

# Developments in BB BEE and the Health Charter

Presentation to SAMED  
16 May 2007

# Aim of BBBEE is to drive the private sector to transform and empower black South Africans

## Equitable Economic Opportunities

Ownership  
And Management

## The Opportunity Barrier

Preferential  
Procurement

Enterprise  
Development

## The Business Barrier

Skills Development

## The Skills Barrier

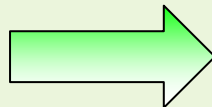
Employment  
Equity/Job creation

Corporate  
Social Investment

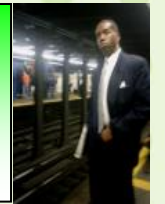
## The Poverty Barrier



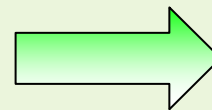
Emerging  
black middle  
class &  
investors



Black  
entrepreneurs



Black workers,  
professionals,  
graduates,  
school-leavers



Black  
unemployed &  
rural poor



Innovative Medicines  
South Africa

# BBBEE Implementation across sectors

1999 -	<u>DTI</u> : BEE strategy: white paper & discussions	
2000	<b>Petroleum</b> Charter	Now links to Minerals Act
2002	<b>Mining</b> Charter	Based on Mineral and Petroleum Resources Development Act, 2002
2003	BB BEE Act – implemented April 2004 see sep slide	
2004	<b>Financial Sector</b> Charter	Sets quite different weightings from DTI generic scorecard
Dec 04	First Draft BEE Codes issued in terms of BB BEE Act	
2005	<b>Tourism</b> Charter	Aligns substantially with DTI generic scorecard
2005	<b>ICT</b> Charter	Aligns substantially with DTI Codes
Dec 05	<u>DTI</u> : Ownership & Management Codes finalised; Draft Codes issued on remaining pillars and for Small Enterprises	
Feb 06	Final promulgation of DTI Codes	

**GOAL of Government: Economic growth, by broadening economic base and economic participation**

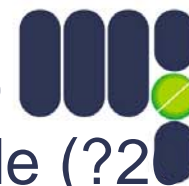
# Overview of the Scorecards (7 pillars): HSC (pre-Codes) & DTI Codes

<i>Pillar</i>	<i>HSC Weighting (Oct 06)</i>	<i>DTI Codes weighting (Feb 07)</i>
Ownership	20	20
Management control	10	10
Employment Equity	10 (15)	15
Skills Development	20 (15)	15
Procurement	10 (20)	20
Enterprise Development	10 (5)	15
Residual / socio-economic development (CSI & PHEF)	20 (15)	5

Extent of alignment not agreed to yet

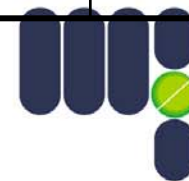
# Process in the Health Sector to date

- Task Team phase (Sept 2004 – November 2006):
  - Appointment of Ministerial task team on HSC
  - 1st draft charter - unreasonable targets.
  - Private Healthcare Forum makes substantial submissions
  - 2nd draft charter issued
- Negotiation Phase (Nov 2005 – Nov 2006):
  - Stakeholder meeting agrees on Negotiation Table
  - IMSA initiates Pharma-forum (P-F). 3 SA pharma trade associations
  - 6 Negotiation Forums held in 2006
  - Various Task Team meetings (Scorecard Task Team & Access Task Team)
  - IMSA initiates Business Sector Charter Forum (BSCF)
- Nedlac involvement (Oct – December 2006)
  - Attempt to move negotiations into Nedlac
  - Agreement that Charter be finalised under existing Forum
  - Final Charter will then be put to Nedlac
- Finalisation of Charter (May - July 2007)
- Conversion of Charter into a Sector Code (?2008)



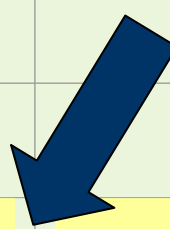
## Targets in DTI scorecard 2007 broadly the same (5 and 10 year targets)

<i>Pillar</i>	<i>Target</i>	<i>Score (weight)</i>
Ownership	25.1%	20
Management control	40 – 50%	10
Employment Equity	43 - 80%	15
Skills Development	3% payroll	15
Procurement	50 - 70%	20
Enterprise Development	3% Net PAT	15
Socio-economic development	1% NPAT	5



# What BB BEE score should a company aim for?

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on the Generic Scorecard	135%
Level Two Contributor	≥85 but <100 points on the Generic Scorecard	125%
Level Three Contributor	≥75 but <85 on the Generic Scorecard	110%
Level Four Contributor	≥65 but <75 on the Generic Scorecard	100%
Level Five Contributor	≥55 but <65 on the Generic Scorecard	80%
Level Six Contributor	≥45 but <55 on the Generic Scorecard	60%
Level Seven Contributor	≥40 but <45 on the Generic Scorecard	50%
Level Eight Contributor	≥30 but <40 on the Generic Scorecard	10%
Non Compliant Contributor	<30 on the Generic Scorecard	0%



# Overview of general changes - 07 Codes (1)

- Some uncertainty as to periods of verification and interpretation – promised to issue clarification notes
- Small businesses:
  - Exempt if less than R5m turnover & equals BEE level 4
  - R5m – R35m = QSE, any 4 of 7 pillars
- Start-ups:
  - Deemed micro for first year, unless value of tender R5m – R35m, if contract above – measured as “normal” businesses
- S 21’s, educ inst, etc:
  - use “Adjusted generic -” or “adjusted QSE” scorecards (weightings different)

## Overview of general changes - 07 Codes (2)

- Ownership:
  - Minus 40% for s21's, broad-based schemes etc.
  - Exclusion of mandated investments
  - For MNs – if in Sector Code and other criteria...
- Gender adjustment factor in management control, EE and SD – no double scoring
- Mid-term targets (5yr) are set in many instances

# Overview of general changes – 07 Codes (3)

- Management control:
  - Additional option if no distinction between top and snr management – take from EE and insert here with that target
- EE:
  - Less categories due to gender adjustment
  - Disability target at 3% (still regarded as high)
- SD:
  - All “easy points” gone!
  - Limitation on internal development which may count
  - Conditions attached to workplace support to studies may render some not qualifying
  - “Learning programme matrix” determines what will count or not

# Overview of general changes – 07 Codes (4)

- Procurement:
  - Imported goods (as described) excluded
  - Mid-target of 50% (HSC 40%)
  - Must procure from QSE's target – 10%, 15%
  - New sub-target for 50% black-owned and 30% black women-owned (5 points)
- Enterprise development:
  - Turnover is used as target if no profit
  - Similar contributions to count as in drafts – but not all to full value (“Benefit Factor Matrix”)
- Socio-development:
  - Need to show REAL benefit to black people
  - Also use Benefit Factor Matrix, i.e. not all count fully!!!



# Progress in Health Charter

- No agreement on exact end-point
- Meeting between labour, civil society and Drafting Team envisaged
- Next plenary – 4 – 6 weeks

THANK YOU!

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