



A Business Approach to Black Economic Transformation for Inclusive Growth

ANNUAL B-BBEE COMMISSION CONFERENCE
MARCH 2018

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AGENDA

1. BUSA Structure and Strategic Objectives
2. Business Approach to Black Economic Transformation
 - The Process
 - Desired End State & Guiding Principles
 - Assessment of Current Framework
 - Key Elements of the Approach
 - Strategic Partnerships

COMPOSITION & STRUCTURE

BUSA BOARD PRESIDENT : Jabu Mabuza VICE PRESIDENT : Martin Kingston CEO : Tanya Cohen NEDLAC : Kaizer Moyane DIRECTORS : Angela Dick, Cas Coovadia, Christo Botes, Christopher Campbell, Dumisani Radebe, Gwarega Mangozhe, Kaizer Nyatsumba, Laurraine Lotter, Leon Campher, Roger Baxter, Stavros Nicolaou, Vusi Khumalo			
Unisectoral Organisations	Chambers of Commerce	Professional Organisations	Corporate Organisations
Representing sectors of the economy	SACCI & SBI	Representing Professional Business People Organisations	BLSA & Manufacturing Circle Board of Trustees Corporates
ECONOMIC & TRADE POLICY COMMITTEE		SOCIAL POLICY COMMITTEE	
• Transport, Trade and Logistics • Tax • Energy • Environment		• Education and Training	

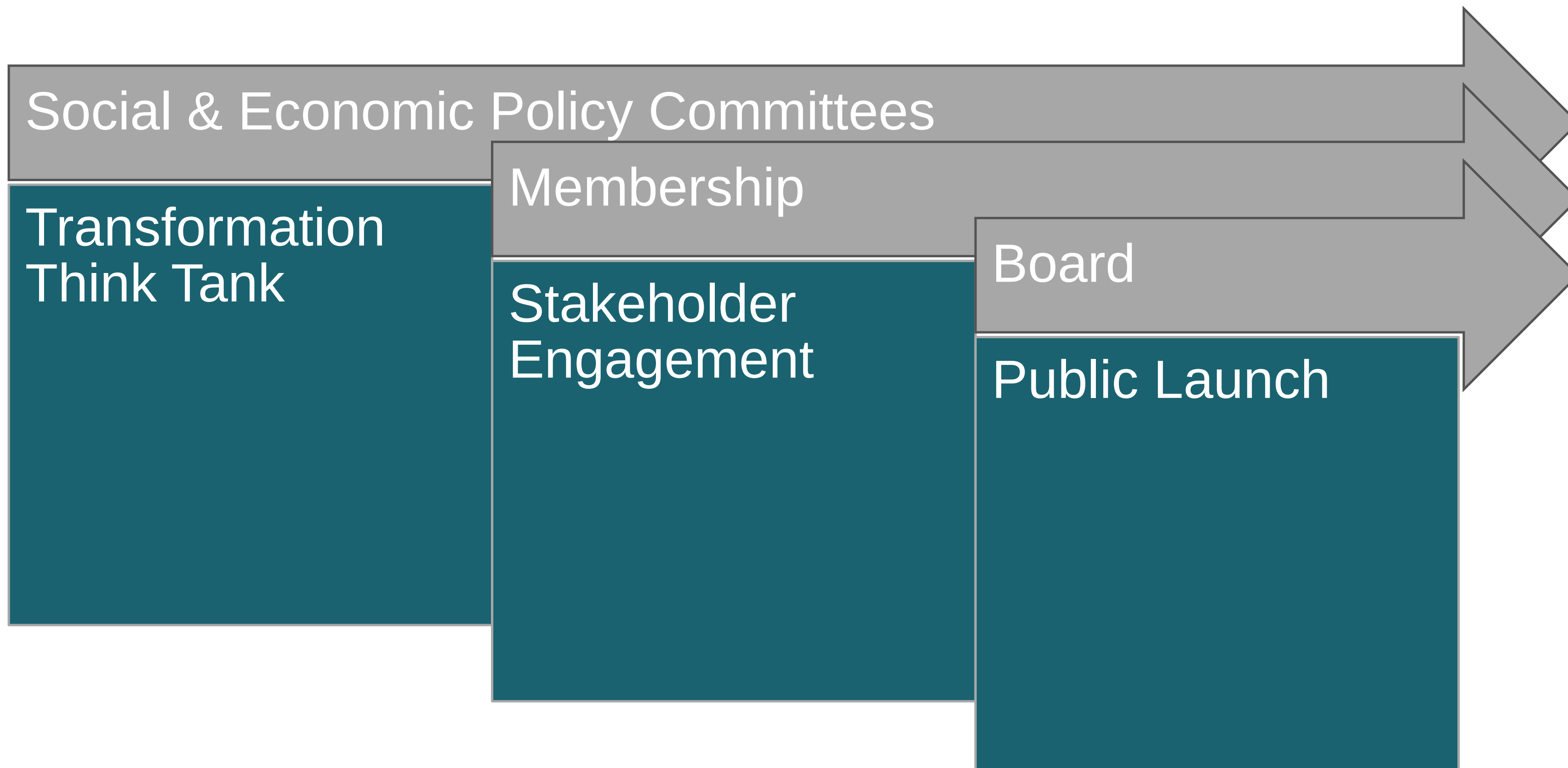
- Apex body, formed in 2003, leveraging on the role that organised business played in a peaceful transition to democracy
- Represents business in NEDLAC
- Work with members and the CEO Initiative, the NBI and the BBC
- Collaborates through membership of SADC Private Sector Forum, Business Africa, ILO on the G20, and IOE
- This enables business co-operation within the rest of Africa, South-South, BRICS and Internationally



2017 – 2019 STRATEGIC OBJECTIVES

Enabling Environment for Inclusive Growth and Employment in South Africa	
1	Transformed, Inclusive Economy that Creates Sustainable Employment
2	Small & Medium Enterprises Thriving
3	Predictable, Certain and Enabling Regulatory Environment
4	Affordable, Reliable and Sustainable Energy and Infrastructure to Meet Current and Future Needs
5	Productive and Stable Labour Market
6	A Progressive Tax System that Supports Inclusive Growth Objectives
7	Trade Regime & International Co-operation that enables South African Business
8	Education and Skills Development for Current and Future Work
9	Affordable Comprehensive Social Security Framework for Future Generations , including NHI
10	Ethical and Accountable Business for Cooperation and Influence in SA SADC, Africa and Globally

THE PROCESS TO DEVELOP THE APPROACH





DESIRED END STATE

The Problem: Sustained poverty, inequality and unemployment translate into structural, social, fiscal and economic challenges.

- Growth of 4% p/a 1994-2007 not sufficiently inclusive and labour intensive
- Unemployment of 36% on broad definition, and 63% youth unemployment means mainly black people are unable to participate meaningfully in the supply and demand side of the economy.
- 17 million or a 1/3 of South Africans depend on social grants

Considered many definitions of transformation, including:

“Government’s programme of radical economic transformation is about placing the economy on a qualitatively different path that ensures more rapid, sustainable growth, higher investment, increased employment, reduced inequality and deracialization of the economy.”

Medium Term Strategic Framework 2014-2019

Desired End State: vibrant, globally competitive economy that broadens and deepens economic benefit and participation for all South Africans, regardless of race, gender or age so that all South Africans have the opportunity to participate in the economy and earn a sustainable livelihood.



GUIDING PRINCIPLES

- The pace and depth of economic transformation in business has been insufficient
- Need a full and equitable broad base of black people participating in the economy
- Business needs to drive the process forward
- Government needs to play a significant role in providing enabling conditions for growth
- Corruption, maladministration and state capture undermines economic transformation
- Collaborative, partnership approach is required built on social cohesion
- Proactive, innovative, systemic and scalable approach is required
- Substance over form - transformative, rather than a compliance led approach
- Need to recalibrate and comprehensively measure economic transformation
- Business needs to take accountability and drive transformation in best interests of the country & economic growth



INCLUSIVE GROWTH CHALLENGES

- **Smaller businesses** face disproportionate challenges and are significantly underrepresented in the economy
- **Regulatory environment** has best of class laws, but complex, uncertain and not well implemented
- **Energy, water, transport and technology infrastructure** inadequate, unreliable and too costly for businesses across sectors and of all sizes to be competitive.
- Poor **basic education and childhood nutrition** fails to provide a foundation for **post school education**, training and employment, required for a productive, stable and skilled labour market matched and suited to a growing economy's requirements
- **Leakage, corruption and inefficiency** drains the fiscus drawing much needed resources away from growing sustainable participation in the economy
- The **social security system** is fragmented, insufficient, and inadequate to sustain large numbers of large, marginalised and predominantly black South Africans.
- **Trade regimes and agreements, incentives and levies** are not adequately designed to enable participation by businesses of all sizes, sectors and formats, and indirectly favour established large businesses.



ASSESSMENT OF CURRENT LEGAL FRAMEWORK

Fully and unequivocally endorse the objectives of the current legal framework, but recognise the need to interrogate if intent has been achieved and the extent to which the evaluation mechanism has driven a transactional, rather than transformational actions:

- **Ownership** had largely failed to deliver meaningful control and value to black people as shareholdings are generally insufficient to exert direct influence on the strategic direction of investee companies and is limited to a concentrated number of established businesses who have access to capital.
- Failure to drive significant **growth of black business** through providing conducive business conditions with access to markets, capital and skills to support entrepreneurship in order to create black owned and black-controlled businesses.
- Inadequate **workplace transformation** resulting in poor representation of historically disadvantaged individuals in positions of influence in the business.
- The **basic education** system is not adequately producing what is required to enable youth to access work and post-school education, perpetuating the disadvantage of black people, particularly youth, women and people from poorer households and rural areas. Additionally, there is a material **skills mismatch** between the supply and demand of skills, impacting business competitiveness now and for the future.



KEY ELEMENTS OF THE APPROACH

- Business needs to **enhance its contribution and lend its weight and capabilities** to transformative programmes and work with key institutions.
- Need to comprehensively and consistently **measure Economic Transformation**
- Need for **socio-economic impact assessments** on all laws to determine the impact on enterprise development, SMEs, employment, investment and skills development to address barriers to doing business.
- Business, in collaboration with Government and key social partners such as organised labour, to rapidly explore, define ,implement and scale key elements:
 - 1. Transformation culture within business** - engagement, build social cohesion
 - 2. Education and skills development** - Industry-led, employee support and mentorship, and optimise basic and post-school education.
 - 3. Employment promotion, with an emphasis on youth**
 - 4. Enterprise development** - Access to capital, skills, market (creating black owned and controlled businesses), contributing to solutions that ensure successful growth of emerging and sustainable black owned businesses and meaningful ownership transactions. This element includes improving state procurement for meaningful economic empowerment.



STRATEGIC PARTNERSHIPS FOR TRANSFORMATION

Strategic partnerships with government, organised labour, civil society and other business organisations nationally and internationally are necessary:

- Ensure that an **enabling environment** is created through the development and effective implementation of policies and legislation (evaluation required)
- Take a proactive approach to **investing in people through job creation, education and skills development** for inclusive participation and growth
- Address the **inadequacy of SA small business** in contributing to job creation. 65% employment contribution vs 95% global average
- Be proactive in addressing **corruption and mismanagement of public funds**
- Ensure **market access** through industrial development and regional integration and with strategic global trading partners

THE WAY FORWARD

- Business to accelerate its efforts:
 - robustly influence policy to enable transformation
 - lend weight to transformative initiatives
 - encourage scalability and impact
 - improve research and information
 - visibly embrace transformation imperative
- BUSA increasingly working in cooperation and collaboration with members, aligned business organisations and social partners in this regard
- Business needs to be on the front-foot on transformation, taking a proactive, collaborative approach to drive the agenda

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