



— FROM THE DESK OF —
THE PRESIDENT



Monday, 30 May 2022

BLACK ECONOMIC EMPOWERMENT A MUST FOR GROWTH

Dear Fellow South African,

Last week a landmark broad-based black economic empowerment transaction was concluded in the Eastern Cape that significantly improves the participation of black women-owned businesses in the energy sector.

A liquid bulk fuel terminal operated by BP Southern Africa in East London has been sold to Wasaa, an independent petrochemicals company. Wasaa has acquired all the terminal's moveable assets and a 20 per cent share in berth-to-terminal pipelines.

With the 2020 report by the Broad-Based Black Economic Empowerment Commission showing that most economic sectors are falling short of their black women ownership targets, this acquisition by a black and female-owned company of a liquid fuel terminal is a historic development.

It contributes to our national effort to redress inequality and ensure there is meaningful participation by the country's majority in our economy.

This week, I am announcing the new appointment of the new Broad-Based Black Economic Empowerment Advisory Council. This council, which comprises government, business, labour and other stakeholders, was established to champion the cause of economic transformation.

The council has its origins in a 2001 report produced by the BEE Commission.

This report emanated from an extensive study into the structure of the South African economy, and what was needed to transform this structure, grow black entrepreneurship, ensure greater black management and ownership of businesses, and bring black women into the mainstream of the economy.

Next year, it will be two decades since the Broad-Based Black Economic Empowerment (BBBEE) Act – which established the council – was passed.

Our commitment to entrench and deepen economic empowerment is unwavering. That is why black economic empowerment is an integral part of our economic reconstruction and recovery in the wake of the COVID-19 pandemic.

This is one of the reassurances I articulated to the Black Business Council earlier this month, where we discussed the state of BBBEE in the country, the progress that has been made and what we need to do as a collective to build on our gains.

While there has been significant progress over the last two decades, there are some areas where there has been regression. We have gone backwards when it comes to increasing black management control, upscaling skills development, entrenching enterprise development and broadening procurement to give opportunities to black women and the youth.

The apartheid government deliberately built a distorted economy designed to benefit white people. The majority of South Africans were marginalised from the mainstream economy, with black entrepreneurs confined to small retail industries in the townships.

At the end of apartheid, black ownership of JSE-listed companies was less than 1%. This figure has not improved much in the past 28 years.

At the same time, there have been important private sector initiatives and deliberate measures by the state to facilitate greater and more meaningful participation of black people in the economy.

Between 2017 and 2020, nearly 500 empowerment transactions were submitted for registration to the BBBEE Commission. In key sectors such as construction, property, information and communications technology, tourism and transport, black ownership has exceeded targets.

Economic transformation and economic growth are intertwined. There cannot be one without the other.

By integrating transformation into the process of industrialisation, we are advancing a more inclusive growth model that shares, rather than concentrates, wealth.

The Department of Trade, Industry and Competition is (DTIC) pursuing this goal through various programmes. They include a support programme for township businesses, export-related training by the Industrial Development Corporation (IDC) to black, women and youth-owned businesses, and increased infrastructure budget to SMMEs in the Tshwane Special Economic Zone.

Through sectoral masterplans we are driving localisation that benefits black owned businesses. For example, 10 black contract growers have been established with an investment of R336 million as part of the poultry masterplan. Government has also launched a black exporters network that will connect black-owned companies in food, engineering products, auto components, beauty products and other sectors of the economy.

As part of our drive to create a new generation of black industrialists, last year government approved R2.5 billion in new support to about 180 black industrialists in the form of loans from the IDC and National Empowerment Fund (NEF) and grants from the DTIC incentive scheme. Over the next three years a further R21 billion has been committed by the IDC, NEF and other institutions to support black industrialists. An additional R25 billion has been committed to support black, women, youth and worker-owned companies.

It is clear that much more work needs to be done to address the many challenges that black businesses face. This includes the difficulty of accessing start-up and expansion capital and the ability of SMMEs to find markets for their products. Black women-owned businesses, in particular, encounter difficulties in taking on large-scale empowerment transactions.

Breaking the cycle of underdevelopment through black economic empowerment is not just a moral imperative; it also makes business sense.

The continued exclusion of the black majority from the economy's mainstream constrains economic growth, which ultimately impacts all business. Expanding the country's entrepreneurial base is fundamental to growth.

We have a shared responsibility to drive the effort to entrench BBBEE because it is about eradicating inequality. Unequal economies breed unequal societies, and unequal societies don't grow and flourish.

It is not only wrong, but also unsustainable, for businesses to keep their management and ownership structures mostly white or male.

It is, after all, the South African public that are the primary consumers of their goods and services. This should be reflected in diversity of hiring and management practices, in ownership and in procurement.

Broad-based black economic empowerment will only be achieved through partnership and a shared commitment to transformation.

The appointment of the new BBBEE Council will help us to expand the frontiers of broad-based black economic empowerment. I call on business, labour and industry to work with the council as it undertakes this vital work.

With best regards,



THE PRESIDENCY
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