

NEEF

South African lessons

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National Equitable Economic Empowerment Framework

- Draft (2015)
- Similar in sentiment to South Africa's black economic empowerment (BEE) policy
- Broader class of beneficiaries
- Lacks the glue that BEE's success can be attributed to

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NEEEF's goals

- Bring about socio-economic transformation in order to enhance
 - empowerment of the previously disadvantaged majority
- Promote
 - a higher economic growth rate
 - increased employment
 - more equitable income distribution
 - economic unity of the nation

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How will this be done

- A scorecard of sorts with six pillars
 - economic ownership
 - management control and employment equity
 - human resources and skills development
 - entrepreneurial development and marketing
 - corporate social responsibility
 - value addition, technology and investment
 - financing of transformation

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Not much is defined

- Process appears to target the private sector
- Incentives for compliance provided for compliance or ownership
 - state procurement
 - allocation of licences, permits etc
- Minimum ownership proposed for companies established after Act is promulgated (25%)
 - Malaysian Bumiputera

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Who gets to benefit

- Racially disadvantaged persons
 - directly or indirectly disadvantaged because of of social, economic, educational imbalances arising out of racially discriminatory laws or practices before Independence
- Women
- Persons with any disability

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South Africa's BEE

- Scorecard-based with targets
- Principle is very established within South Africa
 - difficult to conduct business without a BEE certificate
 - scorecards have been issued since 2007
- Very likely that this process has resulted in the transformation of South African society

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Current BEE scorecard

Element	Weighting	Targets
Ownership	25 points	25.1%
Management control	19 points	50-90%
Skills development	20 points	6% of payroll
Enterprise and Supplier Development (including procurement)	40 points	3% of NPAT Higher percentage of purchases from black businesses
Socio-Economic Development	5 points	1% of NPAT
TOTAL	109 (plus bonus points)	

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Procurement is the catalyst

- BEE's success comes from the private sector enforcing it via procurement
- Has cascaded throughout the country
- Indicates growing awareness of empowerment requirements
- State measures procurement preference points based on BEE score
 - PPPFA

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For empowerment to succeed

- It needs a stable interpretive framework
- Must be given a fair chance to succeed
 - not five years (more of this in the next exciting slide)
- All entities must have a uniform approach
 - State-owned entities tend to write their own inconsistent rules
 - Minerals Charter

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If it ain't broke.....

- Throw a spanner in the works
 - announce that BEE has failed after five years
 - create a new system with draconian requirements
 - and negative marking
 - exempt many black owned businesses from contributing to the ultimate empowerment of the nation
- And expect the nation to accept it

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With the result

- Trust deficit between business and policy makers increases
- Complexity and expense too much for smaller businesses
- Clever methods being developed to get around compliance
 - bordering on fronting
- And if business rejects it?

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“You can’t reheat a soufflé”



BEE hangs on

- But only just
- South Africa will not tolerate another set of BEE rules
- Public is becoming more litigious
- Perception is that government business comes as a result of political connectivity
 - BEE is not a consideration
- Success or failure is now political

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Back to NEEEF

- Bill is noble in its stated intentions
- Very short on detail
 - proposes some sort of code of good practice (section 25)
- This bill and previous iterations have not provided for procurement
- Difficult to offer any solutions until a code is published

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NEEEF and compliance

- If government business is awarded to compliant companies or companies with ownership
 - what will most companies opt for?
- Expect many ways to avoid compliance or fronting
- But if NEEEF's goals are being met and communicated then success will be easier

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Final thought

Malaysians I spoke to believe that their example of empowerment offers many tips on mistakes to avoid

Jenny Cargill – Trick or Treat (2009)

- South Africa's BEE has many such examples

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Thank you and the very best of
luck

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