

## The Essence of Broad Based-Black Economic Empowerment (B-BBEE)

How would you spread the benefits of economic growth to all of your children, if you had over 45 million of them?

This is the question the government of South Africa is trying to answer with its Black Economic Empowerment (BEE) policy interventions. Now even called Broad-Based BEE (BBBEE), the concept continues to conjure up different images in the minds of South Africans, depending on which side of the economic divide they stand.

What makes the government persist in its quest to bring about BBBEE or BEE?

The policy objectives remain the same as they were published in the Strategy for BBBEE in March 2003 and in the BBBEE Act of 2003. BEE essentially seeks to achieve the following outcomes:

- A substantial increase in the level black ownership and control of existing and new enterprises;
- A substantial increase in the black ownership and control of new and existing enterprises, especially in the priority sectors, namely &ndash; Information & Communications Technology, Tourism, Agro-processing, Mining, Financial Services;
- A significant increase in new black enterprises, black-empowered enterprises and black-engendered enterprises; and
- A significant increase in number of black people in executive and senior management of enterprises.

Black people constitute over 90% of the South African population (Africans, Coloureds and Indians), with emphasis on workers, rural communities, youth (18 to 35 years of age), women and people with disabilities.

The broad base of black people makes sense only if one thinks of how economies grow and thrive. Considering the South African demographic reality, economic growth is much more sustainable if one can sell to more than 90% of the population, instead of only 10% of it &ndash; which was the case in apartheid South Africa.

Take, for example, housing. A seller of a house in a traditionally white suburb, in apartheid South Africa, would be selling to about 9% of South Africans &ndash; a much smaller market. This translates into demand not as high as has been the case after the annulment of the Group Areas Act &ndash; allowing black people to live anywhere in the country. The prices of houses in South Africa &ndash; what has been called the property market boom &ndash; had a lot to do with black people coming into the market in areas where they were initially prohibited. The demand for cars has also led to repeated record-breaking sales figures due to the same reason; of course, the lower interest rate regime and friendlier credit environment played their part, but still with a lot of help from racial integration and the emergence of additional black buying power.

The essence of BBBEE is in how it spreads the benefits of economic growth to the majority, thus making the economy sustainable.

The majority is not only comprised of people wanting to own shares in companies. It also includes those merely interested in getting good jobs (employment equity), improving their skills (skills development), starting and running their own businesses (preferential procurement and enterprise development) and simply living a better life.

Broad-Based BEE is about benefits of economic transformation and also about empowering black people by means of more interventions than just selling shares to black investors.

Keep this in mind when structuring your next BEE deal!