, social and economic future. As leaders in our country we must lead this change.

### The Need for BEE

The BEE Strategy must be seen in the context of the many other programs introduced since 1994 to address the inequalities in the country. There have been extensive housing, electrification, water, social development, skills development and economic development programmes that have been instituted.

Despite these interventions the pace of BEE has not been fast enough in the market place. It is happening but we are not reaching a critical mass fast enough. It is for this reason that the government agreed with the Black Economic Empowerment Commission that we should set out a more coherent and focussed policy approach.

### The Strategy

In formulating the BEE strategy we have consulted widely, both within government and with the private sector. We have also put mechanisms in place to ensure that there is consultation and room to comment on all legislation and guidelines issued. I will speak more about such mechanisms later.

The policy is based on four key principles. These are that the BEE strategy is part of the broader economic growth strategy, secondly that BEE should be broad based, thirdly that BEE is an inclusive process and fourthly, that BEE is associated with good governance.

Firstly, that Black Economic Empowerment is part of the broader economic growth strategy underlies our commitment to ensuring that economic growth in our country continues on a sustainable path. South Africa has been able to achieve a moderate economic growth rate of approximately 3% over the past few years as well as average growth of 7% p.a. in the volume of manufactured exports - it is important that this growth continues. The BEE strategy will ensure that more people are brought into the economic mainstream. This will be done in part by ensuring that BEE is not only about shifting assets from white people to black people, we will be looking at growing the size of the economy by continuing on our export orientation, finding ways to grow the size of our domestic market and through investing in large scale infrastructure development programmes, particularly looking at ports, road infrastructure and upgrading railway networks.

To achieve this growth, the government through the dti will have a strong focus on the creation of viable new black enterprises and will continue to offer support for existing enterprises through a range of incentives. For example, the dti has the export marketing and investment assistance programmes, which assist businesses to export and are run by Trade and Investment South Africa. The dti also has a black business supplier development programme to assist businesses improve their capacity and was launched earlier today by Deputy Minister Hendricks. These two initiatives are amongst a number of other excellent services and incentives that are offered by the dti and its family of institutions to assist with the start up and growth of enterprises.

An important area that will also be receiving significantly more attention is access to capital to finance this growth of black enterprises in our economy. Without crowding out the private sector, the dti will be working with several other institutions to find new ways to improve black businesses access to finance. The R10 Billion that has been made available by National Treasury will be used for this

purpose.

Secondly, BEE should be broad based to achieve increased participation by black people in the economy. It is for this reason that BEE has three main components to it: increased black ownership and management of enterprises; the development of human resources with particular emphasis on professional, technological and scientific skills and enterprise development achieved through procurement and enterprise development programs. In all these emphasis is given to more disadvantaged areas and groups. A fourth component are various forms of community social investment appropriate to the circumstances.

Thirdly, the BEE strategy should be an inclusive process in that all enterprises can play a role. There will be certain sectors where a Sector Charter makes sense. However, for the most part we are looking to enterprises to use the scorecard approach to plan and measure their contribution to BEE. Given that most enterprises will at some time contract with government and that other enterprises will need to do business with empowerment enterprises there will be considerable pressure in the market place to utilise and make progress in terms of the scorecard.

Fourthly, BEE is associated with good governance. A fundamental part of our economic reform and transformation is improving the quality and transparency of all economic activity. Accordingly, BEE must be associated with and ensure the highest standards of corporate governance. Concerted efforts will be made to ensure that the quality of corporate boards and governance is improved. Clearly it is in this context that the problem of fronting will now become a serious matter that will be acted on by the state and it is inevitable that the private sector will also act against it.

The detail of the policy is set out in the Strategy for Broad-Based Black Economic Empowerment. For those of you who haven't read it the document is available from the dti or can be viewed on our website, the address is: [www.thedti.gov.za](http://www.thedti.gov.za)

#### The BEE Bill

The Black Economic Empowerment Bill provides the legal framework for BEE. This Bill will be tabled in Parliament for public discussion and comment within the next few weeks and I recommend that you obtain a copy when it is released and send through your comments. In summary, the Bill encapsulates the BEE strategy, provides for the Minister of Trade and Industry to issue guidelines and codes of good practice on BEE, allows for the establishment of a BEE Advisory Council, and gives a definition of black people, which is African, Coloured and Indian.

These guidelines and codes of good practice for BEE that will be issued by the Minister of Trade and Industry are important as they will provide guidelines for the sector transformation charters, publish the balanced scorecard indicators and weightings which will be agreed in the sector transformation charters, and allow for a system of reporting on the implementation of BEE. This last point would cover the reporting by Government, State Owned Enterprises and the private sector. It is important to note that within the Bill it will be a requirement that all guidelines issued by the Minister of Trade and Industry must be published in draft for public comment for at least 30 days.

The BEE Advisory Council will advise the President on the implementation of BEE. The aim of the council will be to review progress, provide advice on the different aspects of BEE and find ways to enhance the implementation of BEE.

#### Conclusion

I believe that the BEE policy that we have released is sound and it is a good building block from which to grow and transform our economy. BEE will play an important role to structurally transform our economy so that all participate in it irrespective of race; sex or creed and where we collectively build a better life for all. We must all commit ourselves to making a contribution.

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