



DRGSiyaya was one of several companies, government departments and individuals that attended the KwaZulu-Natal Broad-Based Black Economic Empowerment Conference on Monday 26th September 2011 at Sibaya Casino.

The Department of Economic Development and Tourism put together a well structured and informative Conference, and supplied a valuable summary detailing how to maximize B-BBEE Implementation to minimize unemployment amongst designated groups.

We, DRGSiyaya (an accredited BEE Verification Company), created an electronic version of this summary for all KZN companies to benefit from.

Please see the summary below, and contact us should you have any queries and thoughts.

Thank you, The DRGSiyaya Team

Broad-Based Black Economic Empowerment

1 What is B-BEE?

. (Board Based Black Economic Empowerment)

Black Economic Empowerment is a process of empowering previously disadvantaged individuals to enable them to meaningfully contribute to the economy of South Africa.

2 Who should be involved and comply with B-BBEE?

. The businesses which fall in one of the categories in the table below must be verified for exemption or compliance in terms of the type of scorecard they fall in.

Type of Scorecard	Units measured	Turnover per ann
Generic Scorecards (GS)	All seven elements of the scorecard	35 million rand and more
Qualifying Small Enterprises (QSE)	Four out of seven elements of the scorecard	Between 5 and 35 million
Exempted Micro Enterprises (EME)	Automatic level four contributor	Less than 5 million rand
Industry Specific Scorecards (ISS)	Variation indicated in industry charters	Variation indicated in indu charters

3 What are these elements being referred to?

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3.1 Generic Scorecard:

The businesses and corporate who make an annual turnover of more than 35 million must comply with 7 elements as listed below.

Element	Weighting (Points)	Compliance Target During 0 to 10 years Implementation
Ownership	20 + 3	25 % + 1
Management control	10 + 1	40 to 50 %
Employment equity	15 + 3	43 to 80 %
Skills development	15	3% of Payroll
Preferential procurement	20	50 to 70 %
Enterprise Development	15	3% (Net Profit
Socio-Economic Development Initiatives	5	1 % (Net Profit

3.2 Qualifying Small Enterprises (QSE)

The business that make an annual turnover of between R5 and R35 million must choose four (4) of the seven (7) elements as listed 3.1 above to report on. That means that they will be verified on the four elements they selected for B-BBEE Certificated to be issued.

3.3 Exempted Micro Enterprises (EME)

The exempted micro enterprises (EME) are business that make an annual turnover of less than R5 million. The EME's are required to provide B-BBEE Status Level Certificates issued by a registered auditor, accounting officer in the case of Close Corporation or an accredited Verification Agency.

3.4 Sector Specific Scorecards

The companies that are falling within a particular sector are required to subscribe to sector codes which a particular sector are required to subscribe to sector codes which were established and approved by the Minster of Trade and Industry in terms of Broad-Based Black Economic Act 53 of 2003. The scorecard for approved sector codes vary hence businesses falling within each category have to comply with relevant sector codes as reflected table below.

Industry	Turnover
Construction - Build	More than
Environment Professional (eg Consulting Engineer)	R11.5M
Other industries	More than R35M
Industries	Exemption Turnover
Tourism	Less than R2.5M
Construction - Build Environment Professional (eg Consulting Engineer)	Less than R1.5M
Construction Contractor (those that is really doing the building work)	Less than R5M
Forestry	Less than R5M

Other industries

Less than R5M

4 What are the benefits of being verified?

- Some companies are already participating in B-BBEE initiatives but not obtaining points as they are not being verified according to B-BBEE Scorecard and consequently lose out on potential business opportunities for B-BBEE companies.

After being verified the particular business / organization benefits as follows:

- Gets recognition for the level of its compliance with B-BBEE and is issued B-BBEE certificate.
- The Government and corporate want to do business with companies that comply with B-BBEE policy.
- Working with high level B-BBEE contributor also increases the status of contracting company.

4.1 What is a B-BBEE Verification certificate?

The B-BBEE verification certificate is a verified report on the business's current status as a B-BBEE contributor according to the DTI Codes of Good Practice (released 9 February 2007) or relevant Sector Codes. The business that need to possess B-BBEE Certificates are those falling within categories 2.1, 2.2 and 2.4 above except for category 2.3 which is explained below.

4.2 Exempted category (EME)

The businesses with a turnover of R5m and less (falling in category 2.3 above) automatically qualify for level 4 in terms of B-BBEE compliance.

4.2.1 The following also apply to the EME:

- Annual Total Revenue of R5 million and less qualifies as Exempted Micro Enterprise (EME)
- Automatic Level 4 with B-BBEE procurement recognition of 100%
- More than 50% Black Owned or 30% women owned rises up to Level 3,
- Can be measured as QSE to increase Level (2,1)

Bee Certificates for EME are issued by registered auditor, accounting officer in terms of Close Corporation or an accredited verification agency.

4.2.2 Start-Ups / New Business

- Measured as EME in the first year of formation or incorporation.
- Start-Ups will have Level 4 status.
- Must provide an independent information of status.
- If tendering for contracts with a value of between:
 - R5 and R35 million, must give in GSE Scorecard (4 elements) and
 - Above R35 million, Generic Scorecard (7 elements).

5 Who issue B-BBEE Verification Certificate?

- Minister of Trade and Industry determine that:
With effect from 1 February 2010 only BEE verification certificates issued by South African National Accreditation System (SANAS) accredited Verification Agencies will be valid.

5.1 What should the B-BBEE Verification Certificate contain?

The certificate should reflect the level of B-BBEE contribution of the verified business as shown on the table below with number 8 being the lowest contributor and number 1 being an outstanding contributor.

BEE Status	Points on scorecard	BEE Procurement recognition level (%)
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Level 1	> 100 points	135
Level 2	> 85 but < 100	125
Level 3	> 75 but < 85	110
Level 4	> 65 but < 75	100
Level 5	> 55 but < 65	80
Level 6	> 45 but < 55	60
Level 7	> 40 but < 45	50
Level 8	> 30 but < 40	10
Non compliant	< 30 on the scorecard	0

6 The Criteria for Evaluation Tenders after the Alignment of BBEE with PPPFA

On 8 June 2011 the Minister of Finance approved the Preferential Procurement Policy Framework Act (PPPFA) Regulations to enable the application of the Preferential Procurement Policy Framework Act which gives into effect section 217 of the Constitution of the Republic of South African. The PPPFA Regulations provides for the alignment of the B-BBEE with PPPFA. The following table indicates the level of B-BBEE Level and the corresponding PPPFA government tender points allocated.

			PPPFA - Government tender points allocation	
Status Level	% BBEE Compliance	B-BBEE Points Scored	80/20. R1 000 000 and less	90/10 R1 000 000 and more
Contributor	135%	> 100 points	20	
Contributor	125%	> 85 points but < 100 points	18	
Contributor	110%	> 75 points but < 85 points	16	
Contributor	100%	> 65 points but < 75 points	12	
Contributor	80%	> 55 points but < 65 points	8	
Contributor	60%	> 45 points but < 55 points	6	
Contributor	50%	> 40 points but < 45 points	4	
Contributor	10%	> 30 points but < 40 points	2	
Non-compliant Contributor	0%	< 30 points	0	

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