

Final Draft

BROAD-BASED BLACK ECONOMIC EMPOWERMENT STRATEGY FOR MPUMALANGA PROVINCE



Department of Economic Development & Planning



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Foreword

[By Premier or MEC of DEDP]

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Abbreviations

ASGISA	Accelerated and Shared Growth Initiative for South Africa
B-BBEE	Broad-Based Black Economic Empowerment
B-BBEE Act	B-BBEE Act of 2003
BEE	Black Economic Empowerment
Black	African, Coloured and Indian (as per B-BBEE Act of 2003)
CBO	Community-Based Organisation
Codes of Good Practice	B-BBEE Codes of Good Practice (DTI, February 2007)
DEDP	Department of Economic Development and Planning
DFI	Development Finance Institution
DPF	Diesel Particulate Filters
DTI	Department of Trade and Industry
EPWP	Expanded Public Works Programme
FBO	Faith-Based Organisation
GSSC	Gauteng Shared Services Centre
LED	Local Economic Development
MEGA	Mpumalanga Economic Growth Agency
MPG	Mpumalanga Provincial Government
MSP	Mining Supply Park
MSSC	Mpumalanga Shared Services Centre
NGO	Non-Governmental Organisation
PPP	Public-Private Partnership
RDP	Reconstruction & Development Programme
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SMME	Small, Medium and Micro Enterprise

Executive Summary

The acceleration of Broad-Based Black Economic Empowerment (B-BBEE) remains one of the most pressing priorities faced by government at both national and provincial level. In the context of Mpumalanga Province, the lack of B-BBEE progress has been particularly visible and the Mpumalanga Provincial Government (MPG) has prioritised the acceleration of B-BBEE implementation in the province, hence the commissioning of a formal provincial B-BBEE strategy.

This strategy was developed by first examining the unique features of the Mpumalanga economic environment, the obstacles hampering B-BBEE implementation as well as the advantages and opportunities – in short, getting to grips with the current status of B-BBEE in the province. The necessary information was gathered via intensive engagement with stakeholders in the provincial economy, i.e. representatives from MPG, big business, NGOs and Chambers of Commerce as well as a host of SMME owners.

The national B-BBEE policy is based on the so-called “seven elements” of ownership, management, employment equity, preferential procurement, enterprise development, skills development, and socio-economic development. This framework has been set out by the Department of Trade and Industry (DTI) and any strategy adopted at provincial level needs to be appropriately aligned with the DTI’s guidelines. The strategy has been guided by DTI imperatives but has been adapted to suit the circumstances of Mpumalanga province. All elements of B-BBEE are important but some, such as procurement and enterprise development, lend themselves more to implementation in Mpumalanga than others.

Government is not always best placed to provide the fundamental business skills required to drive B-BBEE implementation. The private sector, on the other hand, has a wealth of skills and expertise that could be brought to bear upon the B-BBEE implementation process. The way forward is to draw on the respective strengths of government and the business community, fuse their strongest elements and develop a model that incorporates the best of both worlds, i.e. the formation of Public-Private Partnerships (PPP’s).

To practically implement the strategy, concrete initiatives or projects have been formulated, based primarily on the PPP model. These projects set out the steps to be taken, timelines and measurable objectives. They also demonstrate clearly defined roles and responsibilities for MPG and private sector players with appropriate lines of accountability. It is envisaged that new enterprises formed as a result of these projects will be at least 51% black-owned, providing a boost to the ownership imperative of B-BBEE. The projects proposed are as follows:

- a) **Supplier Database:** Establishment of an accurate, properly maintained supplier database which will verify B-BBEE credentials of all MPG suppliers, ensure that MPG can target B-BBEE-compliant suppliers for procurement purposes and also help combat tender fraud.
- b) **Printing Industry Initiative:** MPG will proactively increase printing and stationery procurement from local, B-BBEE-compliant suppliers, while the suppliers will increase their capacity by forming strategic joint ventures amongst themselves. This will not only ensure that larger government orders now become manageable for local suppliers but also ensure skills transfer between entities.
- c) **Community Empowerment Model:** Community-based organisations may partner with the private sector to form for-profit enterprises that will, for example, beneficiate raw materials in the area where the community is based. The community’s share of profits generated by the venture can then be ploughed back into community development, e.g. schools, libraries, medical centres and other public-centred projects.
- d) **Project Kusile Task Force:** Setting up a Task Force or Business Linkage Centre that will help local suppliers gear up appropriately to be able to supply Eskom with goods and

services for Project Kusile, the massive power station project that has seen Eskom earmark R10bn for local procurement.

- e) **Tyre Industry Initiative:** A franchise-based proposal whereby established tyre dealerships and manufacturers will assist and train black entrepreneurs to eventually run their own franchisee outlets. MPG will underpin this process by targeting these black-owned outlets for procurement of tyres.
- f) **Public-Private Training Programmes:** A model is proposed whereby MPG can subsidise places at training institutions run by private sector companies. The latter would provide training facilities and trainers to enable vocational skills transfer to interested individuals who would otherwise not have the means to further their education.
- g) **Mpumalanga-based Procurement Initiative:** A generic procurement model whereby MPG will identify the top procurers in the province (essentially the major multinationals and corporates) and engage with them on a one-to-one basis to agree on voluntary increases in procurement targets geared towards local, BEE-compliant suppliers.
- h) **Downstream Beneficiation of Stainless Steel:** A series of downstream beneficiation proposals from Columbus Stainless (Pty) Ltd (Columbus) who will provide raw material as well as skills transfer and support to set up new companies to process and add value to primary stainless steel product in the following ways:
 - Manufacture of diesel particulate filters for the automotive industry;
 - Manufacture of flexible couplings for the automotive industry;
 - Manufacture of liquefied petroleum gas containers; and
 - Manufacture of stainless steel sinks, procurement of which will be underpinned by government orders for RDP houses.

In addition, there is also an opportunity for a suitable vocational educational programme in collaboration with Columbus that can be extended to other manufacturers once the concept has been proven.

- i) **Mining Supply Park (MSP) Initiative:** Suppliers to the mining industry can be located in a single convenient location to supply to the mining houses in the area. The MSP will require ancillary services to be set up on site as well, which will generate employment and support enterprise development.

This PPP-based strategy affirms that MPG has a crucial facilitative role to play, creating an environment that incentivises and is conducive to B-BBEE implementation and also providing direct and indirect funding mechanisms.

However, it also showcases the need for MPG to work hand-in-hand with the private sector, which can provide the necessary entrepreneurial and management skills to oversee the “nuts and bolts” and operational aspects of these projects and ensure that the enterprises formed from these B-BBEE initiatives can eventually become self-sufficient and sustainable.

The proposals put forward in this document involve different levels of complexity and some will yield quicker returns than others. If implemented with due care and thoroughness, however, they all promise a significant boost to B-BBEE implementation in the Mpumalanga Province.

1. Introduction

1.1. Background

Broad-based Black Economic Empowerment (B-BBEE) in South Africa is arguably the country's single most critical instrument of policy for redressing the socio-political and economic injustices and imbalances of the past and creating a stable society with reduced unemployment and poverty and ready access for all to education, basic services and infrastructure.

As each province in South Africa has its own unique characteristics, the Department of Economic Development & Planning (DEDP) of the Mpumalanga Provincial Government (MPG) has decided to develop a provincial B-BBEE strategy which supports provincial strategic economic objectives and takes into account the specific features and circumstances of the Mpumalanga Province, whilst being in line with the Department of Trade and Industry's (DTI's) national B-BBEE policy.

The national B-BBEE policy is governed by codes and measures released by the DTI and is built around seven key concepts or "elements" which will be expanded upon further in this document. These seven elements are:

- Ownership of businesses by black individuals;
- Management and control of businesses by black individuals;
- Enterprise development;
- Skills development;
- Preferential procurement;
- Employment equity; and
- Socio-economic development (also referred to Corporate Social Investment).

It is envisaged that the B-BBEE strategy will be an effective tool for MPG to accelerate transformation and economic development for the benefit of all people in the province, with particular emphasis on ensuring confidence in the business community for both black- and white-owned and small and large businesses.

There is a consensus amongst various stakeholders in the provincial economy that the implementation of B-BBEE in Mpumalanga has not taken off as hoped and that there is a pressing need to speed up the process and ensure visible progress on at least some of the above seven areas.

Understandably, the focus of B-BBEE is on black individuals and one of its key deliverables is to facilitate greater ownership and management of businesses by black people. However, everyone has a role to play, regardless of "colour" or any other distinction, because one of the spin-offs of a properly implemented B-BBEE strategy is a sustainable socio-economic and socio-political framework that will benefit future generations of South Africans across racial and class lines.

The slow pace of B-BBEE implementation in Mpumalanga can be gauged by various factors, including but not restricted to:

- Unacceptably high levels of poverty and unemployment;
- Continuing lack of basic education and literacy amongst large sectors of the population. This can be linked to either a complete lack of schooling facilities in a given area or, where available, said facilities being hopelessly under-equipped and in poor physical condition. It is also exacerbated by the lack of a learning culture;
- Rural communities still deprived of electricity and/or running water supply;
- Lack of access to financing as well as procurement opportunities amongst smaller and emerging black businesses;
- Relatively small levels of black ownership of enterprises; and
- Relatively limited representation of historically disadvantaged groups in senior management or at executive level in big business.

The above issues are, of course, prevalent countrywide but are particularly pertinent to the Mpumalanga Province which has approximately 60% of its population situated in rural areas and living in a state of relative economic disempowerment. As an indication, a survey¹ of 4,200 companies in the province revealed that a mere 7.5% could produce BEE compliance certificates.

Unemployment in Mpumalanga is 24.8% which is above the national average of 23.1% in the second quarter of 2008². The progress of black enterprise development is slow and there is a conspicuous lack of a black middle class. The province also continues to experience an outflow of funds to out-of-province businesses, to the detriment of local suppliers.

This is a province with tremendous economic potential that has yet to be realised. It is imperative that this same potential can be converted into meaningful economic development and a rise in living standards for the province's population.

It is against this background that the MPG has commissioned the formulation of a strategy to accelerate the pace of B-BBEE implementation in Mpumalanga province.

It must be borne in mind that any provincial strategy needs to be appropriately aligned with the national B-BBEE strategy as set out in the B-BBEE Act of 2003, DTI guidelines as well as other relevant areas of legislation and government policy, as discussed in Chapter 2, Legislation and B-BBEE Policy.

¹ Source: Emex

² Source: Statistics South Africa

1.2. Objectives of Strategy

This B-BBEE Strategy for Mpumalanga seeks to accelerate the social and economic transformation and economic growth in the province. The strategy focuses on the challenges and issues pertaining to the province, and proposes specific solutions to address those. The strategy also identifies areas of leverage and provides guidance to MPG on the implementation of those; and roles for MPG, its agencies, business community and civic society, as the most effective implementation will happen in cooperation with these stakeholders.

The strategy and the initiatives proposed aim to be practical and realistic, combining sound business sense and market principles with people-oriented values of human upliftment; and comprises time frames for the above solutions to be implemented.

The strategy comprises three parts, as follows:

- An assessment of the seven elements of national B-BBEE policy and more specifically, how MPG can fast-track B-BBEE in the province within each of these elements.
- A description of proposed projects that can be undertaken in Mpumalanga to accelerate the pace of B-BBEE. These projects will primarily be in the form of public-private partnerships (PPPs) and will be expected to address at least some of the elements. The emphasis is on short and medium term projects with a bias towards action and implementation, as it is imperative that at least some of these proposals can get off the ground immediately and yield quick and visible returns, “the low-hanging fruit” as they are termed.
- Implementation guidelines on how the strategy should be implemented, its performance measured and evaluated. A system whereby the progress and gains from these solutions can be monitored and measured.

Specific goals have been formulated within the context of the B-BBEE Strategy, including at least the following aspects:

- Decrease in unemployment due to job creation and upskilling of labour. This in turn should lead to a decrease in poverty levels and a general rise in living standards;
- Improved access to education;
- Increased provision of basic services and infrastructure to rural areas;
- Increased black ownership and management of businesses; and
- Greater concentration of MPG procurement spend to BEE-compliant suppliers within the province.

1.3. Strategy Development

The B-BBEE Strategy has been devised through a process of stakeholder consultation and research of existing strategies and policies and an analysis of the findings within the formulated goals, as set out below.

1.3.1 Stakeholder Consultation

The stakeholder consultation comprised of three parts, as follows:

- Provision of questionnaires to a large number of stakeholders, asking for their views on the current status of B-BBEE in Mpumalanga, challenges and opportunities as well as potential solutions;
- Hosting of two strategy input meetings in Emalahleni (Witbank) and Nelspruit where various stakeholders were invited to share their knowledge and views and debate issues pertinent to B-BBEE advancement in the province; and
- Interviews on a one-to-one basis with stakeholders from MPG, big business, SMMEs, NGOs and chambers of commerce.

The stakeholder consultation proved extremely useful in assessing the current status of B-BBEE in the province and the challenges being faced. However, many issues needed further clarification and further desktop research was required. Reference was also made to various publications pertaining to aspects such as the provincial economy and the national B-BBEE policy as well as strategy documents of MPG and other provinces, including Mpumalanga's SMME Strategy, Provincial Growth & Development Strategy, Provincial Supply Chain Policy, Mpumalanga Economic Profile and various Sector Development Strategies.

The aim of this exercise was to gauge the present socio-economic climate of Mpumalanga, identify problems and opportunities unique to the province, learn from the experiences of other provinces and ultimately tailor a strategy that would fit in seamlessly with existing initiatives and policies of MPG.

1.3.2 Analysis

The information gathered from the research phase was then analysed and enabled a picture to be built up regarding the current status of B-BBEE in Mpumalanga as well as key challenges that needed to be addressed in order to progress to the next level.

Aspirations and proposed solutions were noted and assessed, to ascertain what could realistically be achieved in the short to medium term. An analysis was also done of the provincial economy's strengths, weaknesses, opportunities and threats, insofar as B-BBEE implementation is concerned. These formed the basis for the B-BBEE strategy.

1.3.3 Drafting the Strategy

The above steps enabled a comprehensive analysis of the current status of B-BBEE in Mpumalanga and also helped identify the obstacles and bottlenecks that are hampering B-BBEE implementation. The next and most important stage was to formulate solutions to the above problem areas. The basis of these proposed solutions is PPPs that support the goals of B-BBEE and lead to sustainable benefits filtering down to the communities and individuals that need them the most.

1.4. Structure of Document

The document is structured in four sections and an Introduction and Conclusion, as follows:

Introduction (Chapter 1) provides an introduction to the assignment by explaining the background to and need for a B-BBEE Strategy for the Mpumalanga Province. In addition, it summarises the goals of the strategy, the process by which it has been developed and sets out the structure of this document.

Section 1: Legislation (Chapter 2) provides an overview of legislation and policies applicable to B-BBEE and this strategy document.

Section 2: Situational Analysis (Chapters 3 and 4) comprises the analysis of the current status of B-BBEE in Mpumalanga and presents the initiatives within each of the seven elements of the national B-BBEE policy:

- Chapter 3 analyses the current status of B-BBEE in the province and drills down in greater depth into the research findings. An analysis is made of the province's strengths, weaknesses, opportunities and threats from a B-BBEE perspective. A set of key issues is examined in detail and the potential implications for B-BBEE are set out.
- Chapter 4 discusses in greater detail the seven elements of national B-BBEE policy and examines which of them can be actively influenced by MPG, and how.

Section 3: Implementation (Chapter 5) offers implementation guidelines, particularly with regard to identifying roles and responsibilities for parties within MPG and the private sector.

Section 4: B-BBEE Projects (Chapter 6) presents a series of practical proposals as to how B-BBEE can be accelerated in Mpumalanga, with roles to be played by both MPG and the private sector. Specific projects and initiatives are suggested, which have been arrived at after extensive discussions with the parties concerned.

Conclusion (Chapter 7) concludes the document with a broad overview of goals, expectations and future prospects.

SECTION 1: LEGISLATION

2. Legislation and BEE Policy

2.1. National B-BBEE Strategy

The national B-BBEE Strategy is underpinned by four key principles, namely BEE is broad-based, is an inclusive process, is associated with good governance, and is part of South Africa's growth strategy. According to this strategy, BEE policy and its successful implementation will be evaluated against the following policy objectives:

- A substantial increase in the number of black people who have ownership and control of existing and new enterprises;
- A substantial increase in the number of black people who have ownership and control of existing and new enterprises in the priority sectors of the economy that government has identified in its microeconomic reform strategy;
- A significant increase in the number of 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.

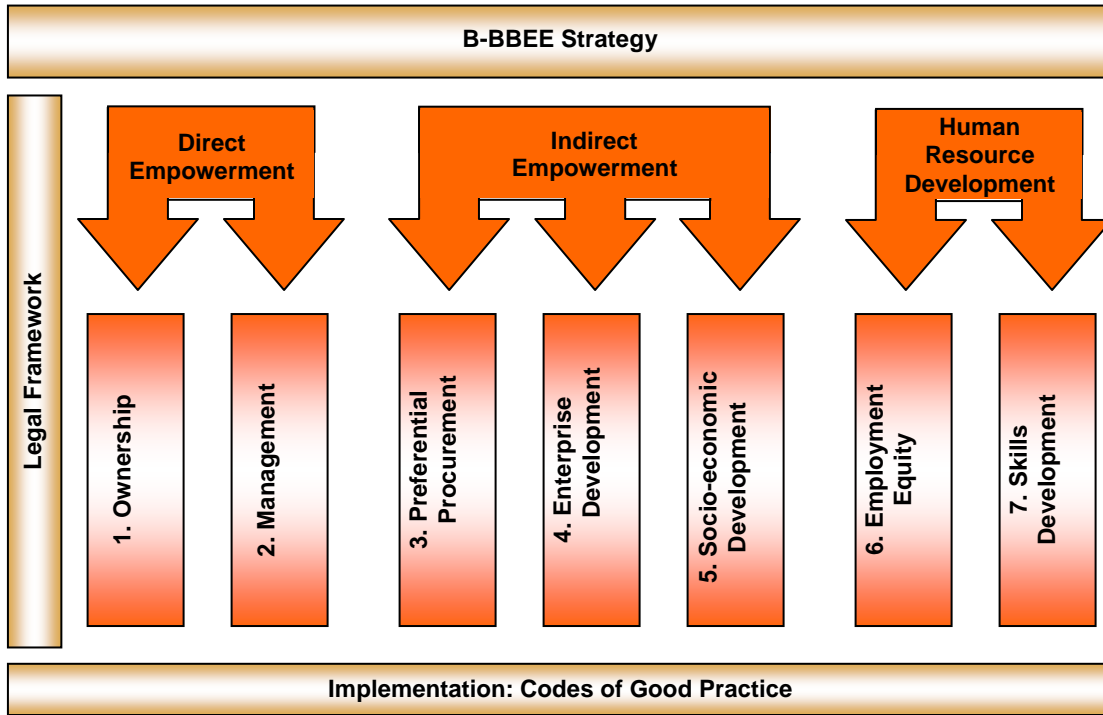
The national B-BBEE Strategy laid the foundation for the B-BBEE Act of 2003 (B-BBEE Act), which provides the legal framework for promoting Black economic participation and a more equitable redistribution of wealth.

2.2. B-BBEE Codes of Good Practice

The B-BBEE Act is not prescriptive and does not stipulate policy measures, programs, or targets to guide the implementation of the BEE policy and programs. Much of the implementation guideline is provided in the B-BBEE Codes of Good Practice³ (Codes of Good Practice), which serve as supporting regulations to the B-BBEE Act.

³ Government Gazette, 9 February 2007

The Codes of Good Practice comprises seven elements, as depicted in the diagram below.



The B-BBEE Act and the Codes of Good Practice are intended for general application nationally and they leave substantial room for provincial governments' efforts in support of B-BBEE. Accordingly, the focus of this B-BBEE strategy for the Mpumalanga province is implementation, not policy development. Other aspects in respect of the regulatory framework are set out in greater detail in Annexure B and the provincial B-BBEE strategy has been duly informed by the items set out therein.

SECTION 2: SITUATIONAL ANALYSIS

3. Current Status of B-BBEE in Mpumalanga

Before detailing the research done into the current status of B-BBEE in Mpumalanga, it is important that the findings are put into the proper context.

Mpumalanga is a resource-rich province and boasts huge economic potential that has yet to be optimally realised. The following key industries have been identified as being particularly crucial to the development, sustainability and overall prosperity of the provincial economy. This list is neither exclusive nor exhaustive but is deemed to be worthy of particular focus.

Industry	Description	Contribution to Mpumalanga economy (% of GDP) ⁴	Major players
Mining and Resources	Extraction of geological resources for sale and/or further production	21.8%	Sasol, Anglo American, BHP Billiton, Eskom, Samancor, Exarro
Agriculture and Forestry	Cultivation and harvesting of trees, fruit and vegetables, to be sold as primary produce or to be processed further	4.8%	TSB, Sappi, HL Hall & Sons, Yorkcor, Mondi, Komatiland Forest, Sonae Novobord
Tourism	Enterprises and individuals engaged in providing various tourism and hospitality services, from large game parks and hotels to private B & B owners, tour guides and informal traders selling arts and crafts, etc.	7.0%	SANParks, Mpumalanga Tourism and Parks Agency, various private game reserves and hotel groups
Metals and Manufacturing	Companies involved in the production of intermediate and end-user products from source materials	27.5%	Columbus Stainless, Middelberg Steel, Highveld Steel & Vanadium, Delta Manganese

⁴ Source: Mpumalanga Economic Profile - Volume 2, March 2007

3.1. Research Findings

A broad-based, consultative approach was adopted in order to develop a strategy that had the buy-in of all key stakeholders. As mentioned above, three main methods of engagement with stakeholders were used, i.e. a wide-ranging questionnaire, strategy input meetings and interviews with key stakeholders.

The questionnaire was issued to some 500 parties, including businesses, government officials, parastatals, NGO's and chambers of commerce. 57 responses were received, representing a strike rate of 11.5%. A benchmark rate of 10% is usually aimed for in this type of survey.

The questionnaires covered the following key areas, which were broken down into a series of more detailed questions:

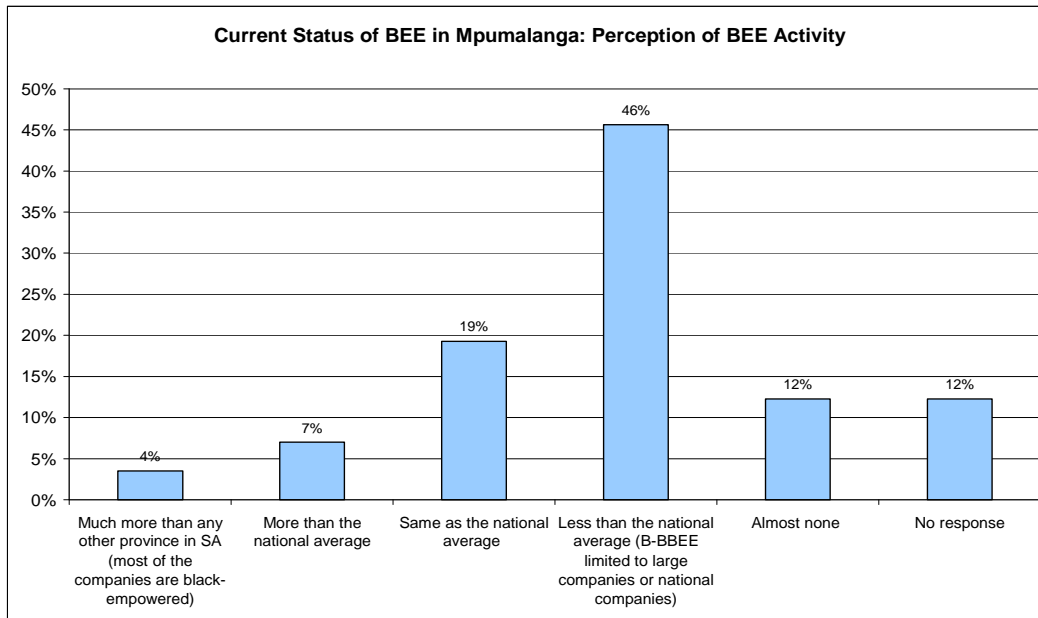
- Current status of B-BBEE in Mpumalanga Province;
- Key challenges in respect of B-BBEE;
- Goals (i.e. where does Mpumalanga province aspire to be?); and
- Proposed solutions and ideas for Mpumalanga's B-BBEE strategy.

The research findings are analysed under the four sub-sections that follow. The graphs provided reflect the findings from the questionnaires and, where applicable, additional information is provided, arising from other forms of engagement with stakeholders.

A full listing of graphs arising from the questionnaire is provided in Annexure A.

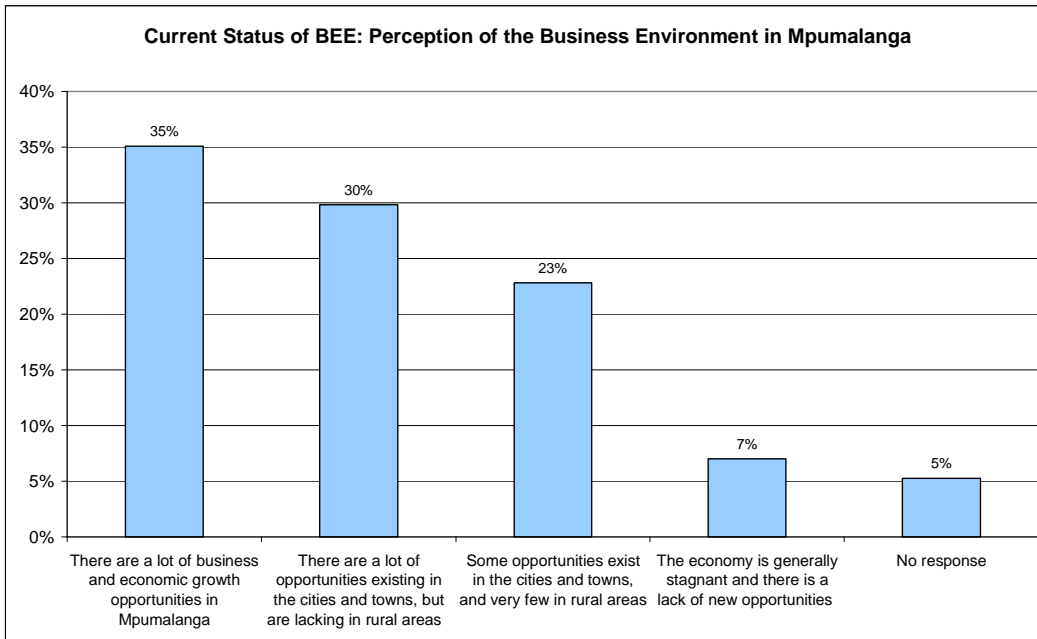
3.1.1 Current status of B-BBEE in Mpumalanga

Respondents were asked to give their perception of B-BBEE progress and activity in Mpumalanga province.



The responses reflected a general dissatisfaction with the state of B-BBEE in the province, with approximately half of the respondents (i.e. 46%) viewing B-BBEE in Mpumalanga as being below the national average, a further 12% believing it to be almost non-existent and whilst 19% believed it to be line with the national average.

The above concerns are backed up by statistics⁵ provided in which of 4,200 companies surveyed in Mpumalanga, a mere 319 (representing 7.5%) were able to produce proper BEE scorecards. This raises serious questions as to how preferential procurement can be carried out when there is no clear-cut means of gauging the BEE credentials of the majority of suppliers.



53% of respondents agreed that the rural areas were primarily hit by a lack of business opportunities relative to their urban counterparts but it was encouraging to note that 35% felt that the province actually does contain great potential for business development.

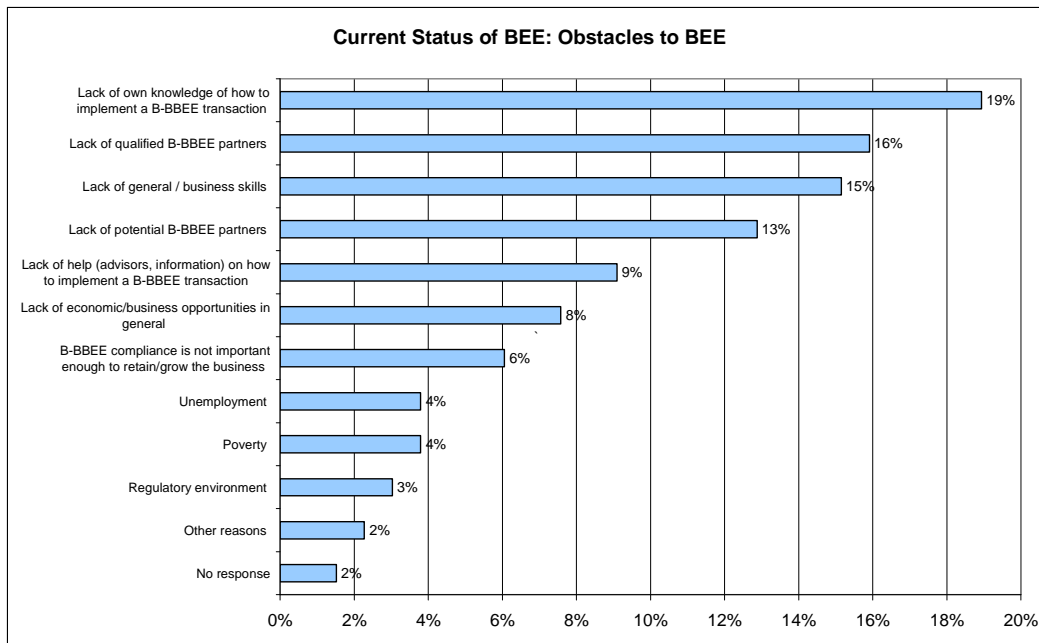
There is widespread frustration with the outflow of resources from the province, in two particular areas, namely government's vast procurement spend out-of-province, to the detriment of the local economy; and the rapid export of raw materials prior to beneficiation.

There is also a perception that corruption is widespread, especially insofar as government's tendering process is concerned.

3.1.2 Key challenges

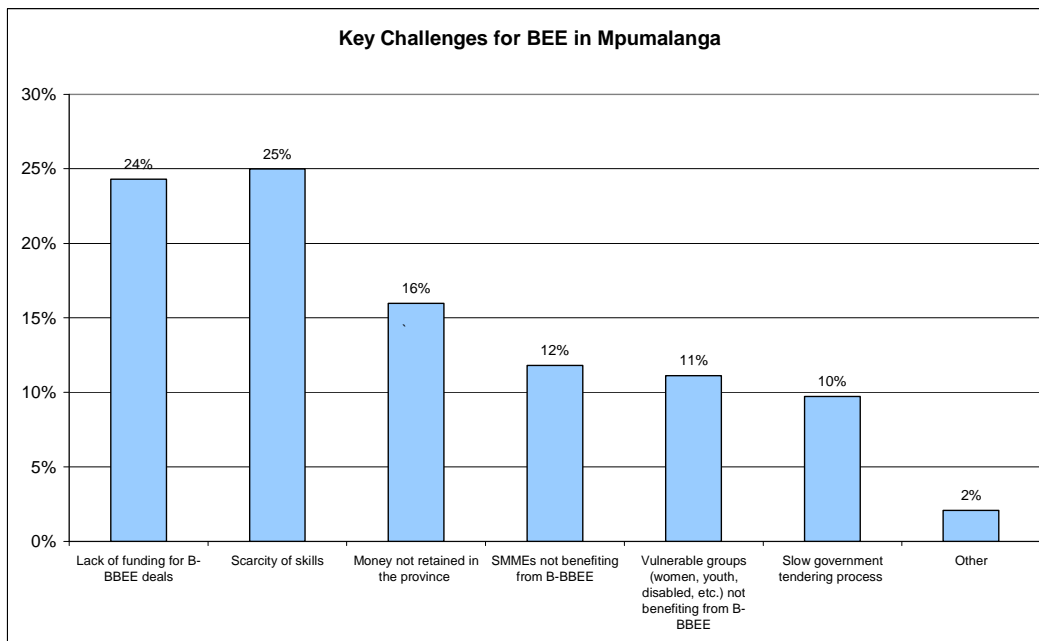
Respondents were asked to rank the key challenges pertaining to B-BBEE which indicated challenges such as lack of skills, lack of funding, difficulty with implementing equity ownership, money not being retained in the Mpumalanga Province and lack of opportunities for SMMEs.

⁵ Source: Emex



Scarcity of business and general skills in the province

Half the respondents saw a lack of knowledge in implementing BEE transactions, a lack of general/business skills or a lack of potential BEE partners as a major obstacle to BEE implementation in Mpumalanga province. Restricted access to tertiary education and other related forms of training makes it difficult for a large part of the population to enter higher levels of employment. It is also used as a reason to explain the relatively low levels of procurement by MPG and big business from locally-based suppliers, on the grounds that the latter do not have the ability to carry out the bigger tenders in the market place. Ultimately, this also has a bearing on ownership, management and enterprise development, as many start-up businesses fail within a short space of time, due to entrepreneurs lacking basic business management skills.



Lack of funding for B-BBEE deals

Many respondents, approximately 24%, have claimed that there is willingness in the market place for potential black shareholders to be given reasonably substantial shareholding and ownership opportunities, but the main stumbling block comes about in trying to raise the actual finance for these transactions.

Ownership and management the most difficult to implement

Respondents identified ownership and management as the most difficult B-BBEE element to implement. In terms of public perception, there is no doubt that increased ownership and control of businesses by black individuals would be one of the most powerful and visible symbols of B-BBEE success and it should be a high-priority goal. However, this is a difficult target to attain on its own and needs to be built on a solid foundation of skills and enterprise development to ensure sustainability.

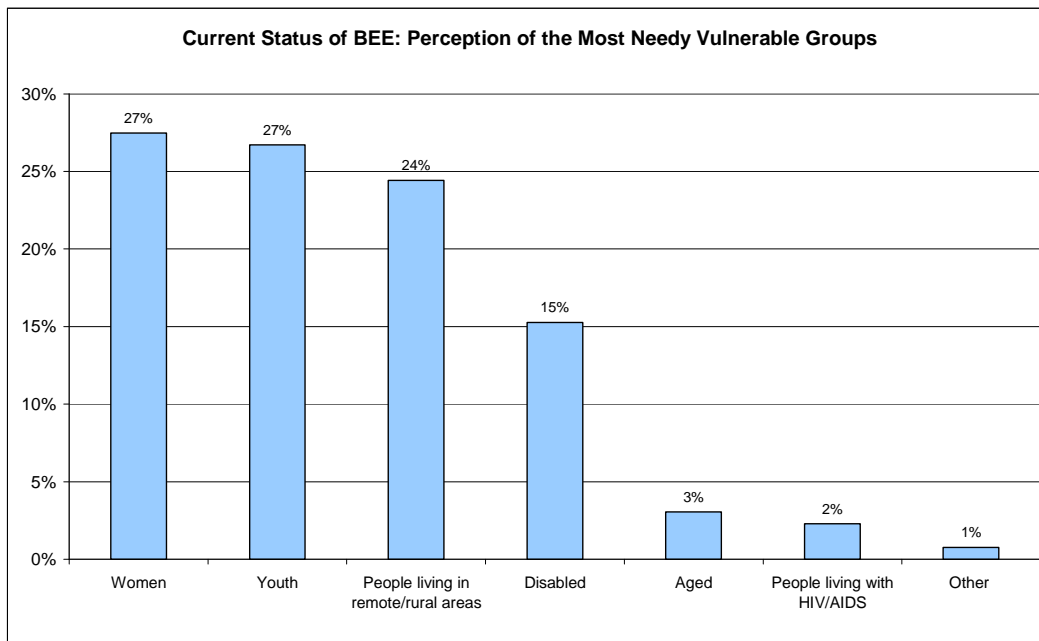
Money not being retained in Mpumalanga Province

16% of respondents indicated that money not being retained in the province is a key challenge. Although Mpumalanga is a resource-rich province, most of the raw materials extracted are beneficiated elsewhere, so very little of the value-add is seen within the local economy. Also, procurement by MPG and big business tends to be focused in Gauteng and other areas, to the detriment of locally-based businesses.

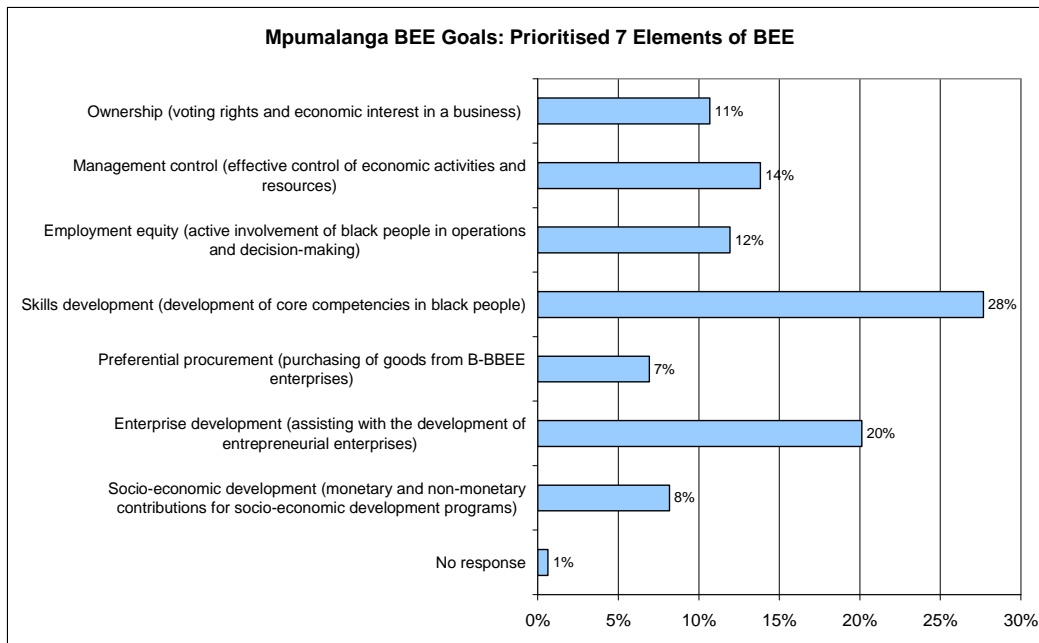
Lack of opportunities for SMMEs

There was a recurrent claim from respondents that locally-based SMMEs are overlooked by MPG and big business in terms of procurement. It was also claimed that SMMEs have limited or no access to support in terms of getting around the red tape of setting up a new business and obtaining advice on best practices for running their enterprises.

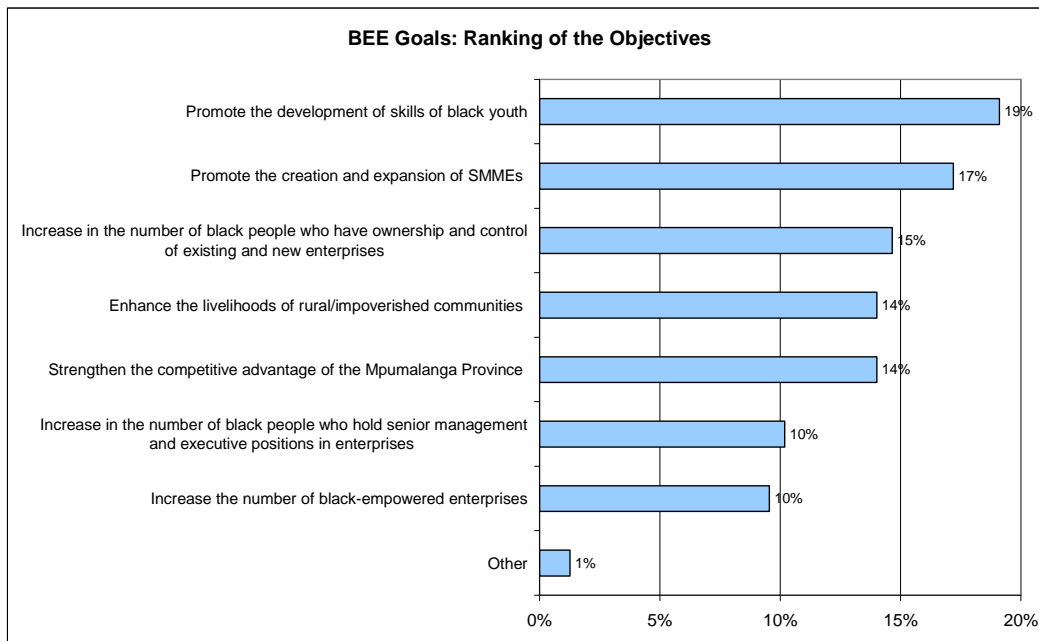
3.1.3 Goals and aspirations



When asked to identify the three groupings that should receive most attention in respect of B-BBEE advancement, approximately 78% of respondents opted for the combination of women, youth and rural residents.



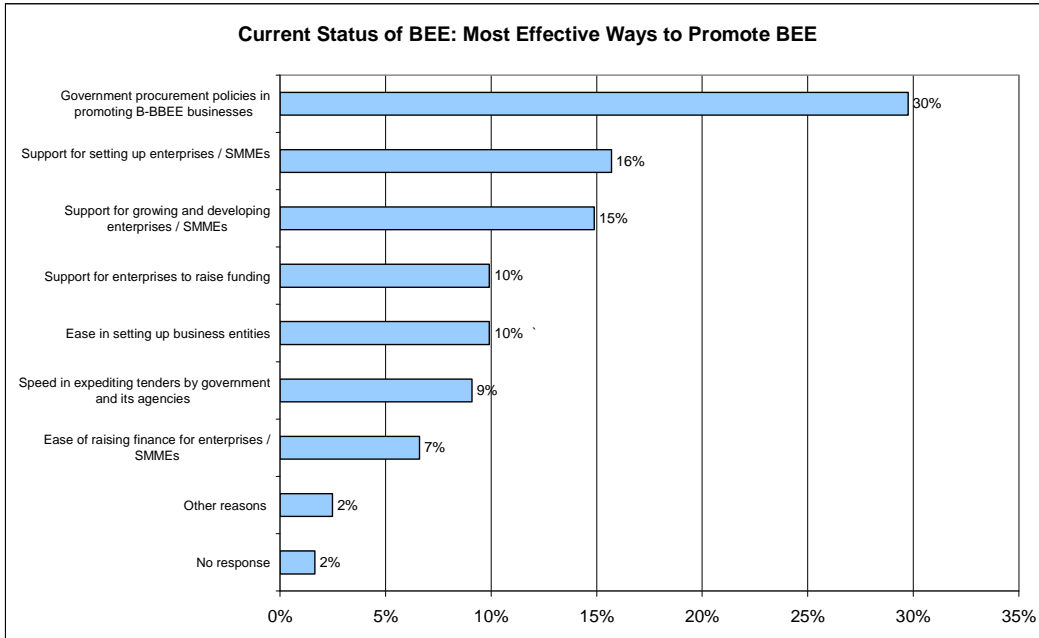
In terms of prioritising the importance of the seven elements of B-BBEE, skills development was clearly designated by respondents as the most critical (28%), followed by enterprise development (20%). It is the premise of this report that only by bedding down these two areas can the sustainable benefits of B-BBEE be realised in the long term.



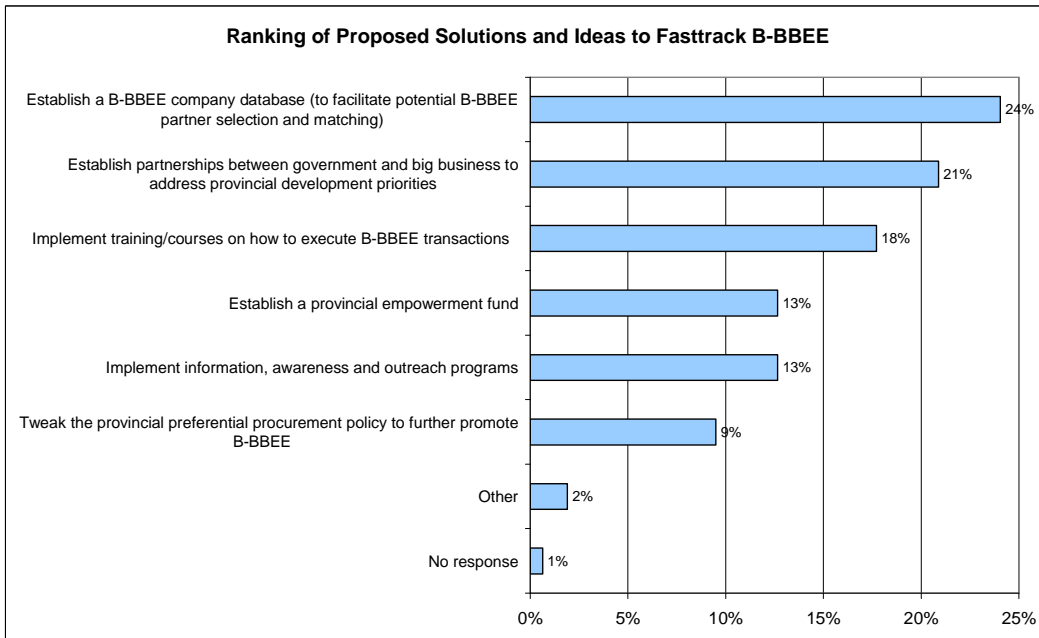
Regarding the most desirable outcomes of B-BBEE, the development of skills amongst black youth was given most prominence (19%), followed closely by SMME development (17%) and enhancing the livelihoods of rural communities (15%).

The overall vision that emerged from the various stakeholders is that of a province with significantly increased black ownership and control of business, bolstered by a strong culture of skills and enterprise development and supported by government procurement policies that would favour local suppliers.

3.1.4 Proposed solutions and ideas



There was an almost unanimous consensus from respondents that government procurement (30%) was the easiest and most favourable of the seven elements of B-BBEE to implement and that this needed to be done hand-in-hand with SMME development.



It was strongly supported by approximately 24% of respondents that MPG sets up a proper and accurate supplier database which will greatly facilitate the channelling of government procurement towards locally based, B-BBEE-compliant suppliers.

Proper mentorship and support must be provided for emerging businesses as historically, many start-up enterprises fail within a short space of time.

There is a willingness from big business to assist with B-BBEE implementation from a skills and enterprise development point of view, in conjunction with government. There is a general mood of big business being prepared to provide expertise and training in getting projects off the ground, subject to MPG creating an enabling environment and in some cases, providing suitable investment incentives. Hence, there needs to be a focus on developing public-private partnerships (PPPs).

3.2. SWOT Analysis

A SWOT analysis entails the study of the strengths, weaknesses, opportunities and threats that are present in a given environment. In the context of B-BBEE implementation, the following SWOT has been identified for Mpumalanga.

3.2.1 Strengths and Weaknesses

Mpumalanga Province boasts several strengths which can be drawn on to accelerate the pace of economic growth in general and B-BBEE in particular. However, there are also existing weaknesses in the economic fabric of the province which need to be addressed and overcome. Both these aspects are examined in the table below.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Presence of large businesses - the likes of Anglo, BHP Billiton, Columbus, etc. offer huge potential in terms of PPPs to stimulate skills and enterprise development • Organised businesses are proactive in terms of economic development and BEE and willing to work with government in advancing BEE • Large labour base - any significant expansion of business operations requires easy access to labour markets. Backed up by appropriate skills transfer, the province can turn this labour base to its advantage • Access to neighbouring Gauteng market, which is the largest and most lucrative in the country • Good accessibility by way of the N4 and the overall potential of the Maputo corridor which ensures linkages between Maputo harbour and all the major towns in Mpumalanga, and extends into the economic heartland of Gauteng, ultimately linking SA, Mozambique and Swaziland 	<ul style="list-style-type: none"> • Poverty: large parts of the population live below the breadline and are unable to participate actively in the economy • High unemployment above national average, of approximately 25% • Low skills level which prevents upward job mobility for many, as well as entry into the job market for others • Poorly resourced schools, which leaves many school-leavers inadequately prepared to find employment • Lack of tertiary education institutions • Poor infrastructure in rural areas, which comprise 60% of province's population • Lack of B-BBEE "success stories"

3.2.2 Opportunities and threats

While the challenges facing the province cannot be ignored, there are plenty of opportunities which, if harnessed properly, can yield significant economic benefits. However, MPG needs to be aware of potential threats which can undermine future progress.

Opportunities	Threats
<ul style="list-style-type: none"> • Abundance of natural resources - if these are properly beneficiated within the province, the potential economic spin-offs are significant • Abundance of tourist attractions - if properly marketed to the rest of the country and the world, Mpumalanga can take its rightful place as a top tourism destination • Creation of secondary manufacturing sector to beneficiate vast amounts of raw materials extracted - will lead directly to job creation and value retention within the province • Creation of vocational training programmes in conjunction with the private sector - this will considerably ease entry into the job market and help reduce unemployment • Creation of tourist hub, which will attract visitors from within SA and abroad and bring in valuable reserves of tourist spending • Creation of black middle class with substantial spending power – this can become a key driver of the provincial economic engine 	<ul style="list-style-type: none"> • Corruption which leads to overspending and wastage of resources by MPG as well as cutting off legitimate, BEE-compliant businesses from access to MPG procurement • Red tape – including slow response from national government where their permission is needed for initiatives to get off the ground • Frustration with slow transformation - people feel that not enough progress has been made post-1994 to uplift the standards of living of historically disadvantaged communities, particularly in terms of employment and greater ownership of the economy • Potential for social unrest arising from poor service delivery and living standards

3.3. Key Issues and Implications for B-BBEE

The B-BBEE Strategy must be viewed in conjunction with other parts and processes of the Mpumalanga economy, therefore the major issues and challenges thereof were mapped, understood and taken into consideration when developing the said strategy. From the questionnaires received and the strategy input meetings conducted with the various stakeholders and beneficiaries, as well as available secondary sources, the following high-priority issues and challenges pertaining to the Mpumalanga Province were identified. This list may not be exhaustive, but the purpose of it is to understand the following key questions:

- What are the issues raised by the various stakeholders?
- What implications do these issues have for B-BBEE?
- How should the B-BBEE Strategy and/or its implementation guidelines address them?

Each issue is analysed from this perspective in the table below.

Issue	Description	Implications for the B-BBEE Strategy
High unemployment	Unemployment in the province currently sits in the region of 25%	Urgent attention required Focus on skills and enterprise development to create more jobs and employable individuals
Poverty	A high proportion of the population in Mpumalanga lives below the poverty line	Focus on skills, enterprise and socio-economic development as job creation and delivery of services and infrastructure will ease poverty
Lack of skills	Lack of adequate schooling and tertiary academic facilities means that many individuals are ill-equipped to enter the job market	Focused drive to upgrade and adequately resource existing schools and establish new ones where required Establishment of a university should be earmarked as a matter of priority MPG must partner with big business, particularly in the mining and manufacturing sectors, and set up training schemes and subsidise places at private sector training centres
Disempowered large rural population	Rural communities are often cut off from access to basic amenities Infrastructure in these areas also tends to be underdeveloped Rural communities often lack access to adequate education and business opportunities	Implementing an empowerment model whereby rural communities can benefit from extraction and processing of resources in their immediate environment Expansion of Public Works programmes to build up infrastructure in these areas, simultaneously creating employment for rural residents Upgrading of existing schools and building of new ones if required Funding of agricultural projects to enable black individuals to start their own farming operations with emphasis on sustainability

Issue	Description	Implications for the B-BBEE Strategy
Low retention of financial benefits within Mpumalanga	<p>Mpumalanga is resource-rich but most of the value-add ends up being done in Gauteng or elsewhere – raw materials leave the province for processing elsewhere soon after extraction</p> <p>Most of the procurement spends of MPG and big business favours Gauteng-based suppliers with local suppliers receiving a small share of opportunities</p> <p>Claims that Mpumalanga suppliers lack the skills or capacity to deliver on large orders and tenders</p>	<p>Setting up of secondary-level operations to process (beneficiate) raw materials within the province and ensure that benefits of value-add stay within Mpumalanga borders</p> <p>Serious overhaul of procurement policies and processes by MPG and big business to ensure that local suppliers get a bigger share of business</p> <p>Strategic partnerships between local SMMEs whereby they can collectively bid for large tenders and split the work between them down to manageable levels, thus ensuring that delivery is met</p>
Corruption	<p>Widespread concern amongst stakeholders that the tendering process is badly flawed and proper B-BBEE principles are not applied during tender adjudication</p>	<p>Proper supplier database to be set up and BEE credentials of suppliers to be verified</p> <p>Foster zero tolerance culture in respect of corruption</p> <p>Forensic Audit unit to be supported and empowered in its efforts to investigate and prosecute corruption</p>
Fronting	<p>Businesses that are not BEE-compliant use black individuals to tender for business on their behalf</p>	<p>Proper supplier database to be set up and BEE credentials of suppliers to be verified</p>
Bureaucratic red tape	<p>BEE-shareholding transactions and management buyouts are complicated and expensive processes and funding is often difficult to raise</p> <p>Small and emerging businesses find it very difficult to negotiate through the complicated tendering process, with significant paperwork to be completed and legalities to be complied with</p> <p>Release of funding for specific projects and initiatives can be held up by the normal political process</p>	<p>This has implications across the entire spectrum of B-BBEE</p> <p>Preferential procurement – tendering process needs to be simplified to enable black-owned businesses and SMMEs to get a fair chance</p> <p>Enterprise development – access to funding must be made easier but this must be accompanied by suitable guidance and mentoring, as the mere provision of money is not a sustainable solution</p> <p>Skills/enterprise development – decision making process for new initiatives must be streamlined so that implementable ideas can get off the ground as soon as possible. One possible solution is to devolve more authority to relevant MPG departments to take decisions, subject to suitable checks, balances and review processes</p>
Non-existent black middle class	<p>There is a large divide in the province between those who are economically empowered and those who are not</p>	<p>Skills and enterprise development are crucial for developing a black middle class. A beneficial cycle is created whereby a well-educated base finds better job opportunities, gains more spending power and ploughs disposable income back into locally-based businesses</p>

4. Initiatives within the Seven Elements of B-BBEE

B-BBEE is guided by the seven elements of the Codes of Good Practice, which set out how organisations can accelerate socio-economic transformation whilst taking into account business imperatives. Each of the seven elements can be addressed individually, although they altogether form an integrated view of any enterprise.

The strategic question answered below is how B-BBEE can be accelerated in Mpumalanga by proposing interventions and solutions for each of the elements, and indicating the responsible role players, timing considerations and desired outcomes. The main focus is on how MPG and its related agencies can create an enabling environment within each of the seven elements of B-BBEE which in turn will result in accelerated socio-economic transformation of the province.

It is envisaged that MPG's Economic Empowerment Directorate (EED) will play a key role in overseeing and driving these interventions.

4.1. Ownership

The ownership element deals with the participation of black South Africans in the ownership of the enterprises. As the Codes of Good Practice are voluntary, government can influence this aspect only indirectly, for example, through government procurement of goods and services from black-owned enterprises.

MPG must engage with big business on a one-to-one basis and request details of progress on the ownership element of B-BBEE, specifically with regard to the benchmark of 25.1% black ownership. Where companies have not yet succeeded in meeting this level of empowerment, they could be requested to provide details of their intentions and strategy in this regard. Those companies that have workable strategies in place could serve as role models for their peers who may be struggling with the ownership element.

MPG can also offer to facilitate ownership deals by way of locating suitable B-BBEE partners or providing funding, subject to a suitable business case being made.

It is important that ownership must not be looked at in isolation. Rather, it should be accompanied by the appropriate skills transfer and mentoring where required so that black shareholders coming on board can play a meaningful role in the running of the enterprise.

As will be seen in Chapter 4, many of the practical B-BBEE initiatives proposed as part of the provincial strategy involves the setting up of new enterprises. These enterprises are envisaged as having black ownership of at least 50.1%, thereby addressing ownership imperatives.

The table below presents the main proposed solutions.

Description	What can MPG do?	Responsible party	Timeline	Desired outcome
Lack of widespread black ownership of enterprises	Engage with major corporations on a one-to-one basis to obtain details of progress on fast-tracking B-BBEE ownership.	EED	Immediate	Increase in BEE ownership transactions
	Initiate PPPs (win-win for all parties) to fast-	EED	Immediate: Start with a few 'low hanging fruit'	Significant increase in black-owned business

	track ownership by getting all relevant parties (beneficiaries, business, NGOs) together		projects as a model for future projects	
	Give preferential weighting to black-owned business for MPG procurement, subject to ability to meet tender requirements	Head: MPG Procurement	Immediate: Review scorecard weightings	Significant increase in procurement spend towards black-owned businesses

4.2. Management

The management element of B-BBEE deals with the participation of black individuals in the decision making and management of enterprises, which is also an area that government can encourage, but not directly enforce.

Description	What can MPG do?	Responsible party	Timeline	Desired outcome
Not enough representation of black employees at senior management/ decision making level in big business	As skills development is key to fast-tracking black individuals into senior positions, engage with big business to subsidise seats at private sector training facilities – should be targeted at black individuals with potential, who do not have access to management training programmes	EED	Immediate. Many of the major companies in the province have training infrastructure in place	Greater representation of black employees in management roles Increase in pool of qualified black individuals available for employment at management level

4.3. Preferential Procurement

Preferential Procurement is one of the easiest ways to fast-track B-BBEE as the MPG is already a large buyer of goods and services and budgets are already in place for relevant areas of MPG spend. While there is already focus on black ownership status of the enterprises in the procurement process, there could be additional ways to encourage B-BBEE participation. There are various key points that need to be taken into account as part of bedding down a procurement policy supportive of B-BBEE principles.

Stricter procurement targets

MPG would need to set procurement targets i.e. a required percentage of total procurement would need to be from B-BBEE enterprises. This could be broken down further to ensure that different categories of the supplier base are supported, as follows:

- Percentage of total procurement on small and medium B-BBEE enterprises;
- Percentage of total procurement on micro enterprises;
- Percentage of total procurement on Mpumalanga-based service providers;
- Rural-based citizens; and
- Vulnerable groups (disabled, youth, women).

The targets may be broken down per year per department and monitored by the Provincial Supply Chain Manager. The achievement of annual targets should be included in the performance contracts of all senior management.

Improve the knowledge and skills capacity of procurement officials

Through training and development, MPG can ensure that all senior management are equipped with skills and competencies to undertake procurement duties and have sound knowledge of supply chain management, preferential procurement practices and B-BBEE.

This responsibility should be coordinated by the Supply Chain directorate and training can be undertaken either by MPG's Human Resource Development / Training Division or an external service provider.

Improve pre-qualification and verification

This is a particularly crucial step as preferential procurement cannot be effectively implemented if MPG is not entirely certain of the BEE status of each of its suppliers and cannot obtain a suitable breakdown of how broadly its spend is spread across its base of suppliers.

A proper supplier database needs to be set up as a matter of urgency, enabling MPG to verify the authenticity of its suppliers' BEE credentials and protect against fronting and fraud. This issue is discussed in much greater detail in Chapter 3.2.1 of this document.

Improve procurement ethics

A recurrent theme that emerged during our survey of stakeholders was their dissatisfaction at perceived corruption amongst some MPG officials when it came to the awarding of tenders as well as fraudulent behaviour on the part of some tenderers. Some of the examples quoted were:

- BEE-fronting, where a non-BEE-compliant business engages a black individual or enterprise to tender for a contract and upon being awarded the tender, the latter obtains his 'cut' and passes on the actual work and financial benefit thereof to the former.
- Tendering with inflated prices and then outsourcing the work to established players in Gauteng or other provinces. This was remarked upon as being particularly prevalent in the printing industry.
- Tendering for a contract even though that was outside the scope of normal business operations, e.g. a funeral parlour tendering for a stationery contract. Once again, the *modus operandi* is to be awarded the tender, then purchase the required items from Gauteng and sell it back to MPG at an inflated price.
- Government employees having a direct interest in companies tendering for contracts, e.g. business going to companies registered in their spouses' names.

Another concern was a perceived lack of thoroughness on the part of MPG in properly establishing the BEE credentials of the parties tendering for contracts. It is claimed that on many occasions, local BEE-compliant SMMs are passed over in favour of established big players in the market, often based in Gauteng or elsewhere.

Corruption, both real and perceived, is a crippling problem that needs to be tackled head-on. To improve procurement ethics, MPG will improve supplier verification and employee education. To promote good governance and ensure that no unfair or corrupt practices

are followed, the Integrating Management Unit of MGP must be involved, and senior management must lead by example.

Undertake supplier education and awareness

There should be ongoing supplier education that is aimed at improving the knowledge of SMMEs, particularly new entrants to industries that MPG procures from, to increase the number of qualifying tenderers – this will also reduce the number of tenders disqualified due to forms not having been completed correctly or tenderers not having understood the technical requirements of the tender process.

Non-compliant suppliers should be given advice and support in terms of how to attain BEE compliance. While MPG cannot force BEE compliance amongst potential suppliers, it can emphasise via the media, its official reports and publications and its tender specifications that suppliers who fail to demonstrate compliance will not be considered for awarding of government contracts.

As the tendering process can be very complex, there should be ongoing assistance to suppliers in terms of imparting knowledge on how to correctly complete tender documents and comply with other formalities of the process. While no official statistics are available, it emerged from discussions with MPG officials that a high proportion of tenders are disqualified on technical grounds as the relevant paperwork has not been completed properly. Two solutions to this issue are:

- distributing brochures setting out the tendering process in simple language and to which suppliers could refer to for guidance; and
- designating a contact person in Procurement to handle queries and offer assistance to prospective tenderers.

Promote partnering with B-BBEE suppliers

Where circumstances allow, tenders should specify that bidders need to execute the contract in partnership with a B-BBEE enterprise. This would allow SMMEs in particular to benefit from the appropriate skills transfer that would arise and also gain some share of MPG business in cases where the overall contract might be beyond their capacity.

Extra weighting should also be given to out-of-province bidders who are willing to either partner with companies within Mpumalanga, or specifically employ local youth for the designated contract. The youth may be trained on the job and paid for their work, creating a win-win situation for all parties.

Disaggregate large contracts

Large contracts (e.g. contracts above R1 million), should be assessed in terms of the feasibility of disaggregating into smaller components (for instance per region or material/service type to enable small and micro B-BBEE enterprises to participate) or including SMME contract participation goals through sub-contracting. In this way, smaller businesses that may not have the capacity to undertake the entire contract, can actually take on a more manageable share of work and deliver on it.

Monitoring and evaluation

In order to track performance, each department should report at least quarterly on their B-BBEE spend against total spend to Provincial Treasury. Provincial Treasury can then submit collated procurement reports to the EXCO on a quarterly basis.

A supplier database will also assist in this process. A stepped approach should be taken whereby, over time, increased targets are set and met in respect of procurement from B-BBEE-compliant suppliers.

In order to assess how successful MPG has been in fast-tracking this leg of B-BBEE, procurement must be measured against the DTI Generic Scorecard, details of which are set out in Annexure C.

Shared Services Model

Gauteng Provincial Government (GPG) has managed to deal with the above-mentioned problems by establishing the Gauteng Shared Services Centre (GSSC) which, from one central point, manages the procurement and related functions for several GPG departments.

Looking at the Shared Services Model, there is clearly a case to be made for its adoption by Mpumalanga Province insofar as procurement is concerned.

An Mpumalanga Shared Services Centre (MSSC) could oversee the procurement function for the entire MPG, thereby ensuring uniform best practice and consistency across MPG departments and sharing key information where required. For example, a supplier found guilty of malpractice in its dealings with a given department, would not be able to try the same with another department as all procurement dealings would be routed via the proposed MSSC.

The MSSC would also oversee the establishment and administration of the supplier database and collate useful feedback from all departments, making this information available to all interested parties.

By having a global view of MPG procurement, MSSC could eliminate bias towards any supplier or group of suppliers and ensure a broader distribution of support for BEE-compliant suppliers across the board.

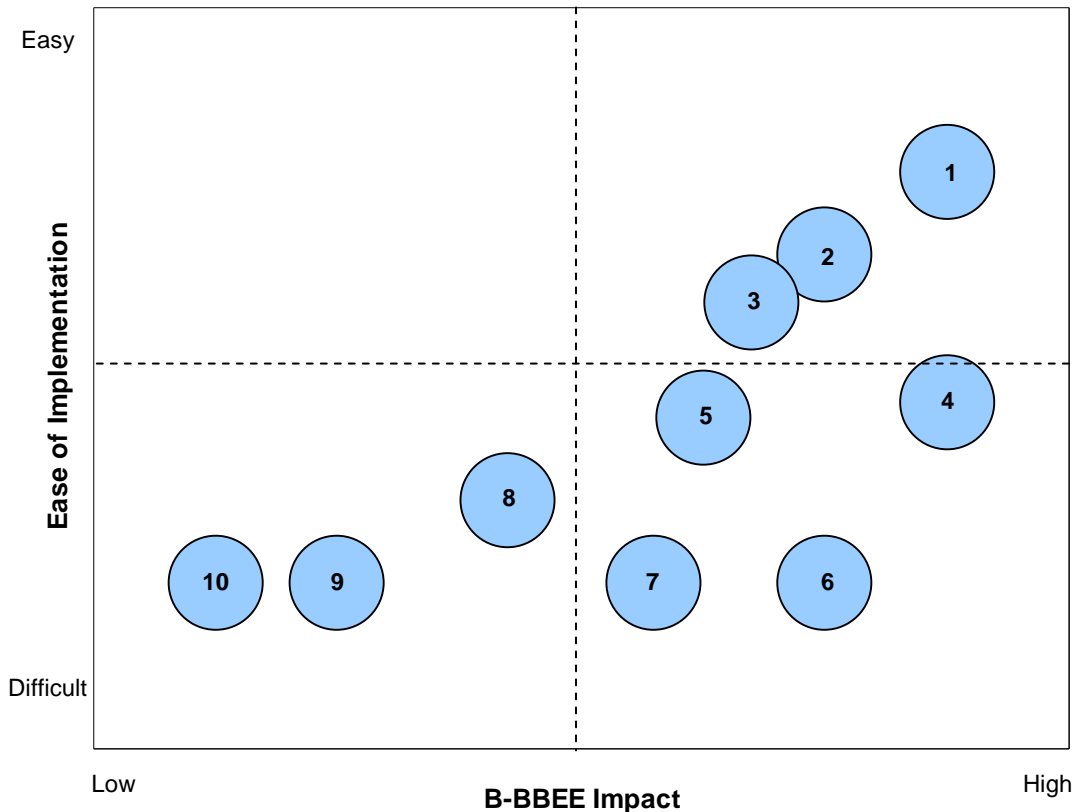
Focus Areas for B-BBEE Procurement

The DTI has highlighted ten focus areas or sectors in which it suggests that government and its agencies can be particularly effective in fast-tracking B-BBEE:

The quickest mechanism to accelerate B-BBEE progress in these sectors is through government procurement although there are possibilities for enterprise development as well.

The diagram below depicts the relative ease of implementation and scale of B-BBEE impact for the DTI focus areas.

Prioritisation of DTI Focus Areas for Government Procurement



We have rated the ease of implementation according to the following factors:

- Set up costs and capital expenditure: the higher the costs, the more difficult to implement.
- Expertise: if the industry requires a high level of training and/or experience, then implementation will not be easy in the short term.
- Speed of implementation: certain industries will lend themselves to quicker implementation than others, especially where services are required on a continuous basis e.g. cleaning services and catering. Other areas of procurement, e.g. fixed assets, which are generally procured less frequently and are subject to annual budgeting, may not be immediately implementable.

The second parameter, B-BBEE impact, is measured primarily by the following variables:

- Increase in Rand spend towards B-BBEE suppliers.
- The actual number of B-BBEE enterprises supported by targeted procurement. The greater the number of suppliers, the more effective will be the B-BBEE impact.
- The geographical spread of B-BBEE enterprises supported by targeted procurement. The wider the geographical spread across the province, the greater the B-BBEE impact is likely to be.

Note that all sectors are deemed to be of equal importance, but in the context of Mpumalanga, not all of them are readily conducive to short-term B-BBEE gains.

Those situated in the upper right quadrant are deemed most favourable as they can be implemented fairly quickly with visible and substantial results from a B-BBEE point of view.

Those situated in the lower left quadrant are much more challenging and are the least likely to yield visible benefits in the short term.

Sectors in the lower right quadrant have the potential to yield sizeable B-BBEE benefits, but the actual implementation, in the short term at least, is not straightforward.

Based on this analysis, it can be demonstrated that sectors 1, 2 and 3 below are the most attractive to pursue while sectors 8,9,10 present the greatest difficulties. The remaining sectors have definite possibilities but are more likely to bear fruit only in the medium to long term.

Sector 1: Food, perishables and supplies

This sector presents several opportunities as the business model is a relatively simple one without high barriers to entry in terms of capital expenditure or specialised training. However, B-BBEE enterprises providing bulk supplies to MPG would have to contend with strong competition from established retail giants and wholesalers. Having said that, the stability provided by a government contract will aid B-BBEE suppliers in achieving critical mass and pricing their products competitively

It is also worth exploring how MPG can support small farmers by purchasing their produce – for example, to be used in government canteens – and ensuring a regular income stream for them.

In addition, catering services can be procured from black suppliers for government functions and events. Where necessary, these suppliers can work together to fulfil large orders. To ensure sustainability, they could also be encouraged to cater for employees at government buildings on a daily basis, if a guaranteed amount of food can be agreed upon.

Sector 2: Stationery, supplies and printing

MPG can focus on giving more support to local suppliers and encouraging them to partner and form joint ventures where there are capacity constraints, in the process ensuring skills transfer from larger or more experienced players and emerging enterprises. This is explored in greater detail in Chapter 3.2.2 of this document.

Sector 3: Internal/External cleaning services and supplies

This is an area that, relative to the others on the DTI list, requires relatively little training and/or set up costs. It should therefore be targeted as an area where MPG procurement can fast-track B-BBEE. Given the ongoing demand for such essential services and the number of different government departments (and premises) that would require these services, there would be an opportunity to spread procurement across a number of different suppliers. From an enterprise development point of view, there is some scope to give support to a wide base of suppliers and help them generate momentum in terms of receiving continuous business from government.

Sector 4: Maintenance, repairs, construction, office space, furniture, components and vehicle body works

This is another area where MPG would require services on a regular basis and where the lead time involved in set up and training is comparatively low (although for maintenance of high-tech equipment, more specialised training and expertise may be required). It can therefore be regarded as another target area for MPG procurement.

Sector 5: Event co-ordination and management

This area is considered to offer moderate opportunities for B-BBEE advancement. A certain degree of skills development and experience is required to put together big-scale events and functions and this is not a market that can accommodate a huge number of players. While there is undoubtedly scope to increase MPG procurement from B-BBEE suppliers in this area, it will not necessarily yield large, short-term gains.

Sector 6: PC equipment and consumables

This is an area that can potentially yield significant results in terms of Rand spend, as PC equipment is high-cost. However, benefits will more likely be seen in the medium to long term. Fixed asset spend is usually less frequent than consumables and services and there is often a need to wait until the next financial period before the necessary budget becomes available. In addition, the industry is not the easiest to enter, due to high initial capital expenditure and skills levels required. It is definitely worth focusing on as the B-BBEE impact promises to be significant, but it should be borne in mind that it is another area that is unlikely to yield quick, short-term results.

Sector 7: Travel co-ordination and shuttle services

At the lower end of the market, there are possibilities for these services to be set up given the need for reliable and regular transport between Kruger Mpumalanga International Airport, Kruger National Park and/or other game reserves and attractions, and Nelspruit city. A certain amount of capital investment would be required by way of acquiring the vehicles, but once in place, the business model involved is a relatively simple one to implement.

The establishment of B-BBEE-compliant travel agencies is another target area, but cannot be achieved overnight as a certain amount of specialised training is required.

Sector 8: Internal/external furnishings and décor

There is a potential for high Rand spend by MPG in this area but it should be noted that this is a sector that requires high capital expenditure, creating a significant barrier to entry. Also, large-scale spend in this area would be relatively infrequent and subject to budgetary cycles, hence it is not considered the most fruitful area for short-term B-BBEE gains.

Sector 9: Advertising, media and communications

While there is an ongoing need for spend in this area – indeed, the more so as MPG should be looking to publicise its new initiatives in respect of B-BBEE and other provincial strategies and initiatives – this is another area where a significant skills and experience base needs to be built up before an enterprise can achieve success. Gains in this sector will therefore be more long-term and of relatively limited impact from a B-BBEE point of view.

Sector 10: Clothing and textiles

The clothing and textiles industry is currently impacted by cheap imports, especially from China, and this is not an area where B-BBEE can be easily implemented. In terms of demand, there may be procurement opportunities from some government departments that require uniforms, overalls and similar items of clothing for staff and hence there could be a niche for a new B-BBEE enterprise. However, whether it is cost effective and the final product can competitively priced is a matter that would require further study and relative to the other sectors mentioned above, this is not deemed an easy area for B-BBEE implementation.

Monitoring and evaluation of DTI focus areas

The focus areas that are chosen should be monitored closely to assess the impact – such as value of goods and services procured in total and from BEE companies.

Targets need to be set and agreement made with Procurement on how this will be implemented – i.e. what percentage goes to SMMEs, BEE companies, locally based companies, etc.

Description	What can MPG do?	Responsible party	Timeline	Desired outcome
Not enough government tenders awarded to local companies	<p>Change the tender scorecard to favour locally-based companies (weighting to be increased to 30%)</p> <p>Encourage partnering between tenderers outside MP and companies inside MP</p> <p>Break up large tenders into smaller projects</p> <p>Undertake a public awareness campaign</p> <p>Increase focus on BEE procurement and consciously endeavour to award tenders to locally-based BEE-compliant companies, subject to pricing and performance capacity</p>	EED; Head: MPG Procurement	Immediate	<p>Ensures retention of money within the province</p> <p>Promotes skills transfer and gives smaller MP-based enterprises access to participate in large-scale contracts</p> <p>Develop SMMEs and gives them access to large-scale contracts</p> <p>Encourages SMMEs to tender for MPG contracts in the knowledge that they have a realistic chance of gaining business</p>
Suppliers that meet BEE criteria are nevertheless excluded from MPG procurement	Set up supplier database which will contain BEE status of all suppliers and be a crucial tool in awarding of government work	EED; Head: MPG Procurement	3 months	<p>Ensure more equitable spread of MPG spend across a range of suppliers</p> <p>Ensure that appropriate groups benefit from preferential procurement</p>
Lack of support from big business procurement towards locally-based, BEE-compliant companies	MPG cannot directly influence this, but can request big business to review procurement policies with a view to growing the local economy	EED	Immediate	Greater spend by big business on local procurement

Description	What can MPG do?	Responsible party	Timeline	Desired outcome
Corruption is hindering the fair adjudication of government tenders	Forensic Audit must be encouraged and supported in efforts to investigate and prosecute corruption	Head: Forensic Audit; Premier	Immediate	Reduction in level of corruption. Dismissal and/or prosecution of officials engaging in fraudulent behaviour
	Stern action against offenders with dismissals and convictions communicated to all employees on a regular basis, to demonstrate effectiveness of anti-corruption drive and act as a deterrent	Head: Forensic Unit	Immediate	Minimal or zero occurrence of fraudulent behaviour amongst suppliers and/or MPG officials
	Usage of a supplier database to ensure tenders go to legitimately qualified BEE-compliant companies	Head: MPG Procurement	3 months	Tenders being won by legitimate, BEE-compliant suppliers, preferably within Mpumalanga
SMMEs and emerging black businesses lack the capacity for large-scale government orders/ contracts	Joint awarding of tenders whereby one or more small companies can tender for a job and it can be split amongst them to ensure that all parties can deliver	Head: MPG Procurement	Immediate	Large-scale tenders staying within the province, but without negatively impacting on delivery

4.4. Enterprise Development

Enterprise development deals with assisting and accelerating the development of SMMEs usually owned or controlled by black people. Sustainable enterprise development is a critical economic imperative for job creation and productive capacity.

The Mpumalanga Economic Growth Agency (MEGA) can play a crucial role in providing various forms of support, both financial and otherwise, to SMMEs. This includes financial and taxation advice, business planning, access to procurement opportunities, contract guarantees and indeed, any other educational support services that would help black-owned SMMEs optimise their potential.

In this regard, entrepreneurship could also be encouraged through school and community based learning programmes which would impart not only business skills but also leadership skills.

A suitable database needs to be established of affected enterprises which would enable MPG to track the effects of its B-BBEE initiatives and ensure that the benefits are flowing to as many of the intended recipients as possible.

From a financial point of view, it is well documented that the conventional banking sector, with its emphasis on collateral, is of limited use in advancing the cause of black-owned SMMEs, who usually don't have the asset base to offer as security for bank lending. The provision of funding by way of start-up capital for such businesses would be a crucial shot in the arm.

It is important that an integrated approach be taken, i.e. it is not sufficient to merely provide once-off support to the affected business. Rather, a holistic solution should be offered that provides ongoing support and enables SMMEs to grow into larger, more viable businesses and change their focus from mere survival to actual profit generation and increases in market share.

Preferential procurement is an important lever of enterprise development. It should be a stated aim that a defined percentage of MPG spend goes towards targeted small enterprises, specifically black-owned entities.

Description	What can MPG do?	Responsible party	Timeline	Desired outcome
Lack of an enabling environment for SMMEs to get off the ground	Support Business Linkage Centres that provide advice and assistance for SMMEs	EED	Immediate	Sustainable, long-term success of SMMEs
	Facilitate access to funding for start-up businesses	MEGA	In place	Provision of start-up capital for entrepreneurs
Value chain gaps in major industries	Facilitate PPP projects whereby local businesses can be set up to manufacture and supply to big corporates, e.g. in mining, petrochemicals and manufacturing	EED; MEGA; Company CEOs	12 months	Formation of locally-based entities that will be guaranteed procurement from big sector corporates. The latter will provide skills, infrastructure and ongoing support to ensure that new businesses are sustainable and can deliver
Insufficient beneficiation of raw materials within the province	Form PPPs and facilitate set-up of downstream beneficiation companies that will process and add value to raw materials within MP	EED; MEGA; Company CEOs	12 months	Increased number of enterprises carrying out beneficiation of raw materials within the province
Wide-spread failure of SMMEs before getting past the growth phase of business life cycle	Partner with private sector to provide mentoring programmes whereby new entrepreneurs are guided by experienced business practitioners who can help them manoeuvre through the different phases of the business cycle, until the business has reached sustainability	EED; Enterprise Development Directorate; SEDA	6 months	Sustainable, long-term success of SMMEs

4.5. Socio-Economic Development

There is unlimited scope and a desperate need for socio-economic development in the province which is home to historically disadvantaged, largely rural, communities and which is still grappling with problems of illiteracy and deprivation in terms of basic education. Initial discussions and research have yielded such diverse projects as the upgrading of school facilities, a soccer project aimed at keeping youth “off the streets”, building of community centres and food-growing initiatives whereby black individuals are assisted in growing produce for sale. These ideas have been implemented by various companies in the area and there is enormous potential for expansion in this regard by way of PPPs.

However, in order for socio-economic development to be successful and sustainable, it must be accompanied by – and should arise naturally from – the overall economic prosperity conferred by a sound skills and enterprise development programme.

In the short term, MPG can and should provide funding to alleviate urgent problems and fast-track the provision of services and infrastructure. This will not in itself, however, help communities become self-sufficient and economically stable in the long run.

Description	What can MPG do?	Responsible party	Timeline	Desired outcome
Large numbers of Mpumalanga population living in conditions of poverty	Generally, successful implementation of various B-BBEE initiatives will reduce poverty levels	Various HODs	Immediate and ongoing	General improvement in living standards for MP residents
High unemployment	Stimulate enterprise development to create more jobs	Department of Public Works B-BBEE Strategic Initiatives (various role players)	Immediate and ongoing	Creation of more jobs to absorb masses of unemployed into the workforce
	Pursue Expanded Public Works Programme (EPWP) to create jobs and develop skills	Department of Public Works	Immediate and ongoing	Transfer of skills to ensure better employment prospects for black individuals
Rural communities lack basic infrastructure and utilities (electricity, water)	Public works programme to improve infrastructure	Department of Public Works; Department of Housing	Immediate and ongoing	Access to basic amenities and sound infrastructure for rural communities
	Fast-track delivery of water and electricity to affected areas	Head: Water For All Programme, Department of Public Works	Immediate and ongoing.	Access to basic amenities

4.6. Employment Equity

In many ways, employment equity (EE) is one of the most obvious mechanisms of B-BBEE, but it is critical that it be implemented correctly. It should be recognised that an employer's obligation does not entail merely placing a black individual in a given job, but also extends to ensuring that that individual is given, within reason, the necessary training and a suitably supportive environment to carry out his/her job function.

EE is, for many people, the visible face of B-BBEE. The Employment Equity Act sets out the relevant requirements in this regard and MPG needs to take a lead in ensuring that its own employment practices and targets conform to the Act. Suitable monitoring mechanisms should also be in place to ensure that companies that fall within the Act are complying therewith.

Description	What can MPG do?	Responsible party	Timeline	Desired outcome
Lack of black representation, especially in management positions and strategic roles in big business	MPG cannot directly influence this, although big business is in any event bound by the EE Act. MPG can however make compliance with the EE Act a prerequisite for tendering	EED	Immediate	Greater representation of employees in senior corporate roles.

4.7. Skills Development

A large segment of the population has, for historical and political reasons, been excluded from the formal education sector and South Africa has an alarmingly high rate of illiteracy. The lack of basic writing and numeric skills represents a huge obstacle for would-be entrepreneurs.

In the national context, the various SETAs have been tasked with meeting this all-important function.

Looking at the national B-BBEE policy, skills development needs to be seen as the foundation element as, without it, the remaining six elements cannot be successfully implemented on a sustainable basis. By providing the required education and training, one can ensure that people have the requisite skills to enter gainful employment or successfully set up and manage their own businesses.

This is not to downplay the importance of the other elements and it is important that they are all pursued vigorously by the various stakeholders in the Mpumalanga economy. However, it is evident that to merely provide someone with, for example, opportunities for ownership or management without providing the necessary skills base, is to run the risk of setting them up for failure.

Hence, skills development forms the cornerstone of this B-BBEE strategy.

Description	What can MPG do?	Responsible party	Timeline	Desired outcome
General shortage of skills and qualifications amongst historically disadvantaged communities in the province	Partner with the private sector to provide vocational training opportunities, with big business providing their trainers and training facilities and MPG providing funding/subsidies	Premier's Office; Public Works (EPWP); Dept of Roads & Transport	3 months	Setting up of and strengthening existing training programmes; enhancement of skills base in MP
Failure of start-up businesses due to lack of management skills, especially with regard to financial management	Partner with the private sector to provide mentoring for emerging businesses. MPG to subsidise/ fund while private sector provides skills transfer	EED; Enterprise Development Directorate; Trade & Industry Directorate; SEDA	6 months	Sustainable long-term performance from emerging businesses
Lack of well-equipped schools	Funding to either upgrade and resource existing schools or build new ones where required	Department of Public Works, Department of Education	Ongoing	Access to well-resourced schools for every child in the province. Reduction in illiteracy levels as close to zero as possible
Absence of a viable tertiary institution in the province	Set up a commission (if not already in place) to investigate setting up of a suitable tertiary institution	Department of Education	Long-term	Establishment of a university and/or technikon in Mpumalanga

SECTION 3: IMPLEMENTATION

5. Implementation Guidelines

The projects and initiatives proposed in this document will each have their own specific demands and challenges and it is not envisaged that a “one-size-fits-all” approach be taken. A certain amount of flexibility is important to enable each implementation team to adapt to the unique circumstances it may face. However, it is important to have a framework within which the projects can be implemented to ensure that all parties involved are aware of their roles and responsibilities. The guidelines set out below are intended make the implementation process more manageable for stakeholders and to avoid unnecessary delays or bottlenecks in meeting the relevant project deliverables.

Funding

It is important that the funding model for each project be clarified up front, to avoid disputes once the implementation process is under way, especially as such disputes can lead to the actual abandonment of a project. Where there is more than one funder, the contribution of each party must be clearly defined. Funding models should also take into account contingencies and ensure that over and above the known budgetary items, there is a reasonably quick way to source additional funds should an emergency arise or should changing circumstances warrant a budget increase.

In addition, the accounting function for each project must be strictly controlled with all funding and expenditure items recorded and the leader of the implementation team should be in a position whereby he/she can access the relevant financial information on a more-or-less immediate basis.

Accountability

A team leader should be appointed and held accountable for each project. Individual lines of accountability are crucial as, without them, it is difficult to intervene and get a project back on track if, for any reason, problems are experienced. The team leader should be in a position to negotiate funding and other resource needs to ensure that he/she has the tools to carry out the necessary tasks and where MPG is involved, it will provide full support and attempt to ensure that the team leader can operate in an environment conducive to meeting the project objectives.

The team leader, in turn, will sign up to a set of clearly-defined deliverables within an agreed-upon time frame and if an employee of MPG, these deliverables may be incorporated into his/her job description and key performance targets.

Communication

The communication process is vital to the ultimate success of a project. It is envisaged that some of the projects will involve a wide range of stakeholders and participants and it is important that all parties are given regular and timeous updates on the progress of the project, what the key focus areas are and what obstacles are being encountered. In many cases, the initiation of a new phase of the project will be dependent upon the completion of a preceding phase and those responsible for the new phase will need to be kept abreast so that they can carry out optimal planning and scheduling of tasks.

Progress reports should be issued on a regular basis to track the progress of each project and identify problem areas as early as possible to ensure remedial action can be taken where required. The frequency of these reports, e.g. monthly or quarterly, can be agreed upon at the commencement of a project, based on the duration and complexity thereof.

Timelines

In order to ensure control of the implementation process, clearly-defined timelines should be set out for the tasks comprising each project. These timelines should be adhered to and if, for any reason, this is not possible, the situation should be flagged early so that appropriate adjustments can be made. The time frames agreed upon should also be realistic, allowing a reasonable period for completion of the relevant tasks. At the same time, they should not be allowed to stretch out for too long, as this has cost implications (in terms of time, money and other resources) and can lead to a loss of momentum and focus. It must be borne in mind that the overall B-BBEE strategy needs to deliver quick wins and show tangible and visible results in the short to medium term.

Review process

In many respects, the initiatives set out in the provincial B-BBEE strategy represent new ground for Mpumalanga Province and it is always possible that once the implementation process is under way, the original steps devised may not prove to be the most effective way to meet the project or overall strategy objectives. It is therefore important that both during and upon completion of a project, the process carried out is subjected to rigorous review. Areas of success can be used as a blueprint for other initiatives while problem areas can be addressed and rectified to get a faltering project back on track. An effective review or evaluation process should ultimately lead to best practice for South African conditions that can, at the very least, be applied to other provinces.

The above framework sets out, in broad outline, the generic criteria that should be applied to any project undertaken. However, attention should also be given to specific structures that need to be set up and the relationships between the various stakeholders and roleplayers. These aspects are covered in the sections that follow.

5.1. Organisation and Governance Structure

To ensure that the objectives of the strategy are achieved, it is important that a single entity carries the responsibility for its implementation as well as monitoring the progress.

The EED

The EED is the custodian of the B-BBEE strategy, responsible for setting targets, implementation, and monitoring progress. The Directorate will also be responsible for initiating the implementation of various plans, by bringing together relevant stakeholders.

The Directorate will develop and implement monitoring and evaluation tools and plans to track the impact and progress of the strategy implementation on a regular basis. The Directorate will establish an appropriate system to identify the following:

- The actions that need to be tracked;
- Who will be responsible for the tracking;
- When and how often the tracking will take place, and;
- How the monitoring of results will be reported

This monitoring will cover both the implementation actions being taken and the actual results to be delivered by each programme and initiative.

The Directorate will also assess its internal resource capacity to oversee the strategy implementation and ability to track the activities on a regular basis, and ensure that necessary resources and skills are available to manage the strategy implementation.

BEE Advisory Committee

A Provincial B-BBEE Advisory Committee has been set up comprising various role players from the private sector to advise MPG and assist in the implementation and

monitoring of B-BBEE in the province. The Advisory Committee is deemed to require strong political backing and will be chaired by the MEC of Department of Economic Development and Planning and when available, by the Premier himself. The B-BBEE Advisory Committee will consist of not more than six people.

However, a B-BBEE Forum has been established which will comprise more members and will serve as an actioning team for the implementation of B-BBEE.

The Forum will incorporate stakeholders from across the spectrum, e.g. MPG, its agencies, Chambers of Commerce, private sector representatives from key industries and Cosatu.

The DEDP's Executive Council Memorandum sets out in considerable detail, the functions of and vision surrounding the formation of the Advisory Committee and Forum. Some of the key points include:

B-BBEE Advisory Committee functions:

- To facilitate the development of a B-BBEE transformation strategy for Mpumalanga Province and the implementation thereof;
- To debate and decide on measurement indicators, which will provide an indication of progress made over time in terms of B-BBEE transformation;
- From the measurement and tracking [of measurement indicators] , provide inputs to the MEC, to enable him to refine the Provincial economic development strategy;
- To lobby the relevant stakeholders to enable execution of the strategy through appropriate mobilization;
- To provide support to the implementation of B-BBEE by:-
 - a) Consulting and working with private and public sectors to facilitate the implementation of the B-BBEE scorecard and approved sector charters in the Mpumalanga Province;
 - b) Accumulating and rewarding B-BBEE status of all suppliers doing business with MPG;
 - c) Implementing scorecards in the tender process to promote transformation and penalize non-transformation;
 - d) Identifying economic growth opportunities in the Province and communicate these opportunities to the business community and encourage B-BBEE business to explore these opportunities;
 - e) Facilitating the creation of a conducive environment and support for B-BBEE deals; and
 - f) Facilitating the establishment of a business database for the Province.
- To inform and advocate for the implementation of Sector Charters and B-BBEE Codes of Good Practice;
- To monitor and report progress on B-BBEE charters implementation in the Province;
- To liaise with the relevant B-BBEE Councils at national level to facilitate economic transformation in the Province; and
- To draft an annual plan and a budget for the Committee and submit it to the DEDP for approval.

B-BBEE Forum functions

- To debate and decide on measurement indicators, which will provide an indication of progress made over time in terms of B-BBEE transformation;
- From the measurement and tracking, provide inputs to the MEC, in terms of Provincial economic development strategy;
- Accumulating and rewarding B-BBEE status of all suppliers doing business with MPG;
- To monitor and report progress on B-BBEE Charters implementation in the Province;

- To draft an annual plan and a budget for the Forum and submit it to the DEDP for approval.

Involved provincial government departments and agencies

Involved provincial government departments, sections and agencies such as Treasury (Supply Chain), Finance and MEGA shall align their departmental strategies to the B-BBEE Strategy and include the activities on their respective performance plans which will be aligned to targets and timelines outlined in the B-BBEE Strategy. They will prepare and submit the implementation plans of the activities related to B-BBEE to the EED. The respective departments will also provide the necessary resources to support implementation of the strategy. The departments and agencies shall report to the EED in a pre-agreed manner.

Private sector and civil society

Private sector and civil society, represented amongst others by large companies, business chambers, NGOs and resourceful individuals, shall in many cases be the lead agent in the implementation of the initiatives and achieving the goals of the B-BBEE strategy. They shall also commit to implementation targets and reporting procedures to enable the EED to have a unified central view of the progress and activities taking place. It is envisaged that an NGO or suitably qualified agency, i.e. with development credentials, should play a leading role in the management of the projects. In many cases, the private sector may also fund the initiatives.

Reporting to Directorates: Economic Empowerment, Trade & Industry and Enterprise Development

Involved agencies, organisations and institutions will report to the Directorates on a regular basis – at least quarterly and annually.

5.2. Implementation Models

The implementation of the initiatives and proposals outlined in the strategy needs to be led by the most effective and relevant roleplayer in each case. The guiding principle is that if the implementation cannot happen without private sector playing a major role, and it is also the private sector reaping the benefits of such programme, then it should be implemented by such party.

From all the initiatives and proposals outlined in the strategy, mainly two types of implementation models would be applicable. The first one is relevant for plans and initiatives that fall within the direct mandate of the EED or the other government departments, who would in this case be responsible for the implementation of those plans.

Most of the strategic B-BBEE initiatives will require the provincial government to conduct the initial facilitation by bringing the various role-players together. Thereafter planning and implementation should be carried out by the private sector and civic organisations, which together will provide the necessary resources (people, skills and funds) for the initiative to be implemented in a sustainable manner. The EED would track the progress of the initiatives on a quarterly basis, to ascertain the progress and ensure that the benefits realised.

5.3. Funding Models and Timing

Funding will be required to initiate and implement the proposed plans. Funding availability and resources will to a large extent determine the pace at which the goals of the strategy can be achieved. There are mainly four types of funding that will be required:

- Government department and EED initiatives: government funding shall be required, such as for implementing the supplier database. Such funding should be sought from the Treasury
- Government funding shall also be required for managing and overseeing the implementation of the strategy as well as for marketing the B-BBEE strategy in the province. The EED must assess its current budget and resources versus the requirements of the strategy, and where necessary, motivate for additional funds.
- For the strategic initiatives, in order to kick-start the implementation of B-BBEE strategic initiatives, funding will be required for appointment of a project manager. Such funding can be sought from NGO's or private companies. The funding of each strategic initiative will depend on its business case and third party funding from banks, Development Finance Institutions (DFIs) and other institutions may be sourced depending on each project's potential return on investment. In particular, the Mpumalanga Growth Fund, which is a MEGA initiative, may come to fore as a primary funding source, as described below.
- Companies that will be involved in the strategic B-BBEE initiatives could utilise their CSI budget as well as budget for Enterprise Development, for which they will be entitled to claim B-BBEE points.

Mpumalanga Growth Fund

The Mpumalanga Growth Fund has the potential to significantly boost the implementation of B-BBEE in the province. The fund was seeded by a capital contribution of R200 million by MPG through MEGA with a further R400 million to be raised via senior debt with private sector investors and DFIs.

The stated aims of the fund are to "support economic activities that are job creating, welfare enhancing and lead to sustainable industries"; and the fund memorandum explicitly notes that B-BBEE and transformation are key to their goals.

The fund has identified the following focus areas for development:

- Tourism-based development projects;
- Agri-business;
- Transportation and logistics for well-defined economic and industrial zones;
- Renewable energy and other growth sectors;
- Bulk water supply and sanitation; and
- Manufacturing.

Development projects that are granted funding from this source have to adhere to a guideline implementation time frame, whereby project implementation must begin within six months of the fund's approval of the project and must be completed within two years.

The fund is aimed at large-scale projects, i.e. requiring a minimum outlay of R20 million and it is envisaged that an average project will require funding of approximately R50 million. Priority will be given to projects that maximise the number of permanent jobs (direct and indirect) created per Rand invested.

With some of the proposed projects in Section 4 of this document requiring significant amounts of funding to get off the ground, there is no doubt that the Mpumalanga Growth Fund can play a critical role in accelerating the pace of B-BBEE in the province.

5.4. Marketing and Communication

The EED will be responsible for spreading awareness about the initiated strategic projects and opportunities to contribute and participate. The information can be provided on the DEDP website as well as printed leaflets to be available at community centres and other public places of gathering. Municipalities must also be briefed about the plans and involved in communication in their respective areas.

The EED will organise and host annually a public conference to share the strategy, plans and achievements of B-BBEE in the province. The EED will also organise bi-annual meetings with all the project groups of the strategic initiatives to share and exchange experience and information and provide information on progress. These meetings should be open for public participation as well.

5.5. Monitoring and Evaluation

For effective monitoring and evaluation, the EED must set up measurable, time-bound and realistic goals and key performance indicators by which all involved parties shall be bound and committed to. Key performance indicators must be closely linked to the socio-economic benefits of the B-BBEE, such as number of black owned companies established, number of jobs created, number of people trained and placed in jobs, etc.

Resources (funding and skills) required as well as information systems for such evaluation must be in place.

5.6. Strategy Effectiveness and Validity

The Strategy shall become effective from the date it is approved by the Provincial Legislature and shall be valid for five (5) years.

5.7. B-BBEE Masterplan

The strategy implementation success will largely hinge on the ability to initiate the implementation quickly and show real tangible results for the public. The strategy implementation masterplan outlined below brings together all proposed plans and initiatives (including those strategic initiatives and projects set out in Chapter 6 below) and sets them within an implementation timeline of approximately three to five years. The master plan is an overview tool for the BEE Directorate to guide the implementation activities.

The table below sets out the prioritised list and overview of the roles, tasks, responsibilities and timelines (i.e. B-BBEE Masterplan).

Project	Jan - Jun 2009	Jul - Dec 2009	Jan - Jun 2010	Jul - Dec 2010	Jan - Jun 2011	Jul - Dec 2011	Jan - Jun 2012	Jul - Dec 2012	Jan - Jun 2013	Jul - Dec 2013
Supplier Database	Tendering & implementation									
Printing initiative	Discussion & research phase	Implementation								
Generic Procurement Initiative.	Research phase	Invitations to meet with MPG. Subsequent implementation								
Project Kusile	Discussion phase. Setting up of Task Force	Task Force to identify key procurement areas, in consultation with Eskom	Positioning of suppliers in relation to procurement areas	Continuation and ongoing implementation of previous steps						
Columbus Training Initiative	Discussion phase	Awareness campaign; applications from students	Commencement of classes							
Columbus - Stainless Steel Sinks	Discussion phase	Attract HDI shareholding component	Set up of new company/finalise plans for plant/ operations set-up	Commence construction of manufacturing plant	Commence manufacturing operations					
Columbus - DPFs	Discussion phase	Negotiate/ develop MIDP/investment incentives			Attract HDI shareholding component	Set up of new company/ finalise plans for plant/operations set-up	Commence construction of manufacturing plant.	Commence manufacturing operations.		
Columbus - LPG containers.	Discussion phase	Attract HDI shareholding component	Set up of new company Finalise plans for plant / operations set-up	Commence construction of manufacturing plant	Commence manufacturing operations					
Columbus - Flexible Couplings.	Discussion phase	Awareness campaign; gauge support from auto industry	Attract HDI shareholding component	Set up of new company. Finalise plans for plant set-up	Commence construction of manufacturing plant	Commence manufacturing operations				

Project	Jan - Jun 2009	Jul - Dec 2009	Jan - Jun 2010	Jul - Dec 2010	Jan – Jun 2011	Jul - Dec 2011	Jan - Jun 2012	Jul - Dec 2012	Jan - Jun 2013	Jul - Dec 2013
Mining Supply Park	Invitation to mining houses & discussion phase	Engagement with Dept of Minerals & Energy Affairs		Appointment of Task Force. Set up of PPP that will own MSP. Commencement of planning			Commence construction of MSP			Commence operations
Community Empowerment Model	Discussion phase		Formation of new company Planning phase	Continuation of planning phase	Commence construction of manufacturing plant		Commence manufacturing operations			

SECTION 4: B-BBEE PROJECTS

6. B-BBEE Strategic Initiatives

The strategic initiatives proposed in this chapter represent a practical response to the B-BBEE challenges and obstacles that have been discussed earlier in this document.

The emphasis is primarily on PPPs and the successful implementation of these proposals can serve as a blueprint for future PPPs.

The rationale behind these proposed projects is that they address one or more aspects of B-BBEE and can yield results in the short to medium term. The general theme is that they focus on skills and enterprise development and thus stimulate job creation. However, the ownership and management aspects are also covered as they are a natural outcome of setting up the new enterprises described in these projects. Preferential procurement also comes to the fore as will be seen in the descriptions of the projects below. In the long run, socio-economic development will be the ultimate spinoff of these projects as they will reduce unemployment, improve skills levels and lead to a general improvement in living standards for the affected communities.

To qualify as a project, the following criteria must be met:

- Visible promotion of B-BBEE objectives;
- Win-win for all parties involved;
- Clearly defined steps towards implementation;
- Clearly defined role for MPG, which will generally be that of a facilitator and in some cases, the funder;
- Clearly defined role for the private sector, which will usually entail provision of skills, expertise, mentoring and management and operational support; and
- The project should yield a sustainable and profitable enterprise, one that can compete effectively in the market place and is run on sound business principles, i.e. there must be an acceptable return on the funds and resources invested in the project.

A suitable project will be distinguished by ease of implementation, access to funding and access to skills, the latter usually to be provided by a willing private sector player.

6.1. B-BBEE Supplier Database

The establishment of an accurate, reliable supplier database would go a long way towards addressing procurement and tendering concerns and ensuring that MPG's procurement actively supports local businesses that meet B-BBEE criteria.

As a starting point, it would quickly eliminate those suppliers that fail to meet the necessary criteria and for any given tender, it would produce a short-list of appropriate suppliers that could be focused on.

If tenders were awarded to suppliers who were clearly not qualified, per B-BBEE criteria, the awarding officials would be held accountable for their decisions and be required to furnish proper explanations. Failure to do so could result in further action being taken against them.

The following steps would be taken in setting up such a database.

- Carry out a needs analysis for all departments in relation to categories in which service providers can provide goods or services.
- Advertise via relevant media (at least one national newspaper and two local newspapers) inviting service providers to register in the database.
- Verify supplier details with CIPRO.
- Screen suppliers due to be registered into the database with special emphasis on the following:
 - Tax matters of the Service Provider;
 - Rates matters of the Service Provider;
 - Whether or not the directors of the company or shareholders are employed by the state;
 - Whether or not the Service Provider is accredited by the professional body governing that commodity or profession;
 - The capability of the Service Provider to render that service;
 - The availability of plant, equipment and warehouse; and
 - Whether or not the directors and shareholders appear on the list of tender defaulters.
- The database will show the BEE status and percentage shareholding, contact details, physical address, contact person and category registered for.
- The database will be able to shortlist companies based on the relevant categories, e.g. based on black, BEE, youth, etc. and also generate reports on short listed companies.
- The database will be a living document, in that as suppliers' details change or their BEE credentials improve, they can be upgraded accordingly.
- Suppliers found guilty of improper or fraudulent conduct can be blacklisted and recorded as such on the database.
- In order to give more suppliers access to government procurement, the database will be able to summarise the spend per supplier and ensure that there is not a disproportionate amount of spend on any given supplier or group of suppliers.

A high-level implementation plan is provided below.

Action required	Responsible parties	Timeline
MPG invites tenders from verification agencies or data providers	EED	1 month
Presentation from short-listed agencies	EED	2 weeks
Awarding of tender	EED	1 month
Successful agency to establish needs areas of various MPG departments. Compile an index of categories	Verification Agency or Data Provider	2 weeks
Advertise to invite suppliers onto the database or index	Verification Agency or Data Provider	1 month
Register suppliers on system and assist with the capture of the required documents	Verification Agency or Data Provider	3 months
Delivery of database to MPG	Verification Agency or Data Provider	1 month
Training of MPG staff by Verification Agency	Verification Agency or Data Provider	1 month

6.2. Printing Industry Initiative

Printing and stationery represents a particularly favourable area for preferential procurement as MPG is a large consumer in this area and it lends itself to B-BBEE implementation without any significant funding required and with a minimum of delay involved or effort required.

At present, there is a perception in the industry that MPG does not support local printing enterprises and that Gauteng suppliers gain the lion's share of procurement in this arena.

Some stakeholders have also claimed that this area of tendering is particularly prone to abuse and corruption with tenders being fraudulently awarded to bidders who had massively inflated the tender price; outsourced the job at a fraction of the tender price; and pocketed the difference.

Within MPG, there appears to be a view that local printing enterprises lack the capacity to deliver on the major tenders, hence the relative lack of confidence in them.

A workable solution has been proposed, arising from discussions with the Lowveld Chamber of Business and Tourism (LCBT) who have identified a minimum of nine printing enterprises in the Nelspruit area – a list they believe can be expanded further and which represents a mix of established white-owned SMMEs and black-owned emerging businesses.

While conceding that many SMMEs in this area lack the capacity to deliver on large MPG orders, they have proposed that if the orders were broken down into smaller, more manageable segments, they could be spread across various local printers, each of whom could benefit from government orders within their capacity to deliver.

Further, they have proposed joint ventures for specific tenders, whereby the established players could partner with their emerging counterparts, provide the relevant skills transfer and support to carry out the tender jointly and ultimately pave the way for their black partners to build up their skills base and capacity sufficiently so that they eventually become capable of handling bigger contracts on their own.

If local printing enterprises are given better opportunities and could be assured of regular MPG orders, they would be in a position to invest in the appropriate technology in any event to build up capacity, thus getting rid of the current perception that they are not equipped to take on the larger contracts.

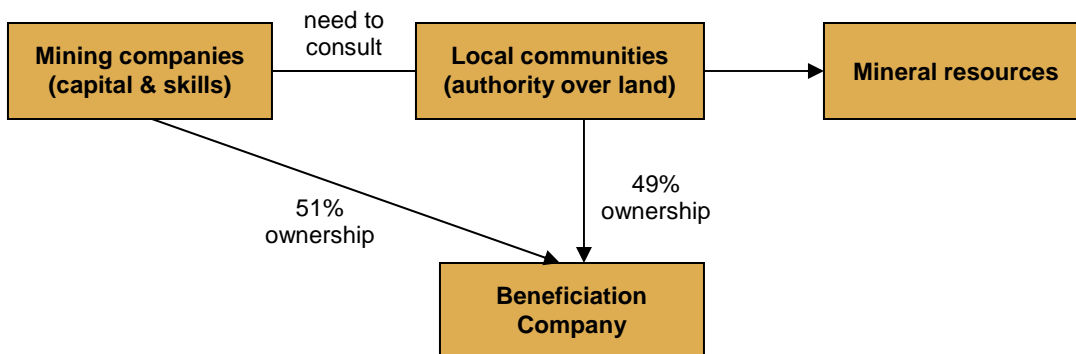
The proposal is well worth looking into as it would incentivise skills transfer to black-owned businesses while also ensuring a greater proportion of MPG spend stays within the province. The ease of implementation and almost immediate, tangible results also render it attractive and it is recommended that this initiative be looked into as a matter of priority.

A high-level implementation plan with activities and timelines is provided below.

Action required	Responsible parties	Timeline
MPG invites local printing enterprises to strategy input meeting	EED	1 month
Presentations from printing representatives.	Printing industry representatives	1 month
Formation of Printing Task Team, incorporating MPG; printing industry representatives and third party to monitor outcomes e.g. NGO, IDC, DBSA or external consultant	EED; Printing industry representatives; monitoring party	1 month
Assessment of capacity of each enterprise	Task Team	1 month
Assessment of collective capacity against MPG requirements and spend	Task Team	1 week
Agreement on informal quotas to be allocated locally, subject to fair and competitive pricing by local printers, i.e. it must make business sense for MPG to procure locally	EED; Task Team	1 month
Placing of orders by MPG	Head: MPG Procurement	Ongoing
Delivery of orders by Joint Ventures. Printing Task Team to supervise or advise where required	Task Team	Ongoing
Ongoing monitoring and evaluation (follow-up interviews, site visits) to ensure that proper skills transfer and empowerment are arising from these transactions	Monitoring Party	Ongoing

6.3. Mpumalanga Community Empowerment Model

The business community of Middelburg has put forward a community empowerment model aimed at improving the lives of rural communities involving big business in the mining and minerals sector, as depicted in the following diagram. This model can be adapted to conditions anywhere else in the province and could, as an example, be as usefully applied to the forestry sector.



Using the mining sector as a point of reference, mining companies are legally obliged to consult with local communities with regard to the extraction of minerals. The communities in fact have authority over the land via the Communal Land Rights Act, while the Land Administration Committee is the custodian of minerals.

Communities, however, are not capable of exercising their authority in a mutually beneficial way.

The proposed solution is to establish a beneficiation company, characterized by the following:

- A for-profit beneficiation company with corporate ownership of 51% and community ownership of 49%.
- The beneficiation company would work on the extracted minerals to add value locally, thus ensuring a greater retention of economic benefits within the locality. At present, a high proportion of raw material is exported or sent to other provinces for beneficiation.
- The private sector partner would give access to facilities (e.g. offices, equipment and other infrastructure) to assist in the set-up of the new beneficiation company. They would also focus on skills transfer to facilitate and nurture the new venture.
- The community's share of profits can be used for improving the economic means of the community and its members, and also investing in health facilities and schools which is ultimately an investment in future generations.
- Women in the communities should be given a substantive role in such initiatives.
- Funding for starting up such an initiative would come from the private sector player's Corporate Social Investment (CSI) budget, Enterprise Development budget and through SETA funding.

One should note that defining a "community" is a far from straightforward process and the process of identifying community representative may vary from place to place, based on local circumstances. Broadly speaking, however, the following key parties would be involved:

- Corporate partners: CSI managers, BEE managers, etc; and
- Communities: NGO's, FBO's, CBO's, etc.

The following critical success factors will have to drive this initiative:

- It must be a business proposition (not a charity initiative) exposed to market forces and the end result must be a company that can survive and grow on its merits in the market place.
- Communities must be consulted and involved appropriately i.e. a consensus approach should be taken. This phase must be handled with particular care and sensitivity.
- There must be clear and constant communication to all stakeholders.
- The initiative must be managed appropriately, have a dedicated project manager and sound governance structures with clear lines of accountability.

- Government backing is important, but the initiative must be driven by the business and the local community
- The initiative must be affordable, practical, sustainable and operate within an enabling environment.

It is envisaged that the first such initiative to get off the ground will be of crucial importance, as a successful implementation will serve as a model for future such projects.

The introduction of tax incentives to recover the costs of setting up such an enterprise would encourage the private sector to get involved.

Examples where the Community Empowerment Model could be applicable immediately are the mining (namely, ferro-metals, platinum, coal, vanadium and chrome) and forestry sectors.

An action plan follows below.

Action required	Responsible parties	Timeline
MPG to invite stakeholders to preliminary discussion meeting.	EED	1 month
Return meeting to enable parties to present proposals. Task force to be set up.	EED; Private sector partner; community representative	2 months
Formation of new company (Newco) and appointment of board.	EED; Private sector partner; community representative.	6 months
Newco to invite tenders for construction and development of plant.	Private sector partner	3 months
Introduction of tax or related incentives to encourage big business to support initiative.	MPG/Municipality	6 months
Construction of plant.	Private sector partner	12 months
Recruitment of staff for Newco.	Private sector partner	Concurrent with construction of plant.
Training of staff for Newco where applicable.	Private sector partner	Ongoing.
Initiation of operations.	Private sector partner	

6.4. Project Kusile

Project Kusile (formerly Project Bravo) comprises the construction of the Kusile power station, the second coal-fired power station being built by Eskom as part of its multi-billion rand expansion, with completion scheduled for 2017. The new base-load power station, which will consist of six generating units generating a total of approximately 4,800 MW, is situated close to the existing Kendal power station near Witbank. The first generating unit is scheduled for completion by 2013, followed by the completion on an additional unit after every eight months.

Kusile is Eskom's second most advanced coal project after Medupi power station in Limpopo province, which began construction in April. It is estimated that construction, which started in August 2008, will create up to 5,000 jobs and will peak to 8,000. It has also been estimated that some 7,000 beds will be required, along with 21,000 meals per day to cater for the construction workers at the peak of the construction activities.

It is significant that when Alstom South Africa was awarded the contract by Eskom for Project Kusile, being the provision of six steam turbines and generators worth in the region of R14 billion,

the president of Alstom drew attention to the B-BBEE opportunities this project would provide: "We know that our success up until now has been possible due to a strong local presence through Alstom South Africa. We intend to carry through the philosophy of strong job creation using a local supply chain and respecting, Accelerated and Shared Growth Initiative for South Africa (AsgiSA) and BEE requirements".

Alstom will directly employ 300 more staff as a result of Project Kusile, but the spinoff in terms of the overall project will see the provision of thousands more, even if not all of them will be permanent. Alstom South Africa is already more than 50% black-owned and they have confirmed that local suppliers and content for this project will exceed 50%. In total, it is estimated that the R80bn project will allocate R10bn spend to local suppliers.

The genuinely long-lasting effect, however, will be seen in terms of education: Alstom South Africa will be investing in the training of local engineers and technicians, thus redressing the skills shortage from within the community in the true spirit of B-BBEE rather than going for the short-term solution of bringing in foreign labour. The effect of this initiative will extend well beyond the duration of Project Kusile as there will be huge potential for these individuals, in due course, to pass on their skills to others.

While R10bn is earmarked for local procurement, this can only happen if local suppliers are in a position to deliver the requisite goods and services. Planning should start now to enable they can take advantage of this great opportunity and a scheme of action is proposed below. It is important to stress the absolute urgency of getting this initiative off the ground, so that local suppliers do not miss out: for many of them, this could be the crucial opportunity that helps to propel their businesses to the next level. The relevant high-level plan is set out below.

Action required	Responsible parties	Timeline
Convene meeting with Eskom, Chambers of Commerce and any interested parties to set up a Business Linkage Centre and/ or Kusile Task Force, which will help local BEE-compliant businesses leverage off Kusile opportunities	MPG HOD (DEDP); CEO: Eskom; Chambers of Commerce	3 months
Identify key areas where MP-based businesses can supply to Eskom and who the relevant suppliers are in each category	DEDP; Business Linkage Centre; Kusile Task Force	2 months
Identify businesses that are already BEE-compliant, positioning them to take advantage of Eskom procurement opportunities	Business Linkage Centre; Kusile Task Force	Ongoing
Assist non-compliant business to achieve the relevant BEE status	Business Linkage Centre; Kusile Task Force	Ongoing
Identify need for capacity-building. Suppliers to either upgrade on their own or form strategic partnerships with other suppliers	Business Linkage Centre; Kusile Task Force; individual suppliers.	Ongoing
Identify opportunities for new enterprises to be formed locally to meet Eskom supplier needs	Business Linkage Centre; Kusile Task Force	Ongoing
Facilitate set-up of new enterprises to meet Eskom supplier needs	Business Linkage Centre; Kusile Task Force	Ongoing
Facilitate completion of Eskom tenders	Business Linkage Centre; Kusile Task Force	Ongoing

6.5. Tyre Industry Initiative

A proposal has been put forward by a respondent with regard to the establishment of a tyre dealership franchise that would work actively with the large tyre manufacturers and government to promote various aspects of B-BBEE.

Discussions between various interested parties have taken place and the model would work as follows:

A tyre dealership(s) would set up a Franchising Head Office (FHO) to offer support to franchise outlets which would be set up with black shareholding of at least 51%. The FHO would initially hold the majority of shares, but as the franchisee outlet grows, there would be an opportunity for the black shareholder to eventually buy out the FHO.

Umsobomvu Youth Fund has indicated a willingness to assist with the funding of the black shareholding component, while the minority shareholders – being the existing, established dealerships – would have to source their own funding for their initial 49%. This ensures an authentic business transaction: the dealers could potentially make significant returns on this initiative, so the benefits that accrue to them must be underpinned by the usual business risk. This would also ensure genuine accountability and avoid a situation where parties get involved purely for enrichment but without making an actual contribution.

The major tyre manufacturers, if they are prepared to come on board, would offer the new franchise a preferential price, enabling the franchise network to offer big-name, branded tyres at competitive prices. There will thus be an incentive for MPG and other Mpumalanga-based consumers to support the local franchise network as opposed to out-of-province suppliers.

The FHO shareholding would be made up of established local tyre dealerships who have enough of a footprint to ensure confidence from the tyre manufacturers, who might otherwise be unwilling to deal directly with start-up dealerships. The FHO, in turn, will distribute to their franchisees.

It is envisaged that the tyre manufacturer will further offer a 2% incentive on sales that they make to the franchise network, as part of their B-BBEE spend. It is intended that this money can be used by the franchisees to assist in buying more shares from Head Office and/or to upgrade their shops or use for general working capital.

The franchisees would require training in a variety of hard and soft skills. The Manufacturing, Engineering and Related Services SETA (MERSETA) have indicated their willingness to fund any technical training and hard skills development while Umsobomvu Youth Fund will consider funding the soft skills training.

The FHO is envisaged as providing ongoing support and mentorship to the franchisees and measurable outcomes will have to be agreed at the start of the process, so that there is genuine accountability for the required skills transfer that FHO is to provide. In particular, a process must be agreed upon that will fast-track the passing of full ownership of the franchisee outlets to the black individuals concerned.

MPG's role in this process would be to ensure a revenue stream for the new franchisee outlets by dedicating a suitable portion of their tyre procurement to them. This is not intended to be a "handout": rather, it is based on the premise that the franchise network as a whole, with FHO and the major manufacturers behind them, will offer quality products at competitive prices. In this way, there will be a sound business case for MPG to procure locally and give these new ventures the required support to build themselves up into viable, sustainable enterprises, thus leaving a long-term B-BBEE impact.

The associated project plan follows below.

Action required	Responsible parties	Timeline
MPG to invite tyre dealerships and manufacturers, Umsobomvu Youth Fund, MERSETA; monitoring party for substantive discussions	EED	1 months
Setting up of Tyre Task Force which will include representatives of MPG; tyre industry; monitoring party; Umsobomvu Youth Fund; MERSETA.	EED	3 months
Signing of Memorandum of Understanding between interested parties, setting out roles, responsibilities and outcomes.	Tyre Task Force	1 month
Setting up of Franchise Head Office Company.	Tyre Task Force	3 months
Setting up of franchisee outlets	Tyre Task Force	Ongoing
Commencement of training programmes	Tyre Task Force	Ongoing
Monitoring and evaluation	Monitoring Agency	Ongoing.

6.6. Mpumalanga-based Procurement Initiative

One of the key concerns raised by stakeholders is that not enough money is retained within the province. A generic solution that can be looked at is for MPG to engage with big business in the province and reach agreement with them on targets for local procurement. This would essentially be a matter of negotiation and would not be binding on the company, so it effectively comes down to good faith and a sense from business that this is “the right thing to do”. It is not feasible to prescribe percentages at this stage but, by way of illustration, a company that currently procures 10% of its good and services locally, could agree to raise this to, say 30%.

The proposal needs to make business sense: it is pointless to expect a company to strain its relationships with existing out-of-province suppliers who offer them good prices and service, just to accommodate local suppliers who may be more expensive and may not have the capacity to ensure regular delivery.

Thus, the onus is on local suppliers to ensure they price themselves competitively and have the capacity to deliver. It should be emphasised to them not to commit beyond their means.

MPG would need to identify the top procurers of goods and services – essentially the large corporates, of which there are several in the province – and then arrange a meeting with representatives thereof, including the CEO and Head of Procurement. Sufficient time should be allowed for each company to collate the necessary statistics around its procurement spend in various categories of goods and services.

MPG can then engage in discussions around whether the existing levels of local procurement can be improved upon and if so, by what percentage. A series of mutually agreed targets could then be reached with each company, tailored to suit its needs.

The procuring company should voluntarily choose the categories of goods and services in which it would be most appropriate to procure locally. Once such are identified, MPG and the procuring

company can sign a memorandum stating the target of local procurement and the types of services and goods to be procured, as well as the commitment to monitor the local spend over time, together with monitoring of types of suppliers, such as locally based SMMEs and medium corporates, and their BEE status.

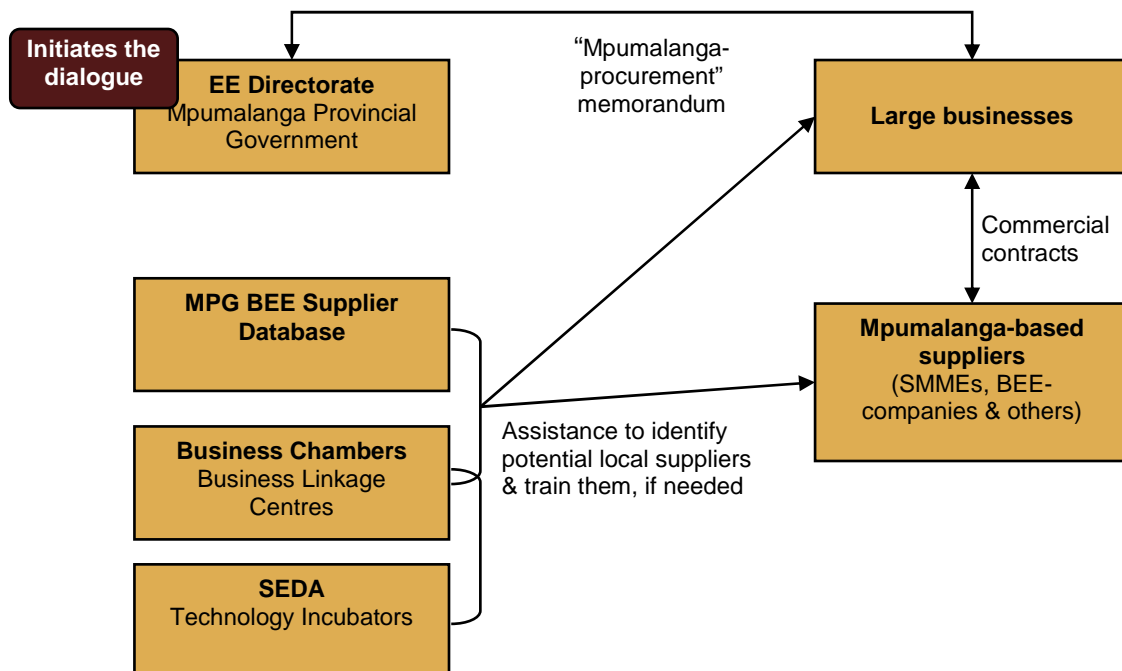
The various Chambers of Commerce could then play a role in facilitating contacts between local suppliers and the big corporates, where necessary.

By adopting such an approach, MPG can create a win-win situation: the level of support enjoyed by locally-based suppliers is boosted, growing SMMEs and ensuring more money stays in the province; while the procuring companies get to actively promote B-BBEE in the province on a manageable and sustainable scale for them, i.e. without taking away large tracts of businesses from existing suppliers with whom they may enjoy good relationships and a smooth, reliable service.

MPG could initiate annual awards for companies procuring the most from Mpumalanga, to recognize their commitment and effort.

Benefits of such an initiative include:

- Large businesses can give back to the community and the province where they operate from, by an increased focus on procuring goods and services from Mpumalanga-based suppliers. The contracts should be given for an extended period of time and linked to performance.
- Local suppliers benefit by having a stable business environment for their goods and support for their training and development. The local business community will grow and be encouraged to participate as entrepreneurs or employees.
- Business chambers and SEDA Incubators would support their beneficiaries in terms of business development and skills enhancement. They can also assist in sourcing the local suppliers to the large businesses, together with the MPG BEE Supplier Database, if and when such is available.



The table below sets out the steps to be taken.

Action required	Responsible parties	Timeline
MPG to identify top 20 private sector procurers in the province (should essentially be the large corporates/multinationals and may be subject to estimate, rather than confirmed figures)	EED; Enterprise Development Directorate; Trade & Industry Directorate	1 month
MPG to issue invitations to each procurer and brief them on content of requested discussions	EED	2 months
If invitation accepted, MPG to meet with representatives of procurer and explore how procurement targets towards local suppliers can be increased. Non-binding, specified targets to be agreed upon	EED	6 months
If agreement is reached, meeting to be set up with Chamber of Commerce/Business Linkage centre to assist with setting up contacts with local suppliers	EED	To be agreed with each procurer

In implementing the steps outlined above, if the private procurer is agreeable, statistics can be submitted to MPG on, say a quarterly or half-yearly basis to see how effective the agreement has been.

6.7. Downstream Beneficiation of Stainless Steel

Columbus Stainless (Pty) Ltd (Columbus) is one of the world's biggest producers of stainless steel flat products and is by far the cornerstone of the stainless steel industry in South Africa. "Flat products" refers to stainless steel produced in the form of thin sheets, plate or coils, which can then be worked into a multitude of different intermediate and end products, across a range of industries.

At present, approximately 25% of Columbus' product gets sold in South Africa and the balance is exported. It is clear then, that the bulk of the value-add to their products gets done abroad and the local economy is effectively missing out on a huge opportunity.

Columbus has identified a significant gap in the value chain which can be filled, stimulating the provincial economy and enhancing BEE imperatives. Columbus is a primary producer and there is no Mpumalanga-based secondary player in the value chain who can beneficiate the product locally and ensure the economic benefits thereof are felt within the province. The company has significant quantities of product available to release into the local market for downstream beneficiation and what is needed is an enabling environment to facilitate the entry of a suitable, black-empowered entity to fill this gap and create a demand.

In addition to physical product, Columbus has a wealth of technical skills as well as training and research facilities which could help establish such an entity and ensure it grows into a sustainable enterprise in the medium-to-long term.

Columbus has identified the following prospective areas that could be looked at and there is clearly a role for MPG and/or national government to stimulate demand in certain instances and ensure a ready market for the secondary products that could be created out of these new initiatives. Government can also play an important role by providing, for example, tax breaks or other incentives to ensure a win-win situation for all players.

A potential role has also been identified for a body such as the Industrial Development Corporation (IDC) to assist with the funding of these new initiatives so that they can get off the ground.

Columbus and other private sector partners can play a role in mentoring the new venture(s) to a level of stand-alone sustainability. By establishing such a venture in close proximity to Columbus, one would immediately eliminate issues such as transportation and storage costs and generate other synergies.

Columbus and, depending on the synergies available, other private sector parties, could take a shareholding in such an entity along with, say, Government itself and an institution such as the IDC.

The following proposals for beneficiation have been mooted and are worthy of investigation and serious consideration:

- **Automotive industry: diesel particulate filters (DPFs)**

There is a strong drive in the European Union to fit DPFs to new vehicles as they help to significantly reduce motor vehicle emissions. With a suitably investment-friendly Motor Industry Development Plan, significant new investment could be attracted to South Africa. MPG could play a role in encouraging new entrants to invest in the province.

Project	Steps required	Responsible parties	Timeline
Columbus: Diesel Particulate Filters (DPFs)	MPG to invite Columbus to substantive discussions	EED	1 month
	Signing of Memorandum of Understanding (MoU)	MPG HOD (DEDP); CEO: Columbus	2 months
	MPG to institute investment incentives	MEGA	6 months
	Formation of new company to manufacture DPFs ("Newco")	EED; CEO: Columbus; IDC	6 months
	Provision of funding stream	IDC	As required
	Construction of plant	MPG BEE Directorate; CEO: Columbus; IDC	12 months
	Recruitment and training of staff for Newco	HR Head: Columbus	Concurrent with construction of plant
	Initialising operations at Newco	Head of Operations: Newco	

- **Automotive industry: thin-strip flexible coupling**

The flexible coupling is an essential component in motor vehicles, creating the necessary linkages between engine and exhaust. There is a ready market for it in the automotive industry and it is yet another item where some of the strip is currently imported. A manufacturing enterprise set up for this purpose would have ready access to Columbus' primary product which could be used to produce the precision gauge stainless steel as feedstock into the downstream flexible coupling manufacturers.

Project	Steps required	Responsible parties	Timeline
3) Columbus: Thin strip flexible coupling	MPG to invite Columbus to substantive discussions	EED	1 month
	Signing of Memorandum of Understanding (MoU)	MPG HOD (DEDP); CEO: Columbus	2 months
	Approaches to motor manufacturers to support Newco	EED; CEO Columbus	
	Formation of new company ("Newco") to manufacture thin strip flexible coupling	EED; Columbus; IDC	6 months
	Marketing drive to publicise local manufacture of couplings at cheaper prices than imported versions	EED; CEO: Columbus	Ongoing
	Construction of plant	EED; CEO: Columbus; IDC	12 months
	Recruitment and training of staff for Newco	HR Head: Newco	Concurrent with construction of plant.
	Initialising operations at Newco	Head of Operations: Newco	

- **Housing: kitchen sinks**

The apparent trend in respect of Reconstruction & Development Plan (RDP) housing at the moment is to install plastic sinks on the grounds that they are cheaper. However, from a quality perspective, this is not a sustainable move as such sinks are not particularly heat-resistant and can incur damage quite easily. This places a financial strain on the householders – who, by definition, are low-income earners – to replace same.

A manufactured stainless steel sink offers a much more durable alternative and is relatively simple to manufacture. It would be a relatively easy task to set up a sink manufacturer in the area thus creating employment. Government can create demand for the product by specifying the installation of such sinks in all RDP houses. The creation of such high-volume demand could conceivably lead to prices being kept down to a manageable level.

This idea would appear to offer a particular "quick-win" solution and is worth a close look.

Project	Steps required	Responsible parties	Timeline
Columbus: Stainless Steel Sinks	MPG to invite Columbus to substantive discussions	EED	1 month
	Signing of Memorandum of Understanding (MoU)	MPG HOD (DEDP) CEO: Columbus	2 months
	Formation of new company ("Newco") to manufacture stainless steel sinks	EED; CEO: Columbus; IDC	5 months
	Government to formalise order of stainless steel sinks for RDP houses	HOD: Housing; Head: MPG Procurement	3 months
	Construction of manufacturing plant	EED; CEO: Columbus; IDC	12 months
	Recruitment and training of staff for Newco	HR Head: Newco	Concurrent with construction of plant.
	Initialising operations at Newco	Head of Operations: Newco	

- **LPG containers**

Internationally, liquefied petroleum gas (LPG) is increasingly considered as an economically viable alternative to electricity and both households and industrial users are switching to this mode. LPG is the lowest carbon emitting fossil fuel available in rural areas, emitting 19% less CO₂ per kWh than oil, 30% less than coal and more than 50% less than electricity. LPG burns cleanly with no soot and very few sulphur emissions. It produces carbon dioxide and water only, posing no ground or water pollution.

It is also being increasingly used as an alternative to chlorofluorocarbons (CFCs) in aerosol propellants and refrigerants, as it causes less damage to the ozone layer.

Locally, there is some amount of utilisation but there is a case to encourage usage in the rural areas as an alternative, particularly, to coal.

Most LPG containers in use are made from carbon steel. However, there would be tremendous advantages to manufacturing the containers from stainless steel as one could get the same level of safety and durability from a much thinner gauge of stainless steel. This in turn would lead to a container that is much lighter in weight, yet carrying out the same functionality as the existing containers.

This is a niche worth exploring, given that the primary product for manufacture is readily available. Additionally it would be an excellent marketing approach for a new entrant as well as offering significant environmental, health and safety benefits for the users.

Government could play a role in subsidizing these containers and the LPG gas for mass production and usage in rural areas in particular, thereby creating a favourable environment for a new manufacturing entity to establish itself in this market.

Project	Steps required	Responsible parties	Timeline
4) Columbus: LPG Containers	MPG to invite Columbus to substantive discussions	EED	1 months
	Signing of Memorandum of Understanding (MoU)	EED; CEO: Columbus	2 months
	Formation of new company ("Newco") to manufacture LPG Containers	EED;CEO: Columbus; IDC	12 months
	Recruitment and training of staff for Newco	HR Head: Newco.	Concurrent with construction.
	Marketing drive to publicise advantages of new product	EED; CEO: Columbus	Ongoing
	Initialising operations at Newco	Head of Operations: Newco	

6.8. Mining Supply Park Initiative

The concept of a Mining Supply Park (MSP) has been mooted already by Anglo Platinum to the provincial governments of Limpopo and North West who have indicated their willingness to proceed with such an idea and they are currently engaging with national government around some of the key issues and finer details.

The model is similar to that of a supplier park recently completed in Uitenhage in the Eastern Cape to service the automotive industry, which is predominant in that area.

Essentially, the aim of the MSP would be to provide a "one-stop shop" for supply of crucial goods and services to the mining industry all contained within a single ground space in close proximity to the relevant mining houses. The various suppliers of these goods and services would find it economically viable as many of the property-related costs would be shared instead of having to be borne on a "go it alone" basis.

The MSP would be geared towards black-empowered businesses, which by combining their BEE credentials with sound business governance, would enjoy the benefits of operating from the MSP.

The following are some of the key points regarding such an initiative:

- The MSP is a self contained unit within a single fenced-off area, with only one entry point. The immediate benefit is that costs of security become split across many tenants rather than each supplier having to make its own arrangements, which would be a much more expensive undertaking. The security company itself and its workforce can be created from the local community, creating immediate and sustainable employment and also providing valuable skills transfer as the management can be mentored in order to develop the requisite business skills to successfully run the company.
- A designated area is set aside for warehousing within the MSP. Any supplier, who wishes to, can rent space at a preferential rate.
- A workshop can also be set up with the necessary plant and equipment to ensure manufacture on demand, if the mining houses require certain goods at short notice. If

managed optimally, there would always be a ready supply of raw materials in the adjoining warehouse facility to ensure that production can take place immediately and the mines supplied on a “just in time” basis.

- An integrated freightage and logistics solution could be found whereby goods are transported from source or from port of entry to the MSP for warehousing or manufacturing. Given the confirmed volume of work, preferential rates could be negotiated for all suppliers within the MSP who use this logistics solution.
- The freight and logistics solution could in itself offer an ideal platform for B-BBEE. There are many emerging black-owned businesses in this arena which could tender for work and where there are capacity issues, mutually beneficial joint ventures could be undertaken with larger, more established players in the market, to deliver a solution to the suppliers based inside the MSP.
- A canteen can be set up in the area, ensuring that those working in the MSP need not spend time and money travelling out to buy food. The establishment of the canteen presents an immediate opportunity in terms of SMME development as there are many black-owned catering businesses in Mpumalanga, mostly operating on a small scale and they would welcome the opportunity to establish such a business with a stable customer base.
- A medical facility should also be set up on the premises, ensuring immediate intervention in case of illness or injury and providing a service that would be beyond the capacity of any of the individual entities operating in the MSP.
- A boardroom facility can also be set up, with tenants leasing time/usage when required. This can be a much more cost-effective option than having to rent larger offices just so that one can accommodate a boardroom.
- A Training Centre could be established within the MSP, subsidized by the relevant training parastatals in the province with the mining houses supplying the trainers. This will be a huge boost to skills development as well as employment as the graduates can be integrated seamlessly into the mining industry workforce upon completion of their training.
- The emphasis would be very much on local employment, ensuring that the benefits, financial and otherwise, flow first and foremost to the surrounding communities.

There is no doubt that the MSP concept can deliver huge benefits to all the relevant players. The businesses operating from the MSP have a reliable, stable customer base in the form of the mining houses and/or their fellow tenants where applicable.

The mining houses, meanwhile, have a ready supply of goods and services in close proximity to them and can rely on the delivery of these goods and services at short notice. The overall effect is to enhance productivity and output and eliminate unnecessary delays in the production chain.

There are various ways in which the public and private sectors can combine forces to get such an initiative off the ground. One such model is described as follows:

- The entity formed to establish and manage the MSP would include, as shareholders, MPG, IDC and interested mining houses, with shareholding agreed in proportion to contribution;
- MPG provides the land upon which the MSP is to be built;
- IDC provides finance for infrastructure development;
- Mining houses also provide finance for various agreed-upon areas of infrastructure development;
- Mining houses contribute by way of technical support, skills transfer and mentorship to various suppliers operating in the MSP, to ensure that sustainable business management skills are developed; and
- Mining houses provide trainers and resources for the Training Centre.

It is fair and reasonable that the mining houses would want to see a return on their investment, both financial and otherwise. A key incentive would be for the department of Minerals and Energy (DME), in terms of the Mining Charter, to ensure that the contributing mining houses are

accredited not only for the relevant B-BBEE components that they help to enhance, but also for the Local Economic Development (LED) imperatives, which is a key area of focus as far as the Mining Charter is concerned.

It is also crucial that the tendering process is carefully monitored insofar as the actual construction of the infrastructure and buildings is concerned, with B-BBEE credentials of the tenderers carefully vetted and local contractors given preference where possible. Once again, where capacity doubts arise, local contractors should at least be given a chance to form joint ventures with the larger, out-of-province contractors who may have the proven experience and capacity to carry out the work.

In summary, the MSP, potentially offers B-BBEE enhancement on several levels:

- Employment would increase automatically, initially during the construction of the MSP and subsequently due to various new businesses operating from the MSP.
- As set out above, training and mentorship, both formal and informal, will form a natural part of the process, thereby ensuring that skills development is achieved.
- The ownership and management aspects are not as easy and straightforward to implement. However, preference could be given to businesses with a strong BEE ownership/management component to establish them in the MSP. Where there is a gap of skills or experience, suitable joint ventures could be formed or if possible, the mining houses could help by providing the relevant business and technical mentorship skills.
- Employment equity could form a natural part of the process as the MSP grows, with an increasing number of black employees moving into senior strategic and operational roles as they build up the necessary experience and skills. The private sector can once again in fast-tracking such individuals by way of providing training and exposure.
- Enterprise development is simply a natural spin-off from the MSP concept as a fair number of SMMEs could find a niche to provide goods and services to a captive market within the MSP.
- Preferential procurement would also become a self-fulfilling outcome of the MSP project. By first of all ensuring the BEE credentials of the occupants of the MSP, the subsequent volumes of procurement by the mining houses would ensure that BEE-determined preferential procurement becomes a reality.

A proposed project plan is set out below.

Steps required	Responsible parties	Timeline
MPG to invite mining houses to attend preliminary discussions	EED; Enterprise Development Directorate; Trade & Industry Directorate; Mining Company BEE Unit	2 months
Presentation of proposals by MPG and mining houses	EED; Mining Company BEE Unit	2 months
MPG to approach DME to confirm LED accreditation for mines involved in the venture	MPG DEDP; Premiers Office	6 months
Setting up MSP Task Force, comprising MPG and mining representatives and funding agencies to draw up project plan	EED; Mining Company BEE Unit	6 months
Identification of land for development of MSP	MSP Task Force	Concurrent with above
Appointment of architects and drafting and approval of MSP plans	MSP Task Force	3 months
Invitations to tender by construction companies as well as those providing ancillary services	MSP Task Force	3 months
Invitations to tender for support services to be provided on completed MSP, e.g. canteen	MSP Task Force	3 months, concurrent with above
Commencement and completion of construction	MSP Task Force	6 months
Formation of locally-based company to provide security for MSP	MSP Task Force	Concurrent with construction
Ongoing management and support once MSP becomes operative	Mining Houses	

6.9. Public-Private Training Initiatives

Looking at the seven elements of B-BBEE, there is little doubt that skills development is the most critical category because it is the one way to ensure sustainability of the other six categories.

At present, Mpumalanga province is lacking a large-scale tertiary education infrastructure and as a result, students often have to leave to study at universities and technikons in other provinces. The situation is compounded by prospective students who cannot afford to study and are thus left without any means of developing their academic or vocational potential, leading to a significant wastage of human capital.

As with some of the other large businesses in the province, Columbus has a training centre with the capacity to train up to 250 students in various fields of artisanship. Upon completion of their studies or internships, these students would for the most part be skilled and readily employable in the area. Columbus have indicated their willingness to explore how they can work with MPG to set up a training programme.

Government can play an important role in partnering with Columbus and other interested companies to fund places at these training centres. The private sector players in turn can provide the trainers and other resources to ensure suitable skills transference which will have an exponentially beneficial effect on the economy in the medium-to-long term.

Steps required	Responsible parties	Timeline
MPG to invite private sector players to meeting for substantive discussions	EED	1 month
Agreement to be reached on courses to be offered and number of places	EED; CEO: Columbus	2 months
Cost structure to be agreed which could be split between MPG subsidies and private sector skills development budget	DEDP	3 months
Publicising of courses and invitations to students to apply	EED	6 months
Finalisation of syllabus where required	EED HR/Training Head- Private Sector players	Concurrent with above steps
Commencement of courses		

7. Conclusion

The need for – and urgency of – B-BBEE implementation in Mpumalanga province is self-evident and there is a near-universal consensus from all stakeholders on this point, as well as a general willingness to contribute to the process. However, there are differing viewpoints as to how to go about this and what the focus areas should be.

Having examined the existing situation in the province and taken into account the various unique features of the provincial economy, it is clear that there needs to be a strong focus on enterprise and skills development, as these are the building blocks on which the future success of all new or emerging business will depend.

In order to ensure sustainability, however, MPG needs to form strategic partnerships with the private sector and draw on its skills base and expertise to drive forward the above processes.

It is also clear that MPG's own procurement practices are a massive determinant of B-BBEE progress and that this is by far the easiest tool for MPG to use and one which will yield the quickest results in the short-term.

The various proposals mooted in this strategy document seek to address these areas and should be seriously considered for implementation. Crucially, they have clearly defined steps to be followed, realistic timelines and measurable objectives. While the process needs to be overseen by MPG's EED, it is not envisaged that there would be any shortage of willing private sector partners who wish to assist with implementation.

The urgency of getting the strategy off the ground needs to be emphasised so that the necessary positive impact can be felt as soon as possible.

The priority projects are deemed to be the supplier database, printing initiative, Project Kusile Task Force and Public-private training initiatives. This is due to the fact that the process can get underway immediately and results can be seen in the relatively short term.

The remaining projects, while equally important will more likely require a lot more planning and discussion and may require a relatively longer time frame before tangible results are seen.

Needless to say, the strategy can only succeed if it enjoys the support and buy-in of all stakeholders in the provincial economy.

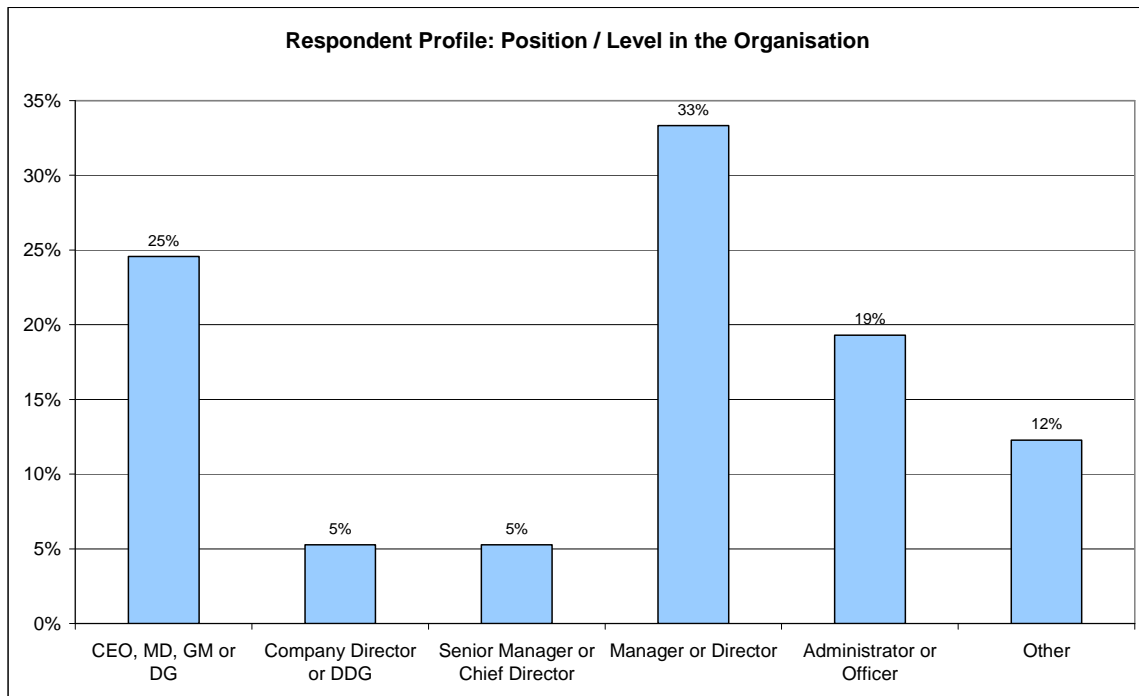
The adoption of this B-BBEE strategy represents a major step forward for Mpumalanga and is set to play a significant role in ultimately achieving one of MPG's stated and most important goals: to create a better life for all in the province.

Annexure A - Summary of Research Findings

Approximately 500 questionnaires were distributed to various stakeholders in the Mpumalanga economy, including provincial government officials, representatives of big business, SMME owners, NGOs and Chambers of Commerce.

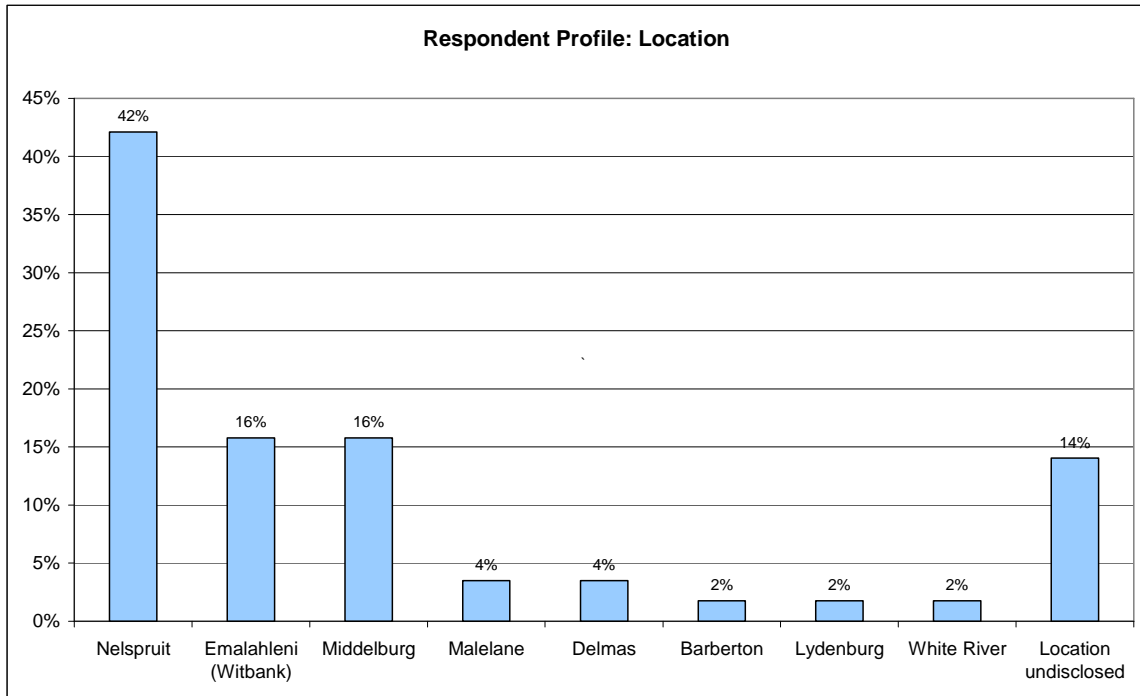
A total of 54 responses were received and the results are summarised in this section.

1. Respondent profile: Position/level in the organisation



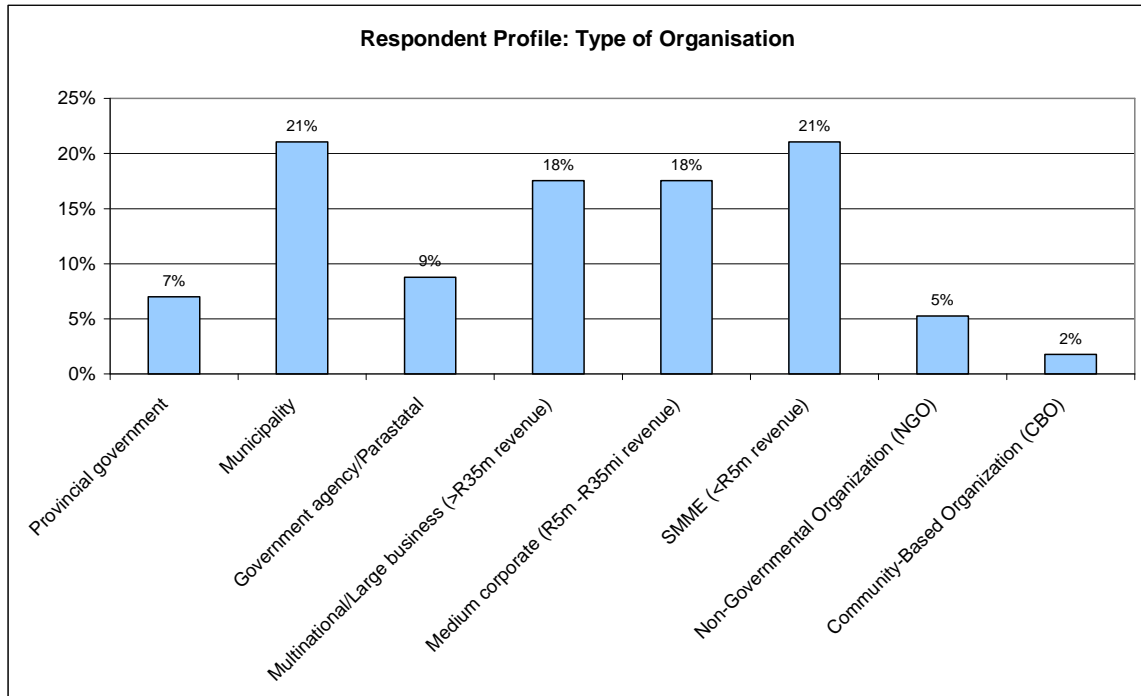
- 68% of respondents were either business owners and/or members of senior management.
- 19% were from the ranks of “ordinary workers”.
- While these results may appear to be skewed in favour of senior management and owners, it should be borne in mind that these are usually the parties that have a global and strategic view of their business and the industry they operate in.

2. Respondent Profile: Location



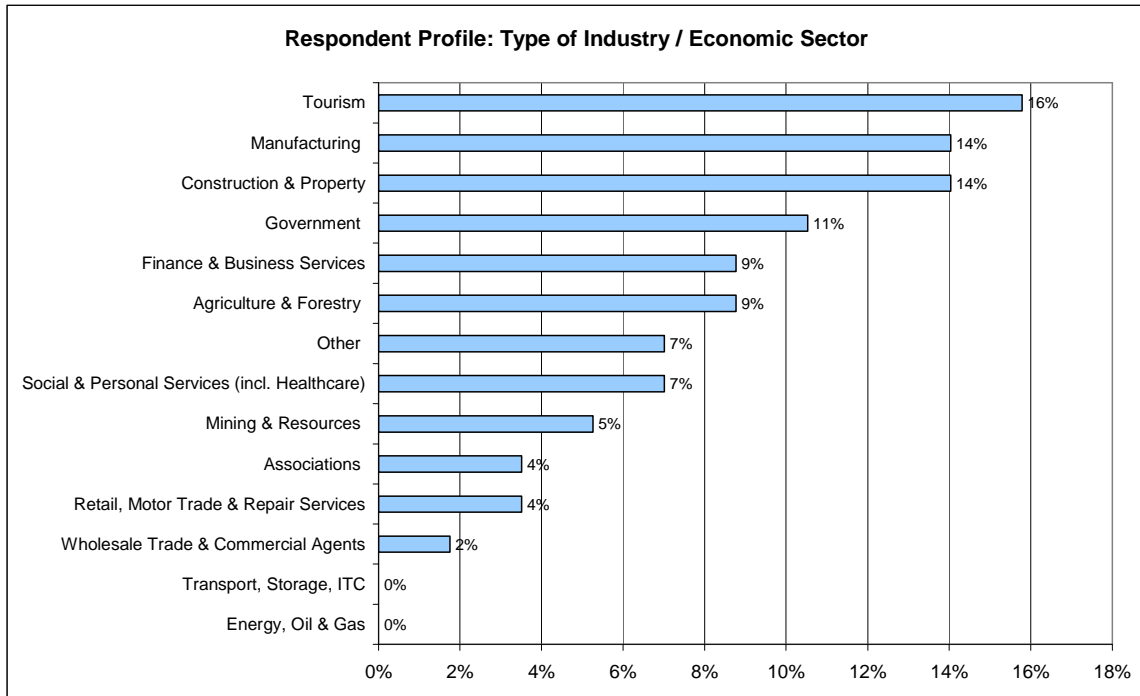
- Majority of respondents (42%) are located in Nelspruit
- Emalahleni and Middelburg were joint second (16% each).
- Minimal responses from smaller, outlying towns; however, overall it provides a broad-based representation from the whole province.

3. Respondent Profile: Type of Organisation



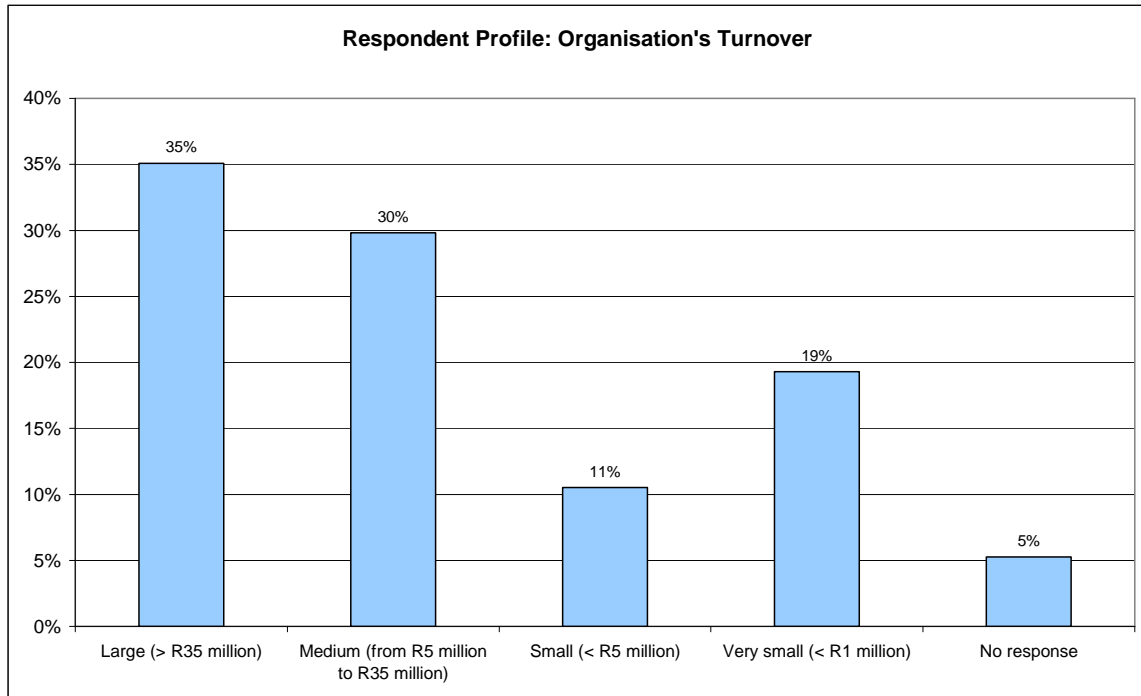
- 37% of respondents came from provincial, local or quasi-government bodies.
- 57% of respondents came from the private sector with an even spread across large and medium corporates and SMMEs.
- Overall, respondents were fairly equally distributed across various organisations.

4. Respondent Profile: Type of Industry/ Economic Sector



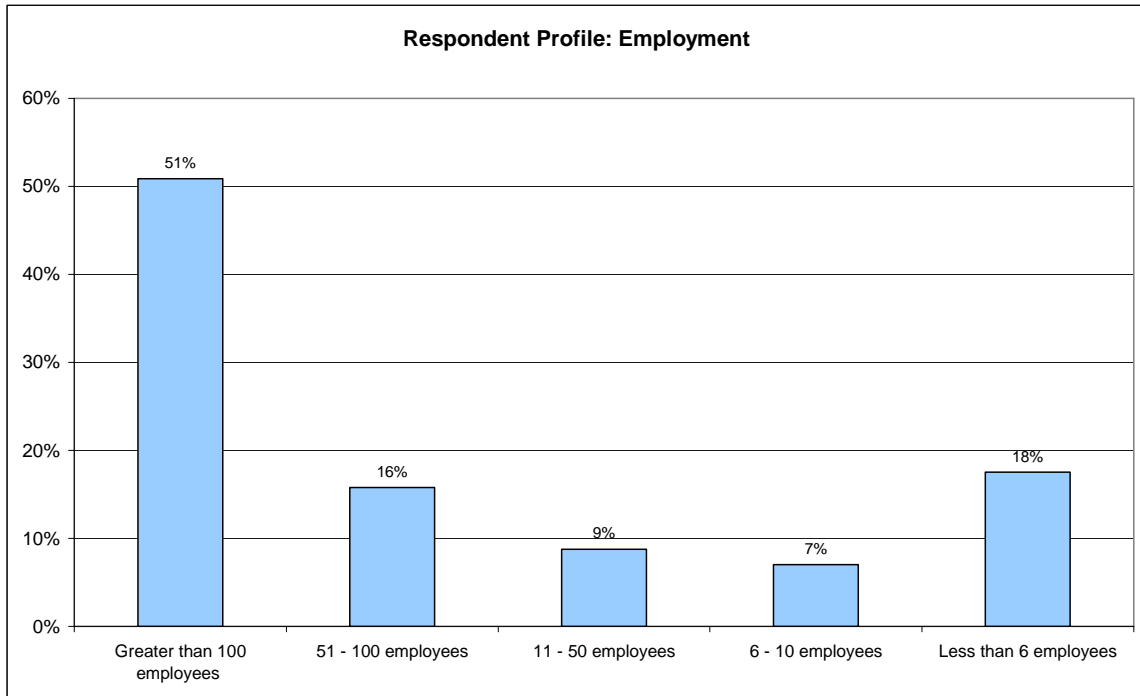
- Overall, there was a satisfactory spread across at least 12 sectors, which makes for a broad-based representation across economic sectors and industries.
- A small majority of respondents (16%) identified themselves with the tourism industry with manufacturing and construction and property (14% each) close behind.

5. Respondent Profile: Organisation's Turnover



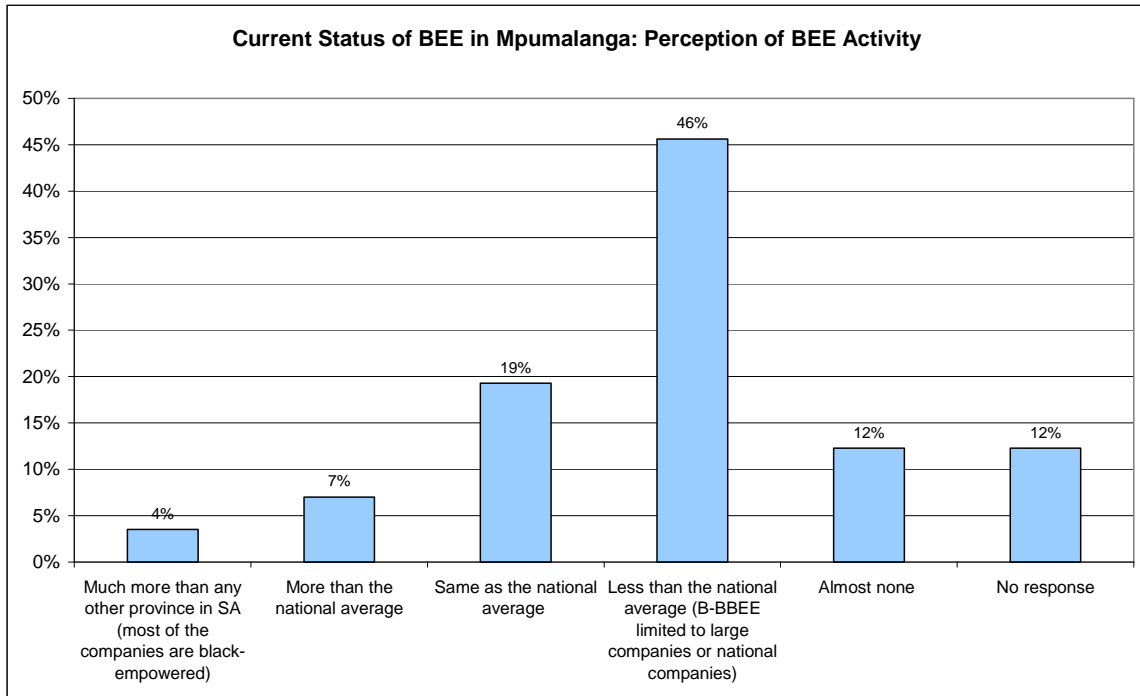
- Overall, a fairly equal distribution across categories was evident.
- Majority of responses (65%) came from large and medium enterprises (turnover of R5m upwards).
- Enterprises in these two categories are probably far more sensitised to B-BBEE as it impacts on their operations in a visible way.
- There was, however, a 30% representation from enterprises with turnover below R5m.

6. Respondent Profile: Employment



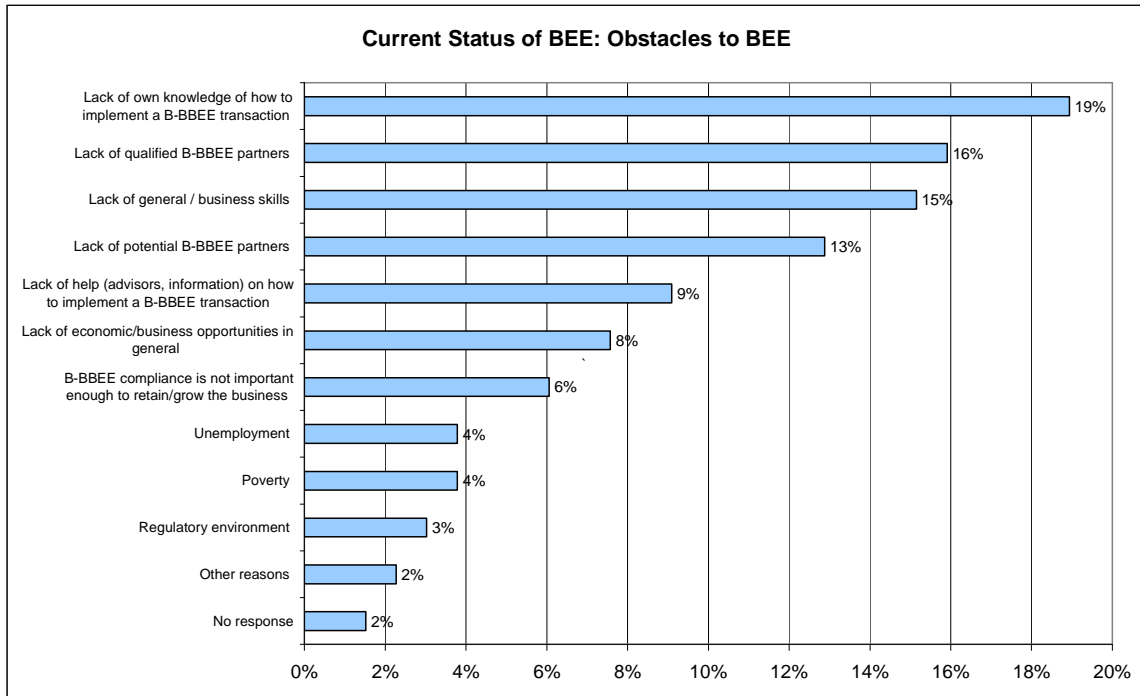
- Respondents were generally significant employers in the province, with 51% having more than 100 employees.
- A further 16% employed 51 – 100 employees.
- On the small business side, 18% employed less than 6 people.

7. Current Status of BEE in Mpumalanga: Perception of BEE Activity



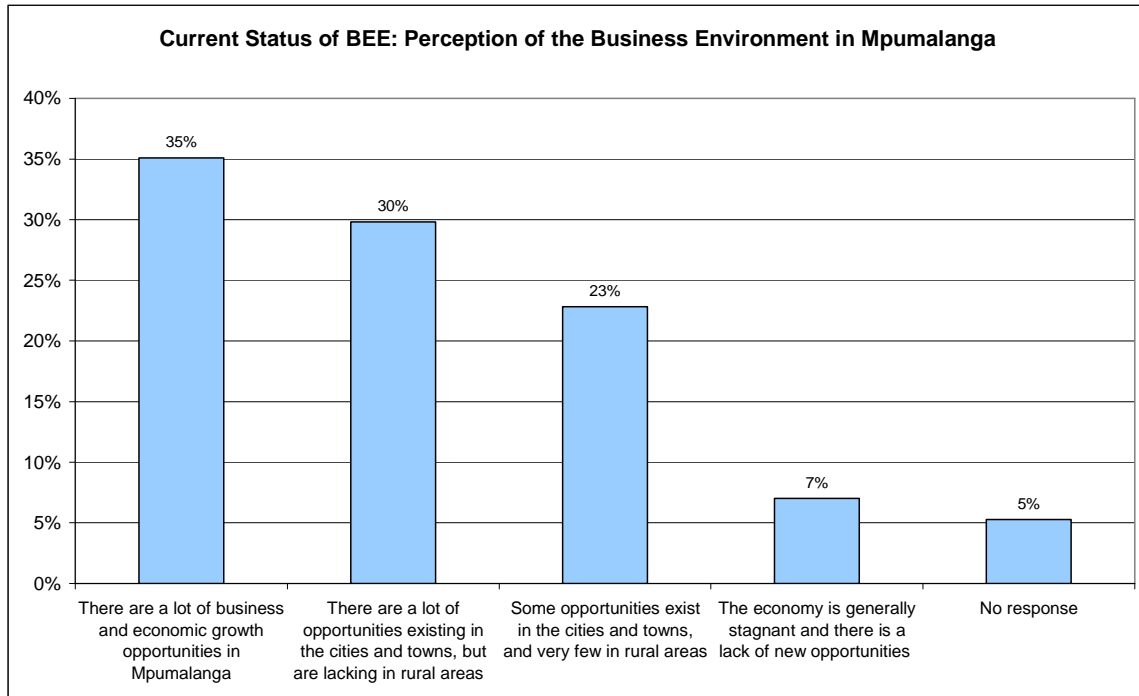
- Majority of respondents (58% viewed B-BBEE in the province as lagging below the national average).
- 19% believed it to be in line with the national average.
- 11% believed it to be above the national average.

8. Current Status of BEE: Obstacles to BEE



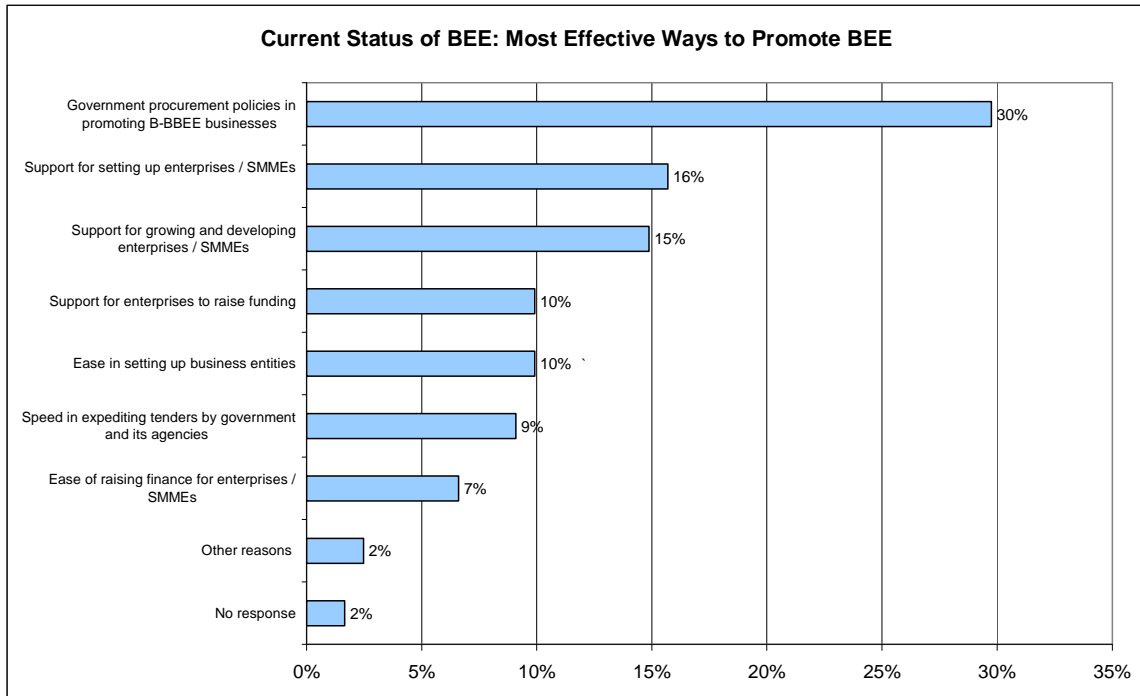
- A very wide range of views was evident on this question, but responses overall tended to focus on ownership-related issues.
- A small majority (19%) targeted lack of own knowledge on how to implement a B-BBEE transaction.
- However, close behind were those who identified lack of qualified B-BBEE partners, lack of general/business skills and lack of potential B-BBEE partners.

9. Current Status of BEE: Perception of the Business Environment in Mpumalanga



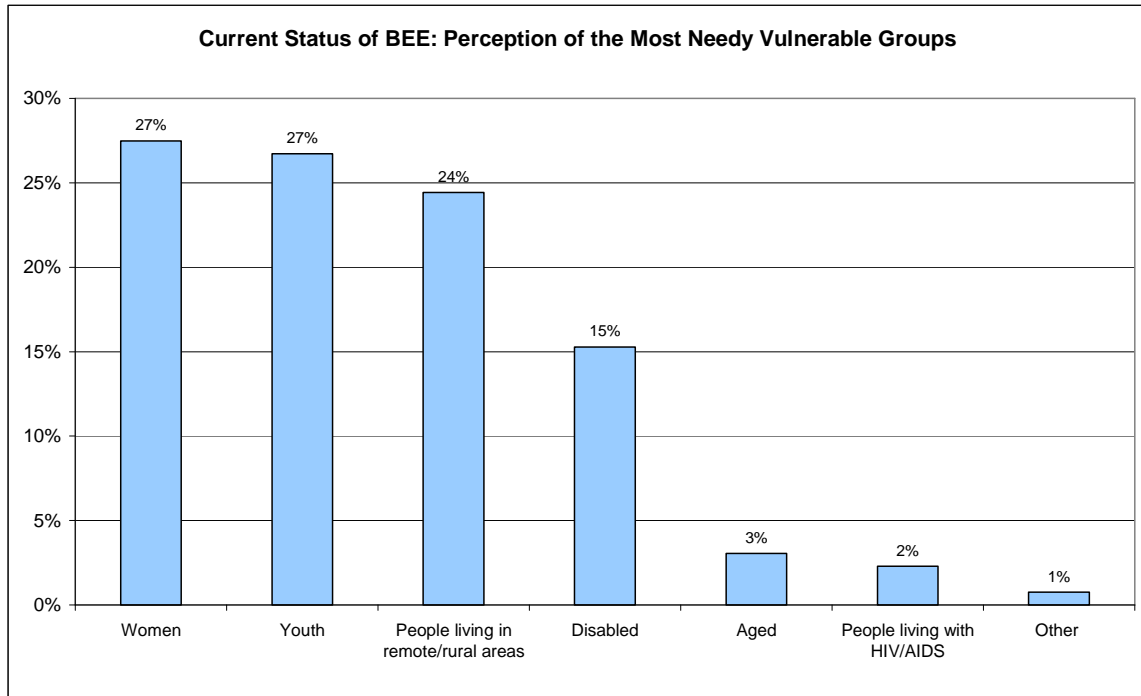
- Overall, an optimistic view from respondents (65%) that business opportunities do exist in Mpumalanga
- However, this is tempered by the view that opportunities are concentrated in the urban areas as opposed to rural areas.
- Only a small minority (7%-12%) were completely negative about the Mpumalanga economy.

10. Current Status of BEE: Most Effective Ways to Promote BEE



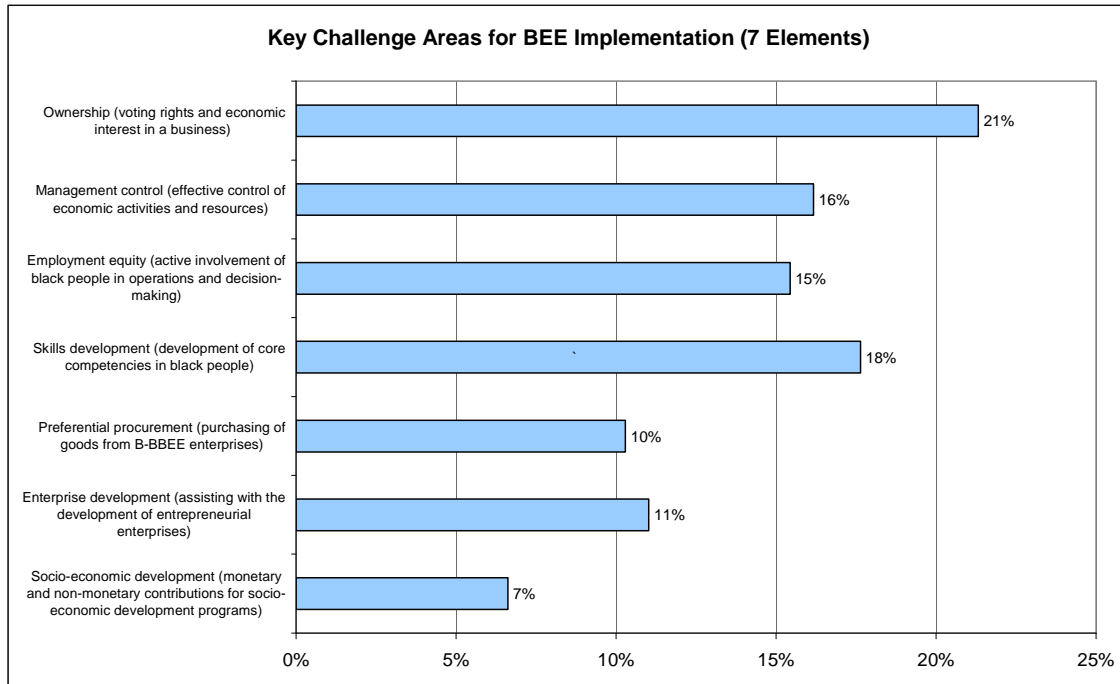
- Government procurement policies were seen as the single most effective mechanism to promote BEE (30%).
- However, if interrelated responses are grouped, procurement rises to 39% but is exceeded by enterprise development-related responses which account for 58%.
- Stakeholders sent a clear signal that the above two aspects need to be focused on for short- to medium-term delivery of BEE advancement.

11. Current Status of BEE: Perception of the Most Needy Vulnerable Groups



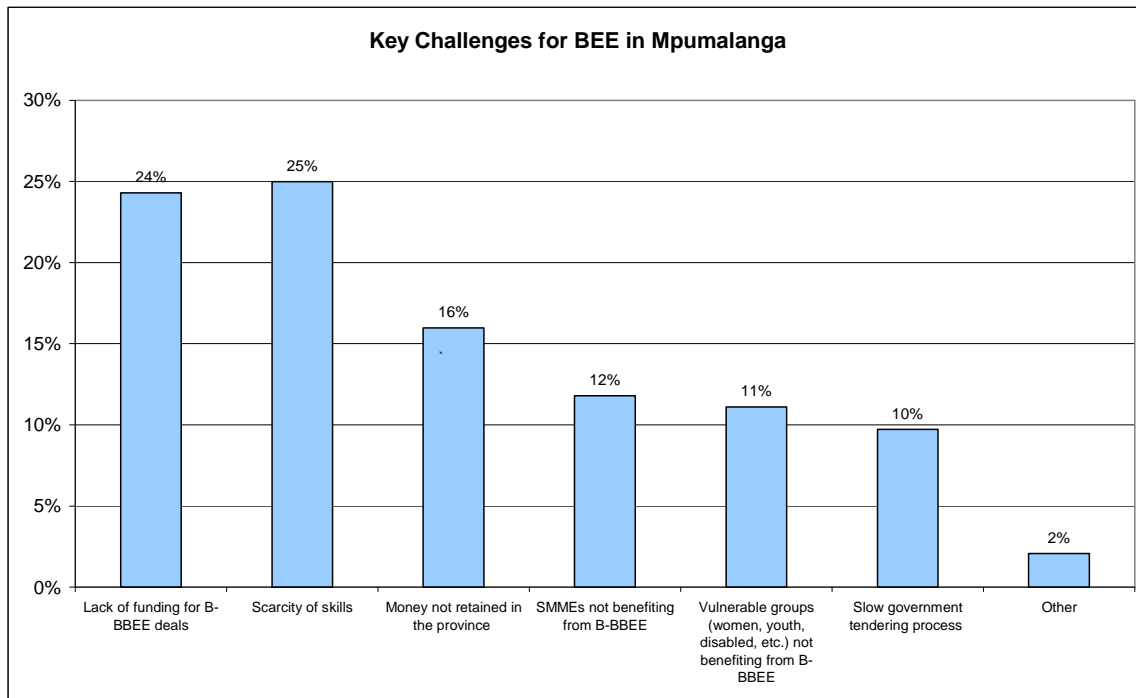
- Stakeholders generally favoured women (27%), youth (27%) and rural residents (24%) as targets for BEE advancement.
- There seems to be a case for an awareness programme to highlight the plight of the other vulnerable groups as this sample indicates that they do not register very highly in the public consciousness.

12. Key Challenge Areas for BEE Implementation (7 Elements)



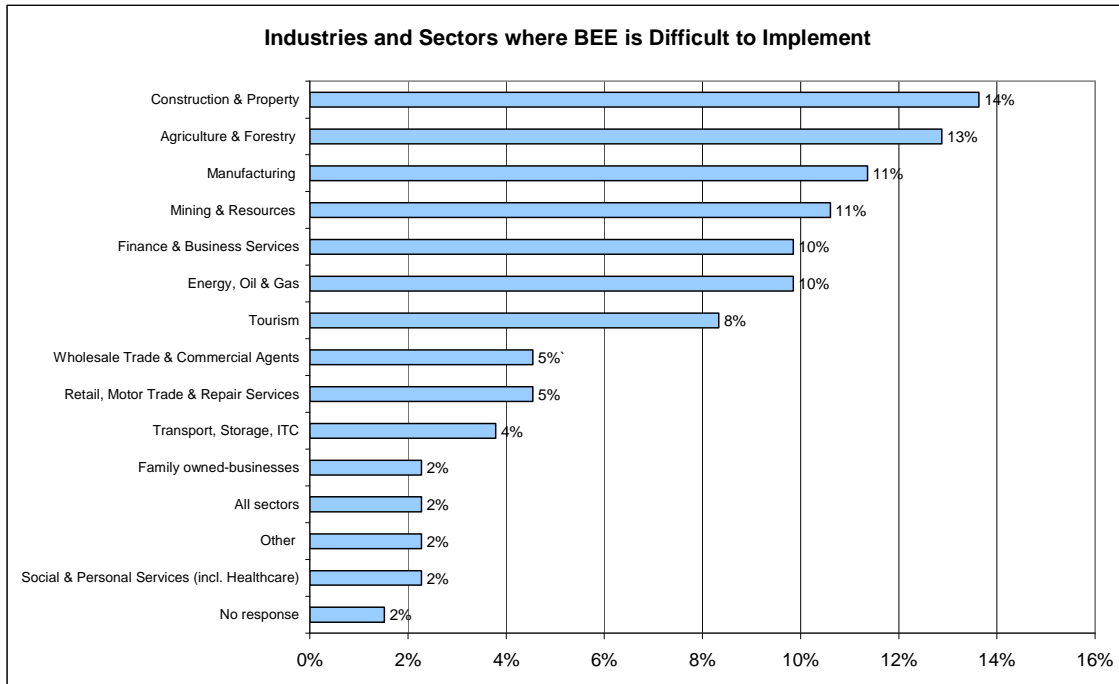
- Main focus on ownership (21%) although skills development also identified as a priority area (18%).
- Management control (16%) and employment equity (15%) are not far behind.
- Of the above four elements, note that apart from skills development, they represent the very visible face of BEE progress and would appear to be the means by which people most readily identify BEE advancement (or lack thereof).

13. Key Challenges for BEE in Mpumalanga



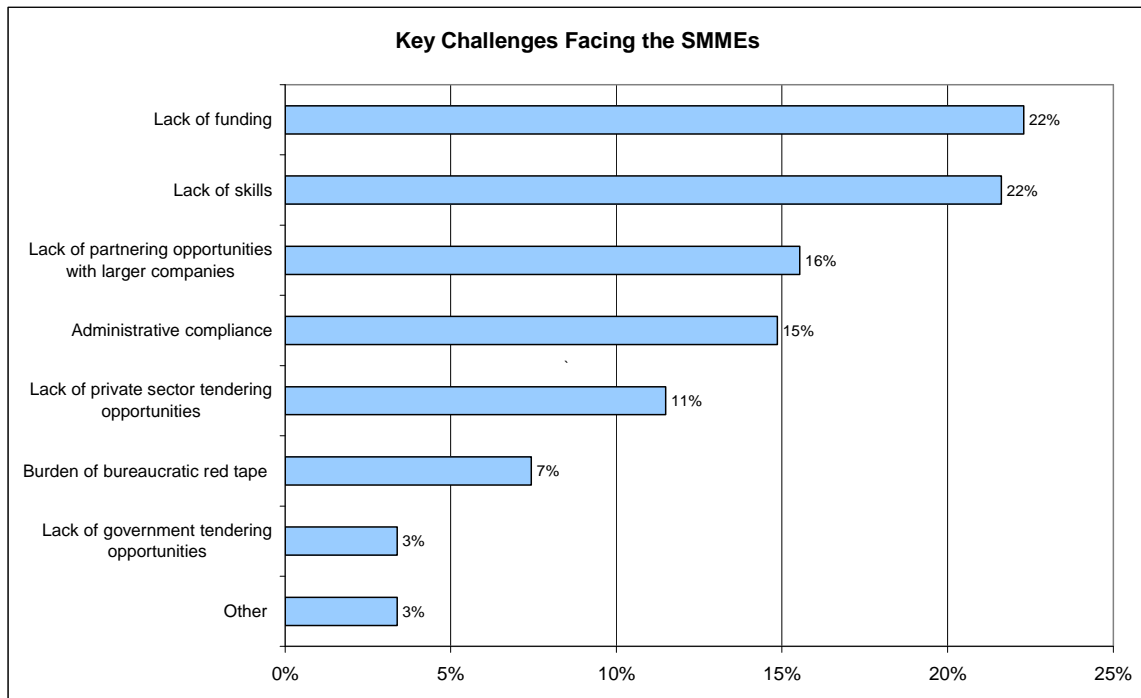
- Scarcity of skills (25%) identified as the biggest challenge to be overcome. Note that the Provincial Strategy is heavily geared towards skills development, to address this issue.
- Lack of funding for BEE deals (24%) also identified as a priority area.
- The next four challenges identified – outflow of procurement money from the province, SMMEs and vulnerable groups not benefiting from BEE and slow government tendering process – are also addressed in the strategy via its strong focus on government procurement.

14. Industries and Sectors where BEE is Difficult to Implement



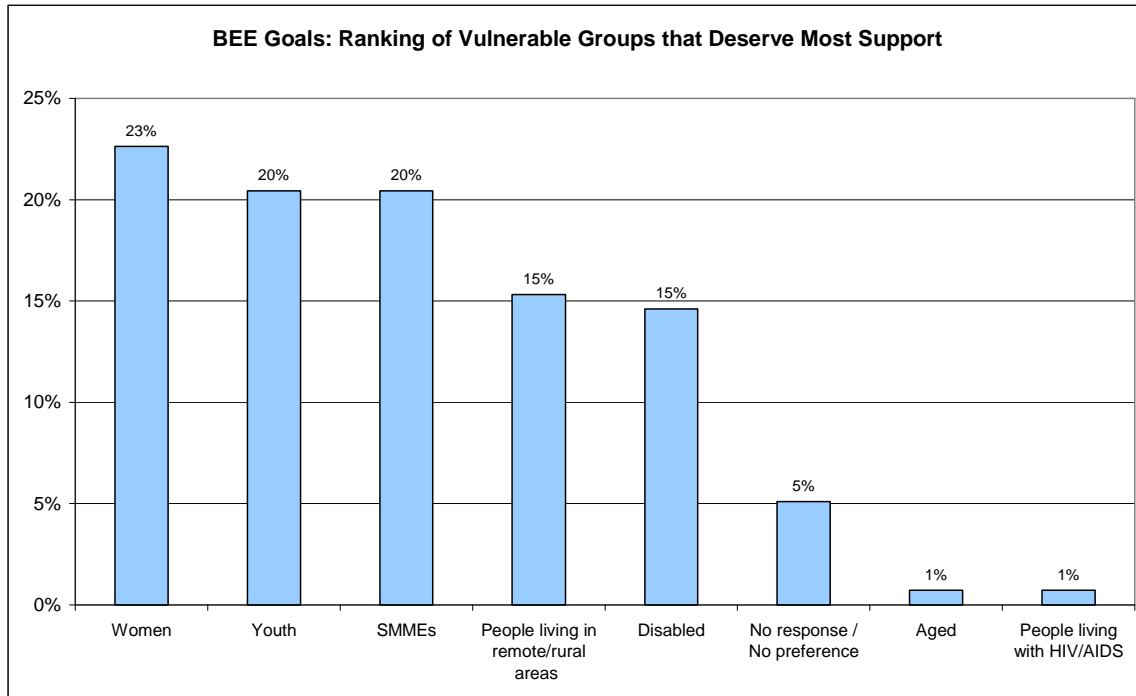
- A very wide range of views was evident on this question and it was noted that respondents tended to show a bias towards their own industry/sector as being difficult to implement BEE.
- Significantly, the top six industries/sectors chosen all tended to involve either high infrastructure and set-up costs and/or highly specialised training and skills – areas where black individuals have historically been placed at a disadvantage.
- Given that most of the key areas identified - agriculture and forestry, manufacturing, mining and energy-related industries – are flagship sectors of the Mpumalanga economy, it is imperative that they be targeted for BEE advancement.
- The Provincial Strategy has identified a Community Empowerment Model that can be adapted to the above sectors to meet BEE objectives.

15. Key Challenges Facing the SMMEs



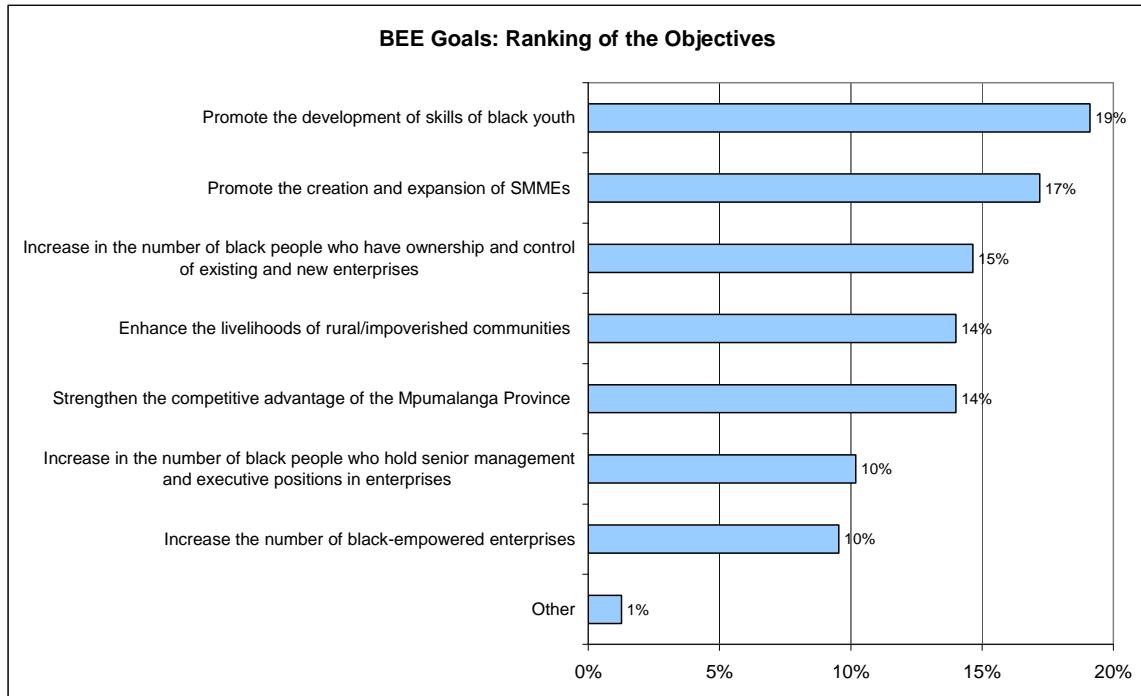
- Lack of funding (22%) and lack of skills (22%) were both identified as the most critical challenges for SMMEs. The latter area receives particular focus in the new Provincial Strategy.
- Lack of partnering with opportunities with larger companies (16%) is also addressed in the Strategy. This can be handled in conjunction with the issue of lack of private sector tendering opportunities, identified by 11% of respondents.
- Compliance and bureaucracy issues totalled 22% of responses, but it is conceded that there is no short-term solution in this area as many of these issues are dictated by national legislation.

16. BEE Goals: Ranking of Vulnerable Groups that Deserve Most Support



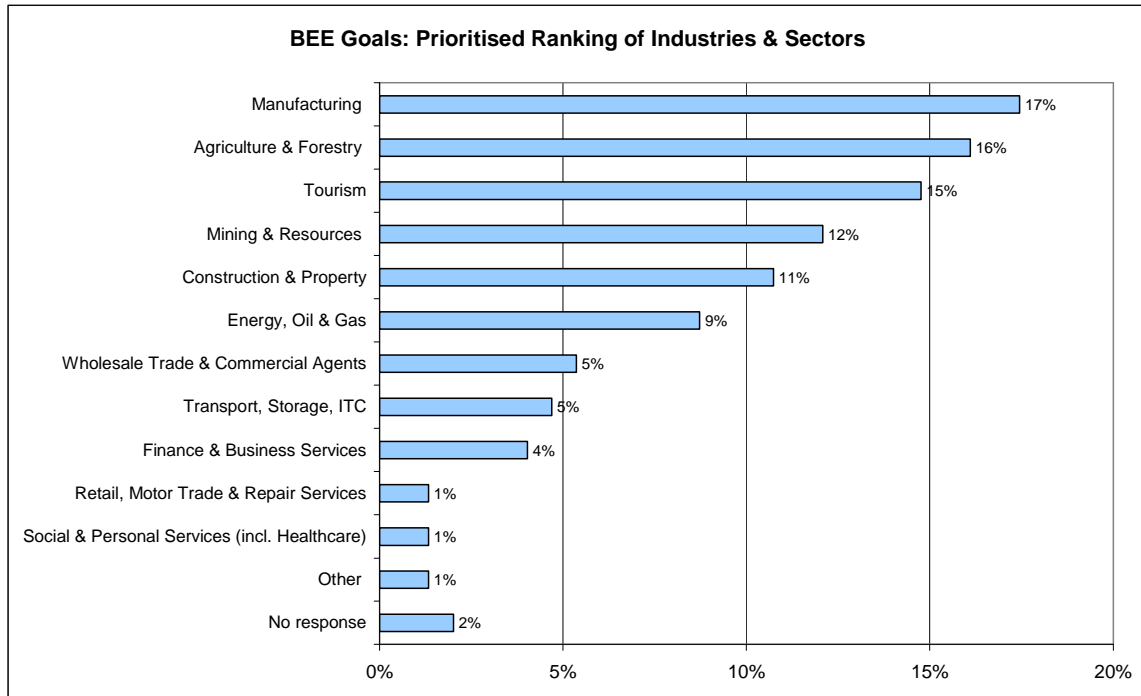
- Women (23%), Youth (20%) and SMMEs (20%) were identified as the most deserving beneficiaries of BEE.
- Rural residents and disabled (15% each) also received fairly strong support.
- The aged and HIV-positive individuals were largely ignored by respondents.

17. BEE Goals: Ranking of the Objectives



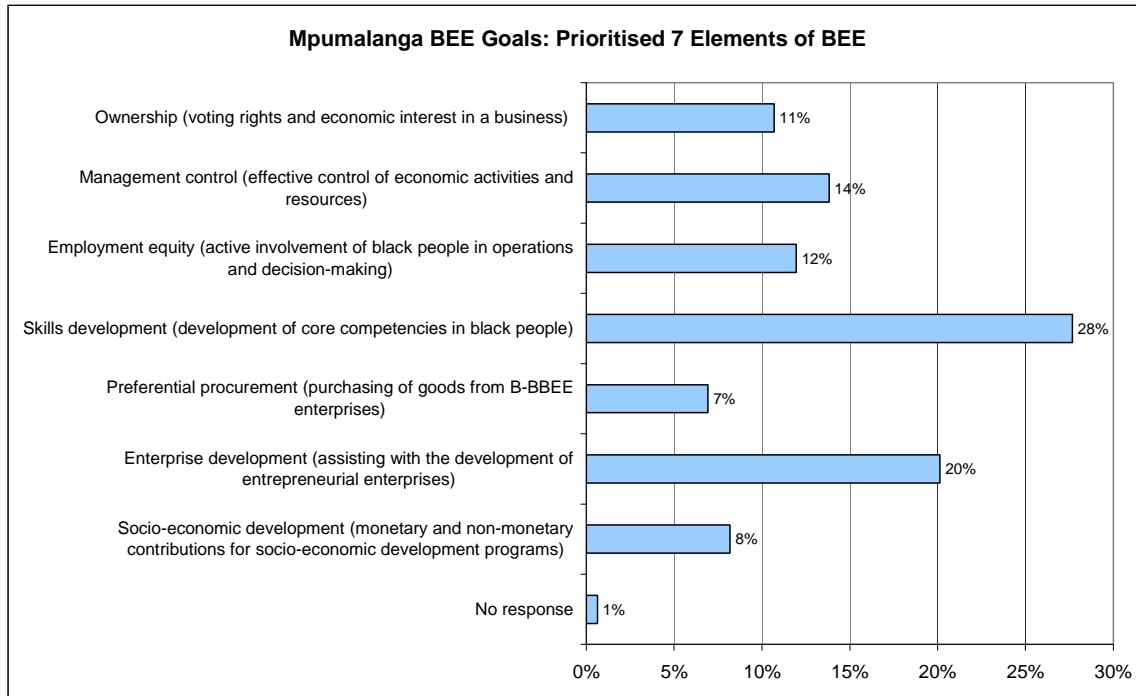
- Skills development of black youth (19%) and SMME development (17%) received the most support from respondents. These are identified as priority areas in the provincial B-BBEE strategy.
- Black ownership and control of enterprises (15%), rural upliftment (14%) and strengthening the competitive advantage of Mpumalanga province (14%) also received relatively strong support.

18. BEE Goals: Prioritised Ranking of Industries & Sectors



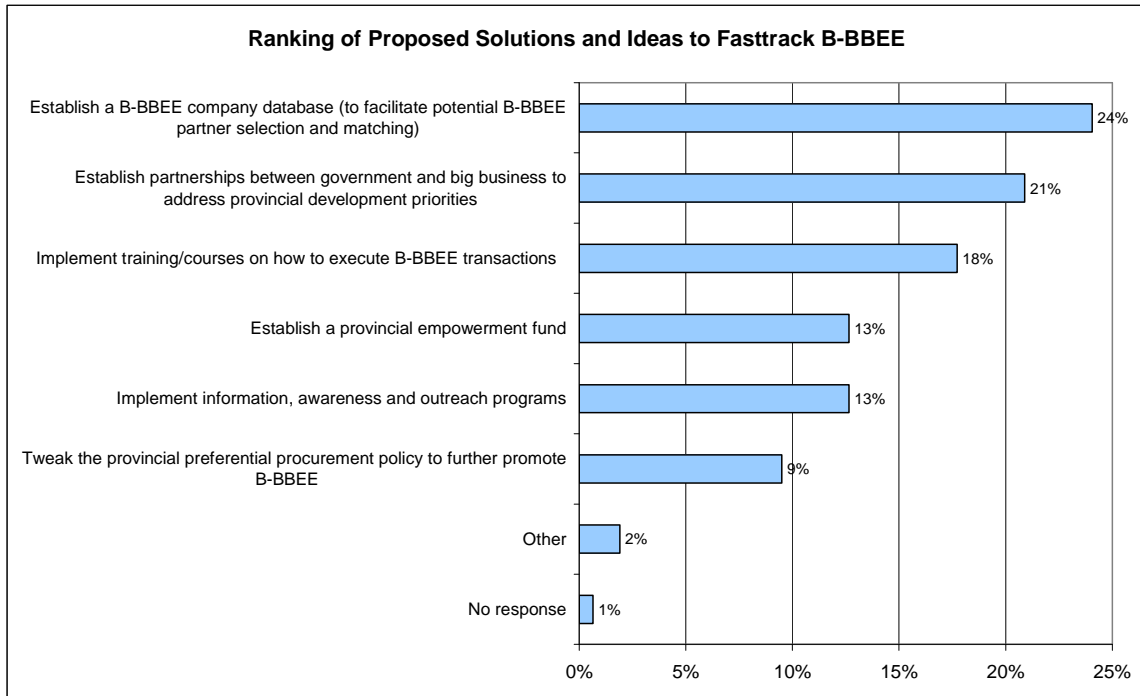
- Manufacturing (17%), agriculture & forestry (16%) and tourism (15%) were identified by respondents as the sectors most urgently in need of BEE advancement.
- Respondents tended to show a bias towards their own industries/sectors in answering this question.

19. Mpumalanga BEE Goals: Prioritised 7 Elements of BEE



- Skills development (28%) was identified as the most pressing priority by a significant margin of 8%.
- Enterprise development (20%) was viewed as the second-most critical element of B-BBEE.
- The emphasis on the above two elements ties in with the focus and alignment of the provincial B-BBEE strategy.

20. Ranking of Proposed Solutions and Ideas to Fast-track B-BBEE



- The two ideas that received most support were a B-BBEE supplier database (24%), public-private partnerships (21%). Both form strong focus areas in the provincial B-BBEE strategy with practical implementation thereof being seen as a priority.
- Solutions involving training, education and awareness also fared strongly with a combined showing of 31%.

Annexure B - Regulatory Framework

The provincial B-BBEE strategy cannot be implemented in isolation, as there are various legislative and policy imperatives to be adhered to. Accordingly, the strategy is guided by the following:

- The Constitution of the Republic of South Africa, Act 108 of 1996;
- The National Small Business Act, No. 102 of 1996, as amended;
- The Employment Equity Act, No. 55 of 1998;
- The Skills Development Act, No. 97 of 1998;
- The Public Finance Management Act, No. 1 of 1999, as amended;
- The Preferential Procurement Policy Framework Act, No. 5 of 2000 and regulations;
- South African Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment, 2003 (the DTI);
- The Broad-Based Black Economic Empowerment Act, No. 53 of 2003 and Codes of Good Practice issued in terms of it;
- Sector Charters issued in terms of section 12 and section 9 of the B-BBEE Act;
- The Promotion of Equality and Prevention of Unfair Discrimination Act, No. 4 of 2000; and
- Public Private Sector Partnership Guidelines, 2004.

Annexure C - B-BBEE Generic Scorecard

An enterprise's B-BBEE status is calculated according to its performance against the seven elements of B-BBEE. The weighting of the elements is illustrated below:

Generic Scorecard	
Element	Weighting
Ownership	20 points
Management Control	10 points
Employment Equity	15 points
Skills Development	15 point
Preferential Procurement	20 points
Enterprise Development	15 points
Socio-Economic Development Initiatives	5 points

The total points accumulated will yield a B-BBEE status ranking from 1 to 9, with 1 being the highest ranking. In assessing how an enterprise is faring in terms of preferential procurement, it would have to first establish the B-BBEE level of each of its suppliers, i.e. from 1 to 9. The next step is to establish the Rand spend per supplier and multiply that spend by the percentage weighting applicable to that supplier's B-BBEE status, e.g. 110% if the supplier is level 3.

Once all suppliers have been accounted for, the weighted Rand spend is divided by the actual Rand spend. This will yield a final percentage, indicating how much of one's procurement counts as valid B-BBEE spend. The current target aimed for is 70%.

B-BBEE Level	Qualification	Weightings
1	≥ 100 points on the Generic Scorecard	135%
2	≥ 85 but < 100 points on the Generic Scorecard	125%
3	≥ 75 but < 85 on the Generic Scorecard	110%
4	≥ 65 but < 75 on the Generic Scorecard or any micro enterprise	100%
5	≥ 55 but < 65 on the Generic Scorecard	80%
6	≥ 45 but < 55 on the Generic Scorecard	60%
7	≥ 40 but < 45 on the Generic Scorecard	50%
8	≥ 30 but < 40 on the Generic Scorecard	10%
9	< 30 on the Generic Scorecard	0%

Where any enterprise is in excess of 50% owned and controlled by black people, the B-BBEE status of that enterprise will be at the level immediately above the level at which its actual score is evaluated, and
 Where an enterprise is in excess of 40% owned and controlled by black women, youth, or disabled people, the B-BBEE Status of that enterprise will be at the level immediately above the level at which its actual score is evaluated.