

Motlanthe warns council BEE has failed

■ Broad-based elements 'seemed elusive'

Mzwandile Jacks

BLACK economic empowerment (BEE) – a key government policy intended to redress the wrongs of the past that left South Africa's black majority economically disenfranchised – has failed.

That was the message yesterday when Kgalema Motlanthe, the deputy president, delivered the inauguration speech at the first meeting of the BEE Advisory Council.

Motlanthe stepped in when President Jacob Zuma, the chairman of the council, cancelled to take two days leave, after a week of torrid publicity about his personal life.

Zuma launched the council late last year after delays of more than two years.

"The percentage of black-owned companies registered at the JSE is disappointingly low," said Motlanthe.

"We also have to admit that the 'broad-based' part of BEE has seemed elusive. In the main, the story of black economic empowerment in the last 15 years has been a story dominated by a few individuals benefiting a lot."

Adding that broad-based economic empowerment was intended to benefit all sectors of the previously disadvantaged population and not a few individuals only, Motlanthe urged people to look at empowerment more broadly, "beyond business deals and shareholding in companies".

"We have to think creatively

BEE Advisory Council members

Deputy President Kgalema Motlanthe yesterday inaugurated the 19-member broad-based BEE Advisory Council to advise the government on BEE and review progress. Its members are:

Trade and Industry Minister Rob Davies

Labour Minister Membathisi Mdladana

Economic Development Minister Ebrahim Patel

Women, Children and Persons with Disabilities Minister Noluthando

Mayende-Sibiya

Mohammed Jahed, a professor of macroeconomics at the Wits Graduate School of Public and Development Management

Eltie Links, a professor at the University of Stellenbosch Business School

Wendy Lucas-Bull, a businesswoman

Andile Lungisa, the chairperson of the National Youth Development Agency

Sebenzile Matsebula, an independent consultant

Jerry Vilakazi, the chief executive of Business Unity SA

Dumisani Mthlathane, a member of the SA National Civics Organisation

Ellen Tshabalala, a management consultant

Matshego Ramagaga, the vice-president of the Black Lawyers Association

Tsakani Matshazi, the president of the Association of Black Accountants

Sidumo Dlamini, the president of Cosatu

Sandile Zungu, a businessman

Don Mkhwanazi, a former president of the Black Management Forum

Claudia Manning, a businesswoman

Chantyl Mulder, senior executive at SA Institute of Chartered Accountants

about ways in which we can increase the extent to which communities, workers, co-operatives and other collective enterprises own and manage existing and new enterprises and increase their access to economic activities, infrastructure and skills training."

Minister of Trade and Industry Rob Davies told the meeting that his department would be analysing the impact of the implementation of broad-based BEE on an annual basis. Empowerment targets

would be adjusted as required.

He emphasised that the impact of broad-based BEE, particularly the big deals, needed research.

At its first meeting yesterday, members of the council, including Jerry Vilakazi, the chief executive of Business Unity SA (Busa), talked about investigating the sustainability and structure of BEE deals, because some did not seem to change the lives of the poor.

This could mean the end of BEE deals where performance



Deputy President Kgalema Motlanthe told the BEE Advisory Council's inaugural meeting that creative solutions are needed to make the benefits of empowerment wider-reaching.

PHOTO: SIMPHWE MBOKAZI

is tied to the share price. Most of these deals collapsed when the global financial crisis kicked in two years ago.

Because they were financed through special purpose vehicles (SPV), BEE partners ended up in debt when the financial markets slumped.

The SPV structures have attracted widespread criticism from BEE practitioners and observers in the past two years.

"Most members of the council raised their concerns about the appropriateness of these structures. We discussed that the council would have to be empowered with enough resources to deal with this," Vilakazi said.

These comments reflect the country's deep disenchantment with the empowerment process, which has come to be seen as a means to instant wealth for people with political connections and influence, while ordinary people have largely continued to live in poverty.

Service delivery protestors, trade unions, opposition parties and community organisations used this failure and the growing wealth gap to slam the government and its transformation policies, which began with Nail and Metlife in 1997.

In recent years, even where high-profile empowerment deals have included provision for share schemes for staff and

community groups, consortiums led by big names have taken the lion's share.

Motlanthe was also critical of gender transformation, pointing to the small percentage of black female managers who occupied top and middle management levels of private and public organisations.

The first meeting of the council will be in the next six to eight weeks, where a constitution will be adopted.

Azar Jammine, the chief economist at Econometrix, said this talk was misdirected, adding that the government had to focus on education to have employable people.

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