

"B-BBEE Amendments to Amended Codes Series 000: General Principles

'Equality begins with economic empowerment'- George H. W. Bush

Black Economic Empowerment since its implementation in 2003 has been a pragmatic growth strategy to bring about South Africa's full potential by bring the black majority into the economic mainstream. Broad Based Black Economic Empowerment as known by its term is technically not an affirmative action. It does not take wealth from one group and disturb it to another; it aims at creating the necessary growth and target South Africa economy weakest point: inequality.

B-BBEE Codes

South Africa B-BBEE Codes of Good Practise were established in 2007 to provide the necessary framework to support any form of measurement for B-BBEE in all sectors. The codes require South Africa organisations operating in the country to make contributions towards the B-BBEE objectives. The first part the B-BBEE codes require entities public or private to implement proper initiatives throughout all the pillars of B-BBEE. The second phase requires entities to comply to the five components of their B-BBEE scorecard, namely: ownership; management control; skills development; enterprise and supplier development; and socioeconomic development (considering these elements are specific to the industry sector)

The New Amendment codes

April the 9th 2019 saw The Ministry of Trade and Industry signed four Amendments to the Amended Generic B-BBEE Codes of 2013. The following Amendments were Gazetted on the 31 of May 2019 and will come into effect on November 31, 2019. The Amendments are as follows;

Amendments to Amended Codes Series 000: General Principles

All entities that are considered a level two EME (Exempt Micro Enterprises) or QSE (Qualifying Small Enterprise) contributors are now only available to those entities that are 51% Black owned on a flow through basis. The flow through basis can be examined through the ownership element of the B-BBEE Scorecard, which the flow through principle traces measurement through the chain of ownership to a natural black person. The flow through principle allows for participants of non-black participants at one tier of ownership. To further add to the new amendments, Level One contributors which are 100% black owned EME or QSE are now only available to those entities which are 100% black owned through the flow through principle. Further information has been provided which looks into the guidance on how unstructured joint ventures will be measured. Scoring will be based on both partners shares and previous B-BBEE levels which will determine compliance of the new joint venture entity.

Amendments to Amended Code Series 300: Skills Development

Skills development is a major part of the B-BBEE pillars which looks at the upskilling of unemployed and employed Black individuals through learnership, internships, and bursaries. The new Amendments for skills development finds that the 6% once allocated target for skills development expenditure on learning programmes for Black people has now be reduced to 3.5% of the entities leviable amount for weighting which has been dropped from 8 to 6 points. Furthermore, a new subheading has been introduced in skill expenditure on bursary for black students. This introduction finds targets for the subheading being 2.5% of the leviable amount amounting to 4 points. The Amendments specified that that there is no longer targets set for Black People participating in learnerships, internships, and apprenticeships as a percentage of total employees. Thus, allocated targets for Black unemployed people are set at 5% for 6 points.

Absorption points by entities have always been a bonus for many contributors looking to scoring the best possible score. It has been introduced that the 5 bonus points by measured entity or industry at the end of a learnership can also related to an internship and apprenticeships. Furthermore, entities that are using bonus points to bypass the 40% minimum threshold to avoid discounting by one level is not included and cannot be done. Entities will have to gain 40% threshold in the Expenditure and Learnership indicators without bonus points. The last amendments look at recognition points for skills development expenditure arising from informal and workplace learning programmes which as capped at 15% of total value of skills development expenditure. Amendments have seen this expenditure raising to 25%.

Amendments to Amended Code Series 400: Enterprise and Supplier Development (including Preferential Procurement)

Enterprise and supplier development place emphasis on EME's, QSE's, and Generic (large entities) developing black owned entities and buying for entities with black ownership. The new amendments see for the following priority element, indicate that entities must meet the minimum 40% threshold in order to not be discounted one level, does not include bonus points. To reiterate, entities must achieve the sum of the Procurement indicators amounting to 10 points, 4 points for supplier development, and 2 points for enterprise development to meet the 40% threshold excluding the bonus point.

Amendments are further found in the target for procurement from 51% Black owned companies has increased from 40% of total measured procurement spend to 50% of total measured procurement spend, and the number of points awarded for such procurement has increased from 9 points to 11 points. The criteria to receive the multiplying factor of 1.2 for procurement from a recipient of supplier development contributions has been amended, and this enhanced recognition status is no longer limited to QSEs or EMEs. It may now also be claimed for procurement from large entities which are 51% Black owned on a flow-through basis.

Beneficiaries of which support EME's and QSE's in ESD (Enterprise and Supplier Development) initiatives are currently only limited to EME's and QSE's. The amendments find, Generic entities that are 51% black owned though the flow through principle are included, provided when the entity received assistance the entity was an EME or QSE with at least 51% black ownership. The assistance to the Generic that was an EME or QSE with 51% black ownership will only be recognised to a limited 5 years from when the beneficiary first received assistance from the measured entity. Similarly for procurement purposes the same principle applies, that procurement from Generic entities which are 51% Black owned on a flow-through basis will also qualify as procurement from EME's or QSE's for a period of five years from the date on which procurement from the entity first occurred, provided that when that procurement first occurred the entity was in fact an EME or QSE.

Lastly, it has been noted that Supplier development Beneficiary is to be part of a measured entity's supply chain whereas as Enterprise Development Beneficiary is not. In the last recent years 3% of any guarantee provided to the Enterprise or Supplier Development Beneficiary could be recognised, this has changed 50%. The change looks at supporting of companies providing guaranties rather than spending money.

There no doubt that the legislation and codes will change as South Africa's economy and political landscape changes. Johannesburg Technical and Vocational College (Pty) Ltd aims at assisting all future and present clients understand the present and new amendments.

Johannesburg Technical and Vocational College (Pty) Ltd currently has implemented all the above changes in ensuring that our clients score correctly and most efficiently in line with the amendments released."