DANCING IN CONCERT
ALIGNING B-BBEE TO SECTOR STRATEGIES, STRUCTURAL TRANSFORMATION AND GROWTH
Nearly thirty years after the transition to democracy, South Africa's economy continues to be dominated by extreme levels of racialised inequality. Wealth is concentrated on the most affluent households, who are overwhelmingly white. Corporate structures remain highly concentrated, generating high profits but with limited reinvestment, while excluding new entrants and stifling the growth of small black business. Despite some change in the post-apartheid period, the white population group still dominates the management and decision-making over productive assets, despite some advances in occupational transformation. As the recent Commission of Employment Equity Report shows, around 65% of top management remains white (DOL, 2021).

These outcomes have been built on centuries of dispossession and discrimination, and it is common cause that historical injustices have not been redeemed. Of all the post-apartheid policy and regulation, broad-based black economic empowerment (B-BBEE) is by far the most significant attempt to transform the ownership of capital and the profile of economic participation. As a policy narrative, black empowerment has the singular virtue of placing economic power, racial redress and the ownership of assets at the centre of its discourse. It exists alongside employment equity and other measures of preferential access to skills, procurement and enterprise support.

B-BBEE has sought to change the demographic consequence of apartheid's colour-bar regulations on managerial decision-making and skills acquisition across the economy, using tools that have become part of South African parlance, such as “codes”, “set-asides”, “levies” and “scorecards”. These tools, of disclosure, measurement and (hopefully) behavioural and demographic change, have developed in a difficult terrain, that of a political economy facing both significant change and persistent continuities.

However, much of the public's opinion of B-BBEE is a mix of derision, despondency and the “too-little-too-late” argument, as well as deep mistrust due in no small part to perceived and real lack of common programme between the state and the different fractions of capital and the citizenry. There remains growing criticism around the utility of black empowerment as a programme around which a development strategy can cohere. Moreover, to what extent does the B-BBEE experience reflect the practical expression of the post-apartheid governing party's relationship with large commercial interests, which is characterised as one of “unity and struggle, co-operation and contestation”? (ANC, 2017: 13). More prosaically, does Black Economic Empowerment (BEE) serve as an instrument to advance the objectives of equity and redress, or does its very persistence reflect its ill-defined character and capacity to divert attention from the real challenges of transformation?

This publication is part of the growing, but limited, literature that considers how B-BBEE can overcome the political, theoretical, economic and ideological failures of previous “transformation” periods. For instance, the earlier phases of BEE focused on managing key macroeconomic variables (interest rates, commodity and equity prices) within a context of widespread neoliberal restructuring and liberalisation. This paper and the contributions it draws upon, advances the debates on B-BBEE through a micro-economic analysis of the interface between B-BBEE, the history of black empowerment, sectoral strategies and broader policy instruments that can be marshalled for redress and equity.
As the recent work by Cawe and Mabasa (2020) shows, the literature on BEE has moved beyond interrogating class formation and analysing the deals, personalities and role of the political-administrative interface in payoffs to different groups. Theoretical and political discussions have shifted to look at how tools and instruments, such as B-BBEE, can facilitate large-scale, broad-based and widespread economic participation of black people in South Africa. And how these tools can encourage the structural transformations required to dislodge old economic interests (where necessary) and to create new economic interests (where none exist). This requires moving beyond the superficial analysis of who is close to which deal and who sits on which board, to considering whether or not the current tools can facilitate the demographic and structural transformations implied in a progressive reading of B-BBEE. If not, then what is the remedy, and what agenda of action is needed to pursue an inclusive path. This publication endeavours to respond to some of these questions.

To make sense of black empowerment, the different eras of empowerment under different political-administrative frameworks are considered: the colonial period, the post-1948 National Party administration (apartheid) and the post-apartheid democratic era. This allows insights to be drawn from the changes and continuities in policy, regulation and economic actions that account for the current successful and failed outcomes. Some of the BEE issues are now trite, as what should be considered are the operative mechanisms of empowerment through parastatals, and the role of financing in creating, alongside the structure of the economy, scope for cronyism and compradorism (Southall, 2007). Moreover, black empowerment needs to be reconciled with a coherent state-led antipoverty and developmental strategy that focuses on expanding economic participation by the poor and the working class. The contributions in this publication complement this tradition, but go further to analyse some of the state instruments aimed at broadening ownership, managerial control, enterprise creation and development among many objectives.

Furthermore, how has the democratic government used “state power to assert greater black ownership and control, consistent with the decolonising principles of the ANC’s theory of the National Democratic Revolution” (ibid: 1). Such an assessment requires starting in the colonial era and considering under which conditions the emergence of black enterprise and economic empowerment was constrained or allowed to take root.
THE COLONIAL ERA AND EARLY APARTHEID: THE DISRUPTED PATH OF AN EMERGENT AFRICAN PEASANTRY AND THE EMERGENCE OF BLACK EMPOWERMENT STATE INSTITUTIONS

In the late nineteenth century, capitalist relations were imposed on South Africa with all the brute force that colonialism could muster. Gold was at the centre of the world monetary system, and all the might of British imperial power was deployed to crush the remaining fragments of African political and social autonomy. Extracting huge volumes of low-grade ore required a complete remaking of economic relations, and the boundaries of African subjugation were drawn around labour reserves. It was a process of primitive accumulation par excellence, in which “great masses of men [and women] are suddenly and forcibly torn from their means of subsistence, and hurled into the labour market as free, unprotected and rightless proletarians” (Marx, 1867). Having imposed its over-lordship, Britain devolved authority to its settler proxies, who set about entrenching social systems of control and a race-specific division of labour and distributional mechanisms, which would preserve the conditions for extracting minerals from the soil and using cheap labour from the mass of the African population.

After the Natives Land Act of 1913, life changed for the black population, effectively making the rural native “an economic helot” through regressive over-taxation and restrictions to property ownership (Plaatje, 1931: 189):

_The law has reduced the rural native to an economic helot. He can acquire no domicile rights anywhere. Only in town locations may he acquire a leasehold dwelling, but he can acquire no freehold property on Municipal ground […] his indirect taxes are unreasonably high. Stuff used by rural natives always came in for a high tariff and the duties were raised still higher in 1925. As these people have next to no schooling for their children, they practically get nothing in return for their high taxes, admitted to be absolutely beyond their income._
Subsequently, the productive capability of the Native Reserves were intentionally under-developed, so that this economy could not compete with white commercial farmers. This led to overstocking and limited capital accumulation, which diminished their capacity to meet subsistence needs and, effectively, enabled white farmers and urban industry to secure a cheap labour base.

In the late nineteenth and early twentieth century, while many Africans were dispossessed of their assets and forced to enter the wage economy, in some areas of the Cape, black enterprise was establishing its place in a shifting society. In the early 1900s, black peasant producers were “the most dynamic agricultural producers” (Mafeje, 1988: 100), and African farmers had “a substantially more positive response” to market opportunities than South African liberal history has allowed for (Bundy, 1972: 370). What stalled African enterprise were the “non-market forces” of discriminatory and coercive policy used “by the wielders of economic and political power to disadvantage the African peasantry” (ibid: 371). Starved of public, private or social (health, welfare, education) investments, and drained of human capital by the migrant labour system, this sector did not have the means to sustain itself, let alone compete with the burgeoning white agricultural sector.

The early Union of South Africa offered a “panoply of public policy support measures for white farmers, that were put in place to propel commodities such as wool, sugar, hides, skins and deciduous fruits into export markets”.1 The government financed and coordinated marketing and other forms of support to facilitate entry for key exports. During the economic crisis of the 1930s, when prices for wool, maize, wine, sugar and tobacco prices were depressed, the Union government offered price guarantees to white farmers. Black farmers got little to nothing, other than increased prices that were passed on to them, as indebted consumers of white-owned trading outposts.

The Union’s early political and legislative moves sought to snuff out any progress by nascent black farmers, many of whom were “civil servants in the colonial administration” whose earnings allowed them to bid for agricultural and residential land and accumulate some capital (Mabandla, 2015: 39). Until 1936 (when they were removed), many Africans were on the Cape common voters roll and exercised economic and political clout in many of the areas that would later be ‘independent’ homelands.

In Mthatha, which would become the capital of Transkei, South Africa’s first ‘independent’ homeland, this class of Africans had already begun to build coherent commercial demands that were closely linked to the political and social challenges faced by the local African community. This is illustrated in remarks made by Tennyson M Makiwane2 a local businessman and politician, at the November 1930 hearings of the Native Economic Commission in Mthatha, where he called for licences to be issued to black traders:3

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1 See “Addressing constraints to South Africa’s agriculture inclusiveness” by Mzukisi Qobo and Wandile Sihlobo.
2 Tennyson M Makiwane, was a leader in the Co-operative Credit Society of the Transkeian Territories. He was the son of African clergyman and journalist, Elijah Makiwane (1850–1928). Makiwane is not to be confused with his grandson, Tennyson Xola Makiwane, who was a member of the National Executive Committee of the African National Congress, until his expulsion in the late 1970s, as part of the Gang of Eight.
3 http://uir.unisa.ac.za/bitstream/handle/10500/5317/NECVE_V6_p3716-3731.pdf?sequence=22&isAllowed=y
Mr Lucas (One of the Commissioners): Do you think there is any substantial demand among the Natives for the right to trade?

Mr Makiwane: I think so, from the more progressive Natives, because the Native who now goes to the towns, because he cannot find anything to do in the locations, would then be attracted to come back to the location to start trading in a small way there.

Makiwane’s motivation for the rights of Africans to trade in the homeland territories was about encouraging enterprise not only for mobility and advance, but also for securing livelihood and survival, given the low wages, poll tax and land taxes, overstocking and white encroachment. By then, Makiwane and other middle-class African producers had already begun making recommendations to the government to use the Native Development Fund (or even the General Fund, whose contributions drew on the poll taxes paid by blacks), “so that [members of their co-operative credit society] could buy major agricultural equipment regularly”. Makiwane explained to Professor JE Holloway, the chair of the Native Economic Commission, that the Co-operative Credit Society made loans “to enable our members to buy fertilizers, agricultural implements and anything productive like that”.

These undertakings were clearly not marginal, as in 1930 the largest of the Co-operative’s members, a savings group in Qumbu, had accumulated capital of £2000 (about R2.6 million in 2020 Rands), which they had placed in a reserve fund for improvements and emergencies. Makiwane and his colleagues made numerous requests to the Land Bank for their Co-operative to be a model for financial institutions that could underwrite their agricultural endeavours in the Transkei. This history unpacks the ambivalent role of the state in the pursuit of black economic empowerment, with the state in the Union era actively pursuing ‘disempowerment’ of African business interests, while in the homeland era doing so paternalistically, and in the democratic era, pursuing it as a key mantel piece of public policy.

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4 ibid
5 http://uir.unisa.ac.za/handle/10500/5317
6 The value in 2020 Rands is much higher than the level of deposits in many of the co-operative banks registered with the Prudential Authority in 2020.
From 1948, with the ascent of the National Party and its brand of Afrikaner nationalism, market support to white producers continued, while drip-feeding the commercial ambitions of politically connected and acquiescent elements in the black homelands. The “economic and political functions of the Reserves” continued unchanged, with fiscal, social control and other measures being used to dispossess and clear the way for the entrenchment of cheap migrant labour in these areas. Conversely, the use of these “rents” (in favour of white producers) and the State’s coercive power combined to create conditions where the sub-subsistence wages paid to African workers (below the cost of reproduction) effectively subsidised capitalist development in South Africa. The “household in the Reserves” played a foundational social reproduction role that has strong implications for the firm and the Afrikaner state (Wolpe, 1972: 435):

The extended family in the Reserves is able to, and does, fulfil social security functions necessary for the reproduction of the migrant work force. By caring for the very young and the very old, the sick and the migrant labourer in periods of rest, by educating the young etc.; the Reserve families relieves the capitalist sector and its State from the need to expend resources on these necessary functions.

All of this occurred while the Nationalist regime used the law and special agencies to consolidate capitalist development through state-owned enterprises, agencies, and subsidies and grants to white farmers under the Land Bank Act (Wolpe, 1972). What the regime provided to the Reserves played this “subsidy role”, which was aimed at providing enterprise support that would not be at odds with the economic imperatives of the migration of cheap labour to urban production centres (ibid). As the Chief Magistrate of the Transkei had suggested in 1908, the “easy access” to cheap labour “contrasted with the difficulty or absolute lack of transport for agricultural produce” (Bundy, 1972: 387). The homeland investment framework failed to build network industries; or “social overhead capital”, an important pre-condition for sustained growth and development (Rostow, 1991: 25); or what is commonly known in South Africa today as network industries. As Rostow (ibid) suggests, “[a] viable base for a modern industrial structure requires that quite revolutionary changes be brought about in two non-industrial sectors: agriculture and social overhead capital, most notably in transport”. Due to the long gestation periods between investments and the necessary payoffs, governments often invest in such capital or public goods, financed and implemented through state agencies. This occurred in South Africa during the twentieth century, with significant investment in social overhead capital in white communities and limited investment in the homelands and townships.

During apartheid, an entity such as the Industrial Development Corporation (IDC) promoted industrial development using various instruments, including low-interest loans, import credit schemes and equity investments. In contrast, in the homelands, black empowerment or any semblance of industrialisation was pursued not for economic but rather for political and population control reasons. This served, as in the case of the border industries that

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7 See paper “Eskom, IDC, DBSA: BEE and empowerment” by Lumkile Mondi
emerged in places such as Dimbaza, Ga Rankuwa, Ezibeleni and Isithebe, “to check what is a natural historical development: the drift of the peasant into the towns and industry” (Mbeki, 1964: 79). The intention was never to “cultivate a noteworthy capitalist and middle class in the African reserves”, but rather to create a raft of “development and investment corporations” that funded the transfer of white-owned small business to black owners.8

The pace, scale and frequency of these interventions were all readily determined from Pretoria. Investments were made, among others, by the Small Business Development Corporation (SBDC), which benefitted from interest-free loans from the apartheid government. The structure of cross-shareholdings of the Corporation for Economic Development (CED)9 and the South African Development Trust (SADT) meant that, in many cases, these state-owned entities (which reported to the then Department of Cooperation and Development) owned not only the development corporations in the homeland areas, but also considerable equity in many of the underlying transport, agricultural, retail and other companies “owned” by the homeland development corporations. The capital and institutional structures of these companies give a true picture of their over-reliance on Pretoria (Table 1).

TABLE 1: Capital structure of homeland development corporations in the early 1980s

<table>
<thead>
<tr>
<th>Development Corporation of:</th>
<th>Total net assets (R-million)</th>
<th>Debt/equity</th>
<th>Equity source*</th>
<th>Major debt source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bophuthatswana (1982/83)</td>
<td>260.5</td>
<td>0.26</td>
<td>Bophuthatswana Government</td>
<td>CED (22%), Loan Stock Issue (54%), Foreign (22%)</td>
</tr>
<tr>
<td>Ciskei (1982)</td>
<td>90.5</td>
<td>0.6</td>
<td>Ciskei Government</td>
<td>CED (99.7%)</td>
</tr>
<tr>
<td>Transkei (1981)</td>
<td>147.1</td>
<td>0.03</td>
<td>Transkei Government</td>
<td>‘Internal’ (93%)</td>
</tr>
<tr>
<td>Venda (1981/2)</td>
<td>28.9</td>
<td>0.18</td>
<td>Venda Government</td>
<td>Unspecified</td>
</tr>
<tr>
<td>Gazankulu (1981)</td>
<td>18.5</td>
<td>0.42</td>
<td>CED and the SADT</td>
<td>CED (100%)</td>
</tr>
<tr>
<td>KaNgwane (1982)</td>
<td>31.5</td>
<td>0.73</td>
<td>CED and the SADT</td>
<td>‘Market’(?)</td>
</tr>
<tr>
<td>KwaZulu (1982)</td>
<td>86.2</td>
<td>0.76</td>
<td>CED and the SADT</td>
<td>CED (96%)</td>
</tr>
<tr>
<td>Lebowa (1982)</td>
<td>28.2</td>
<td>0.46</td>
<td>CED and the SADT</td>
<td>CED (100%)</td>
</tr>
<tr>
<td>Qwa-Qwa (1982)</td>
<td>9.2</td>
<td>0.07</td>
<td>CED and the SADT</td>
<td>CED (100%)</td>
</tr>
</tbody>
</table>

Source: Tomlinson & Hyslop (1984: 14)

**The CED and SADT shareholding of these development corporations was given to the homeland governments free of charge**

As Table 1 shows, very few of the homeland development corporations had assets above R50-million, apart from the Transkei and Bophuthatswana. Bophuthatswana benefited from profitable industrial and tourism ventures and abundant minerals (Tomlinson & Hyslop, 1984). In 1983, the SBDC had assets of R139.6-million, having started as the small business

8 See the paper “BBBEE – Mastered at the apartheid workshop and piloted under HF Verwoerd” by Phakamisa Nd zamela
9 Formerly the Bantu Investment Corporation.
division of the IDC and subsequently incorporating the Indian and Coloured development corporations with a focus on the urban areas.

Furthermore, compared to the IDC’s R638.9-million in assets linked to industrial decentralisation support, the assets in the hands of these development corporations were dwarfed by the resources allocated to the border industries. These border industries, which were often operated by white-owned South African firms, effectively had a much larger “rent” framework than the development corporations, with favourable incentives accompanied by debt and equity injections from the IDC. In essence, the empowerment framework symbolically created Pretoria-owned enterprises in the homelands, while using a raft of capital support and incentives to attract white firms to the industries located on the edge of the homelands.

As Phakamisa Ndzamela observes in this publication, the National Party government’s policies sought to arrest, rather than advance, black enterprise. This dates back to as early as the Bantu Investment Corporation Act of 1959 and the creation of the Xhosa Development Corporation in Transkei. The Verwoerdian path left a dangerous precedent for black empowerment aspirations, as empowerment was through providing funding to acquire stakes in white-owned businesses. This path focused on the transfer of ownership, rather than broader market structure and sectoral strategy frameworks that could unlock transformation beyond the deals and personages involved in them. Therefore, it is unsurprising that post-apartheid empowerment projects have done little to confront powerful corporate interests, especially in mining, agriculture and finance, as Duma Gqubule expounds in his paper.

The apartheid era and its fantasies of Bantustan balkanisation gave rise to black empowerment as a tool of acquiescence to white minority rule, rather than an instrument for upward social mobility and wealth creation. In the Bantustans, black empowerment was very much part of the second stage of the colonial encounter, characterised by acquiescence and the Native adoption of the conquering group’s technologies and governance frameworks (Magubane, 1979). This stage is preceded by the military “conflict and resistance” of the initial contact and followed by the struggle for national liberation.

10 See "BBBEE – Mastered at the apartheid workshop and piloted under HF Verwoerd".
11 See "Black Economic Empowerment Transactions in South Africa After 1994".

THE NATIONAL PARTY GOVERNMENT’S POLICIES SOUGHT TO ARREST, RATHER THAN ADVANCE, BLACK ENTERPRISE
In the Transkei, black empowerment yielded great harvests for black people with proximity to state power, as Nd zamela explains. In many of these traditional societies, state power was intimately linked with the economic interests of those with patrilineal ties to the dominant institutions of traditional leadership. The case of the Matanzima brothers illustrates how contemporary cases of the “capture” of traditional authority for narrow projects of accumulation unfold. Conversely, it offers some successful examples, such as in the platinum belt (in the former Bophuthatswana), of a broad and inter-generational sharing of the interests that emerged from the transfer of ownership rights over valuable assets.

LATE REFORMS AND EMPOWERMENT: LATE APARTHEID BLACK EMPOWERMENT AND PIECEMEAL REFORM

In the 1980s, the “petty apartheid” reforms and the National Party’s pursuit of creating a “buffer” middle class in the townships coincided with new markets opening up for aspirant black entrepreneurs. These initiatives were still largely aided by the SBDC, which primarily serviced urban entrepreneurs, and “contributed to the political intent of PW Botha’s reforms” (Tomlinson & Hyslop, 1984: 34). On 17 October 1986, the Financial Mail suggested that “[t]he removal by the government of racial barriers in restaurants and deregulation, have also expanded franchising opportunities for blacks”:

One black franchise, Chicken Up, is owned by a black who started his business in 1983 with a loan from the Small Business Development Corporation. Since that time, the franchise has received inquiries from 30 businessmen who want to set up their own franchises to expand Chicken Up. Meanwhile, the Small Business Development Corporation has started its own chicken franchise operation, confirming the potential for black entrepreneurs. The black market is huge and largely untapped, opening opportunities for blacks in food franchising.

Opportunities were also available in sectors other than food retail and franchising. In 1987, the Southern Africa Bus and Taxi Association (SABTA), a national organisation of 45 000 black taxi owners and drivers, announced its intention to buy South Africa’s largest bus company, PUTCO. SABTA partnered with African Bank and the National African Federated Chamber of Commerce and Industry in this transaction. The political reforms of the late apartheid era also allowed mining companies to offer their workers home ownership schemes that had not been possible previously, as African workers were not considered citizens of South Africa, but of ethnic homelands and so could not acquire property close to where they worked (Husemeyer, 1989).

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12 See “BBBEE – Mastered at the apartheid workshop and piloted under HF Verwoerd”.
In this mood of reform, one of the earliest references to “black economic empowerment” in the financial print media is found in a 1989 *Financial Mail* article, which refers to the role that black taxi owners could play in new market opportunities in parcel and freight operations, tourism and the opportunities that would arise from the privatisation of municipal public transport (Browning, 1989). Organisations that were supported by large private industry, such as the Urban Foundation, were also crucial in advocating for policy changes aimed at overcoming the ‘temporary permanence’ of black people, by pushing for the introduction of 99-year leasehold tenure for black people in urban centres (Smit, 1992).

This would not be the last time that state-led and private sector-driven empowerment of black people would intersect with key societal shifts and changes. The transitional period of the 1990s signalled a break with aligning black empowerment to the ethnic Reserves, Black Local Authorities or the vision of a buffer middle class. Yet despite these shifts and changes, as many contributions in this publication highlight, the old habits of paternalistic empowerment continued into the democratic era, albeit within a different context.

**WHAT HAS BLACK EMPOWERMENT MEANT IN THE DEMOCRATIC ERA?**

During the apartheid era, black empowerment initiatives were a tool to placate the interests of homeland elites and aspirant Afrikaner industrialists interested in the border industries. As the democratic era dawned, the idea of black empowerment became entrenched at the centre of policy discourse.

The transition to democracy was defined by an implicit bargain – an accommodation between the ANC and large corporates – in which “capital reform” would be the quid pro for macroeconomic stability and open capital markets (Gelb, 2004: 368–369):

> The top priority in deracialising economic power was ‘capital reform’ (equivalent to land reform), or opening the ownership and management of private corporations institutions and public corporations to the black middle class, who were certain to be the most mobile distributionally in the transition, obtaining access to power, influence and remuneration. The negotiated nature of the transition meant that capital reform would necessarily be an incremental, market-focussed process, engaging with the current owners of capital.

This bargain found practical expression in BEE policy. However, from the outset the meanings of BEE were various and contested.
Black self-reliance and mutual support

In the late 1980s, the idea of empowerment gained currency among the small black business elite that had managed to squeeze through apartheid restrictions to establish themselves as hawkers, taxi operators, taverners, builders and hairdressers (Gqubule, 2006: 2–3). For them black empowerment signified self-reliance and mutual support mobilised on a powerful foundation of national identity. This was set against township boycotts of “white business” and the example of Afrikaner nationalism, which had created a formidable base for accumulation through popular saving campaigns. However, from the beginning, the African National Congress – with deep roots in the organised working class and strong attachments to the ideology of Marxism-Leninism – was ambiguous, only warming to the idea of black empowerment in the mid-1990s, after the first wave of BEE deals.

Nevertheless, approaches that sought to mobilise black consumption and savings to achieve economic power, or to build institutions for mutual economic support remain an important interpretation of the empowerment project. The enduring focus of policy on small business development is partly rooted in this narrative. The Left of the ruling alliance has consistently advanced a strong policy agenda in favour of cooperatives, with many independent initiatives to replicate a micro-finance movement along South Asian lines in South Africa. Small business development, cooperatives and initiatives to create a micro-finance movement were given strong state support, including through the passing of legislation and the creation of apex institutions. However, by and large, none of these interventions achieved scale or significant impact.

The broad-based approach to BEE policy also reflects a popular, grassroots idea of economic empowerment, which has sought to include employee-share ownership and the transfer of equity to community-based collectives within the definition of “narrow BEE”. Despite several important initiatives, it is also doubtful that these programmes have made a significant impact.

One challenge identified with the broad-based elements of BEE is the need for beneficiaries to receive benefits from day one. “Guaranteed trickle dividends are becoming standard practice” (Rothschild & Co, 2019), to ensure that cash begins to flow immediately and sustainably, and that debt can be serviced. The focus on cashflows from the outset may reflect that community and worker-beneficiaries were interested in improving current levels of consumption, rather than in accumulating assets. The large employee-share ownership scheme at Kumba Iron Ore illustrates the importance of enhancing the lifestyle requirements of workers, rather than meaningful ownership and control of assets. If these revealed preferences are widespread, then the question is whether or not “empowerment” is the best means to enhance consumption of the poor (Bezuidenhout & Bischoff, 2019).
From self-reliance to comprador capitalism

Notwithstanding these broad-based aspirations, the meaning most often associated with BEE today might be described as narrow or minimalist. This view of BEE emerged out of the “first wave” of BEE deals in the early 1990s when, in tandem with the transition to democracy, large financial and mining conglomerates disposed of unissued equity to pre-selected consortia of prominent black political, business and civic leaders (Jack, 2007; Acemoglu et al., 2007). The objective of this minimalist approach is to create a black business class, thereby altering “the racial composition of privileges and exploitations to create a new circuit of racial capital accumulation” (Edigheji cited in Gqubule, 2006: 5).

These initiatives used essentially the same mechanisms and capital structure that relied on loan financing from white firms and (in some cases) from government. Many of the new players, such as New Africa Investment Limited (NAIL) and Real Africa, “used pyramid holding companies and complex financial engineering” to get a foot in the door; “[e]ssentially, they used Bantustan-like structures which enabled black shareholders to nominally control assets worth billions of Rands, while financiers took more than 90% of the economic interest” (Gqubule, 2006: 111).

To enable aspirant “capitalists without capital” to be incorporated into the mainstream of capital, sophisticated financial instruments were used to access equity stakes in large South African enterprises. Once again, the IDC (as had the SBDC before) financed the sale of a 10% stake in Metropolitan Life to Metlife (which later became NAIL), a black consortium led by activist and physician, Dr Nthato Motlana. By 1994, when NAIL listed on the Johannesburg Stock Exchange (JSE), it had raised R103-million, with investments worth R700-million and control over nearly R7-billion in assets (Gqubule, 2006). Successive waves of deals, using sophisticated special purpose vehicles, facilitated the expensive foray of erstwhile activists and organisers into the corridors of corporate decision-making and control.

Two aspects highlight this era’s changes and continuities with past empowerment experiences:

- Much of the empowerment involved transferring existing economic interests in white firms to black owners, rather than creating new interests (for example, outside the telecommunications sector). This was similar to the transfer of trading stores from white to black owners in the homelands era. However, the difference in the 1990s was that this was a key element of the corporate restructuring, not a marginal matter somewhere in the countryside. For instance, in February 1994, the sale of Anglo American’s subsidiary Southern Life, to a consortium led by Don Ncube, was the first of many similar deals linked to restructuring, downsizing and offshoring of operations by large South African private sector firms.

- State-owned entities were a critical element of the National Party’s economics, and so the privatisation and restructuring of state firms also signalled an opportunity for entry. The restructuring of South African conglomerates and state-owned enterprises through various deals offered avenues for entry that led to the emergence of consortiums, including WIPHOLD, Nozala, Pamodzi, Molope Foods and Brimstone. Many of these consortiums have become dominant players in their sectors (e.g. WIPHOLD and Brimstone), while others have passed into oblivion or no longer exist (e.g. Molope Foods).
For some, the transformation of capital ownership in South Africa was primarily about creating “a prosperous and prosperity-making black capitalist class capable of working in close harmony with a ‘developmental state’” (Southall, 2003), whereas for many the narrow approach smelled like an attempt to create a “comprador bourgeoisie” that would shield white economic power from a more radical programme of transformation. However, the ANC began to see the creation of a “patriotic bourgeoisie” as an important complement to state-led development and thus a critical goal in a broader strategy of economic change.

Soon after his election as President, Thabo Mbeki linked BEE squarely to “the challenge of the formation of a black capitalist class, a black bourgeoisie” that is “an important part of the process of the deracialisation of the ownership of productive property”. In the same breath he warned of comprador tendencies by calling out black business people who “have been quite happy to lend their faces to white owners of Capital” or prioritise “the acquisition of more personal wealth such as grand house, a grand car and a grand salary” over the needs of accumulation and development (Mbeki, 1999).

This Janus face of black capital—patriotic and comprador—has been a defining feature of the public debate on empowerment and has spurred attempts to broaden the scope of empowerment to embrace a wider section of the population. Less attention has been paid to the mobilisation and behaviour of the nascent black middle class itself and the alignment (or non-alignment) of their interests with national development. While Mbeki attempted to nuance the tensions between capitalist accumulation and development, the narrow approach to BEE has survived in the form of a crude assertion, articulated recently by Gwede Mantashe, that “BEE is about creating black capitalists […] it’s a program to create black business people”.

The deals of this era are criticised for costly financial arrangements and, especially, for transferring wealth to a small, politically connected elite, at the expense of a broad programme of capital reform with a wider base of beneficiaries. These experiences undoubtedly paved the way for legislative advances in B-BBEE that sought to foreground the broadening of economic participation rather than demographic shift in ownership.

THE POST-APARTHEID MACRO ECONOMY AND THE POSSIBILITIES OF MEANINGFUL BLACK ECONOMIC EMPOWERMENT

In the 1990s, the end of apartheid not only heralded a political breakthrough for the excluded majority, but also coincided with deep structural shifts in the operational environment within which many of the goods, products and services produced in South Africa were exchanged. Despite the relatively advanced development of production in South Africa, the African business class in South Africa remained relatively backward compared to their counterparts elsewhere (Chabane, 2003). Their development had effectively been ‘arrested’ by settler colonialism and apartheid. The democratic state had to resolve this paradox in a global economic environment that offered few of the avenues and instruments employed previously by English and Afrikaner commercial interests. The deep liberalisation of key product markets such as agriculture, “meant that the previous state sponsored support measures [subsidies and marketing boards] for farmers were to be abolished”.

Duma Gqubule’s paper locates the early attempts to achieve BEE within the context of the post-apartheid macroeconomy. The influence of commodity prices and tight macro-fiscal policy meant that growth was largely determined by public spending, structural weaknesses in the real economy and the vagaries of the commodity price cycle. Added to this was the effect of post-apartheid corporate restructuring on firm ownership, workplace remuneration and, more broadly, on households.

The persistent challenge to widening the scope and lens through which economic change (and the role of empowerment tools in that change) arises from the post-apartheid restructuring of production, the economy and the workplace. The first waves of BBBEE focused on transferring ownership and managerial control, but later legislation and regulations underscored the importance of creating new economic interests through forming enterprises, acquiring skills, deconcentrating key markets and confronting apartheid wage gaps. To varying degrees, the last few decades have been about developing “tools” to give effect to this.

Linked to this macro restructuring of the economy was an attempt to recast BEE as maximalist or global, which emerged out of the weaknesses of the “first wave” and was accepted by the ANC and the BEE Commission. Such BEE can be defined as (Gqubule, 2006: 18):

> [A]n integrated and coherent socio-economic process aimed at achieving a fundamental transformation of power relations to deracialise ownership and achieve equity at all levels of the economy. It is about achieving full employment and significant increases in the productivity of all black South Africans by providing them with access to skills, capital, and other productive assets, and opportunities to participate at all levels of the economy. […] It is also about creating the enabling infrastructure to harness to countries resources to achieve rapid and equitable growth and development.

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15 See “Addressing constraints to South Africa’s agriculture inclusiveness” by Mzukisi Qobo and Wandile Sihlolo.
16 See “Black Economic Empowerment Transactions in South Africa After 1994”.
In the maximalist approach, action to redress racial injustice is seen as the animating spirit behind South Africa’s national development mission. The whole universe of development policy is subsumed under the rubric of BEE, with a strong role for capital reform, land reform, education and skills development, macroeconomic policy, labour market policy, industrial restructuring for productivity growth and financial sector regulation.

It is difficult not to sympathise with the view expressed by the Department of Trade and Industry (dti) in 2003, that if BEE is defined “too broadly” it is then “commensurate with the totality of government’s programme of reconstruction and development” (Gqubule, (2006: 8). The problem is reducing it to a clear set of policy instruments that interact in a rational causal framework: what is the “theory of change”? To the extent that government has attempted to galvanise a national mission of development, its grand policy pursuits have been defined in terms of a “reconstruction and development” or “national development” in which BEE is incorporated as a sub-programme, not the overarching principle.

The National Development Plan (NDP) displaces BEE from the centre of policy by invoking the concept of economic transformation (NPC, 2012: 138):

*Economic transformation is about broadening opportunities for all South Africans, but particularly for the historically disadvantaged. It is about raising employment, reducing poverty and inequality, and raising standards of living and education. It includes broadening ownership and control of capital accumulation. In addition, it is about broadening access to services such as banking services, mortgage loans, telecoms and broadband services, and reasonably priced retail services. It is also about equity in life chances and encompasses and those of inclusiveness that is presently missing. This includes equity in the ownership of assets, income distribution and access to management, professions and skilled jobs.*

The NDP defines BEE as a programme focused on “broadening ownership and control of capital accumulation […] to deracialise” ownership structures as well as “the top echelons of the business community” (ibid: 468). Having consigned BEE to its narrow role under the rubric of a broader economic transformation strategy, the NDP counsels a shift in emphasis, from the current approach to BEE focusing on “redistribution” through empowerment deals that enable black ownership of large firms, to ensuring that “new growth is skewed towards black entrepreneurs […] including small business”. Four interventions are suggested to “transform the ownership of the economy” through BEE: (1) creating an enabling environment for small business; (2) ensuring better alignment of BEE policy, legislation and regulation, particularly in respect of public procurement; (3) ensuring that the National Empowerment Fund (NEF) is resourced to support small black business and black industrialists; and (4) developing state capacity to “optimise returns from South Africa’s natural resources” (ibid: 139–140).

The NDP suggests that formulating a new approach to black empowerment is not needed and implies that BEE should be consigned a subordinate role in a broader strategy of economic transformation. Arguably, BEE may be assigned this subordinate role in policy rhetoric but remains a vital and central component of actual government policy. The imperative of black capital accumulation implants itself at the centre of state action by virtue of its social
and political salience (Von Holdt, 2019), and so narrowing the scope of BEE could result in submerged and opaque outcomes. Would not elevating BEE as a policy objective be better, if only to subject it to better scrutiny and rationality?

**What does widening the scope of what empowerment mean?**

The Malaysian experience highlights the need for clear objectives, instruments and outcomes. For Hwok-Aun Lee¹⁷, BEE should be viewed as cross-cutting with multiple instruments, rather focusing narrowly on affirmative action, set asides or preferential procurement – BEE is both a programme and a way to think about shifting the distribution of material resources and power in society. Mondi¹⁸ suggests that such a process should consider the role of the state and state-owned entities and agencies that loomed large in the apartheid industrial experience. In both the apartheid and post-apartheid eras, the state-owned entities and agencies at the centre of the economy’s productive sectors (e.g. Eskom) used a combination of financing and procurement to develop economic interests in key upstream industries.

Gqubule¹⁹ notes that many of the financing institutions aimed at facilitating BEE, industrial development and participation appear to be in retreat. These include the Land Bank, the Small Enterprise Finance Agency and the NEF. Further, as the Malaysian experience shows, weaknesses in these institutions make it difficult to broaden the scope of black empowerment, to include enterprise and human development as facilitators of upward social mobility. Participation in the labour market has been the mechanism of opening up economic participation to many, and yet the South African labour market continues to be characterised by the old occupational and remunerative structures. Francis and Valodia²⁰ examine how policy can address this enduring problem and review the occupational segregation and gender and race pay gaps in the post-apartheid labour market. They ask whether or not BBBEE has contributed to reducing labour market inequalities, while recognising that B-BBEE is not necessarily a labour market intervention.

As Mncube and Ratshisisu²¹ show, to widen the scope of empowerment requires black-owned businesses that are able to enter, participate in and expand their operations in key product and service markets. This is critical to the transformation project and to ensuring an efficient, productive and competitive economy. The evolution of BEE policy is also an opportunity to deepen and widen the value added domestically, through value chain linkages aimed at building productive new economic interests and relationships focused on structural change and transformation.

Furthermore, such a broader conception of empowerment, means confronting the difficult challenges of what should be measured and, more importantly, *what success looks like.*

¹⁷ See “Malaysia’s Bumiputera empowerment regime: Systemic foundations, recent developments and comparisons with BEE”.
¹⁸ See “Eskom, IDC, DBSA: BEE and empowerment”.
¹⁹ See “Black Economic Empowerment Transactions in South Africa After 1994”.
²⁰ See “Occupational segregation and the pay gap in South Africa”.
²¹ See “Competition policy and black empowerment: South Africa’s path to inclusion”.
What do we measure?
While BEE receives a considerable amount of attention in the media and in the public domain, its requirements and expectations are often implemented in a less vibrant fashion. In corporate South Africa, BEE is implemented in a “fairly depoliticized and technical” manner that fails to draw links between the policy framework and its instruments, and economic policy and the scope of redistribution in South Africa (Ponte et al., 2007: 935). In such cases, measurements, scorecards and benchmarks hide more than they reveal in terms of what progress and missteps have unfolded over the last few decades.

This publication considers and addresses the complexities brought about by the challenges of measurement. It confronts the complexity of mandated ownership structures and the limitations of transforming financial ownership without an attendant shift in the underlying market structure. For this to happen, Joubert22 points out that measuring the ownership changes in JSE-listed firms is not enough and needs to go further in defining ownership goals and metrics across the private sector. The transformation of the unlisted business segment needs to be incentivised through measures that encourage new business growth, especially given the significant decline in listings on the JSE over the past two decades: between 1999 and 2021, these listings shrunk from 668 to 336. Joubert also considers how mandated investments held by households, such as pension, life insurance and other funds, can be an enabler of intergenerational transfer of wealth. According to South African Reserve Bank data, in 2019 these funds were valued at over R4.5-trillion and constituted over a third of South African household balance sheets.

According to Gqubule23, only 25 of the companies in the JSE Top 50 had black ownership at the level of the listed company, although some undertook BEE transactions at the level of their unlisted subsidiaries. Based on what companies have reported, black ownership in the JSE Top 50 amounted to R245-billion (or 1.7% of the market capitalisation of these firms). The bulk of black ownership on the JSE comes from a combination of trusts and empowerment companies in the traditional sectors of the South African economy – mining, energy and finance. The key message is that black holdings in some of the economy’s larger firms cannot progress further without faster growth rates and significantly lower cost of capital. This is also largely due to the dominant role of the mining and finance sectors, which represent 70% of the economy, if international assets of locally listed firms are excluded.

Kgabe et al.24 ask if the broader B-BBEE policy and national skills development strategy are aligned in both design and action, and if the intentions and measurable targets of the skills development element of the scorecards contribute to realising the outcomes of the empowerment policy. They find that the high-level goals of the policy and strategy may be aligned, but skills development is not linked to career paths and career development. In addition, the focus is misplaced, on the number of people accessing workplace training and levels of expenditure, rather than on the link between training activities and the policy and strategy outcomes.

22 See “How to assess transformation of ownership of the South African private sector”.
23 See “Black Economic Empowerment Transactions in South Africa After 1994”.
24 See “The alignment of black economic empowerment and skills policies in South Africa”.
Market structure issues seem to lie behind the weaknesses in what is measured, which risks making any progress hollow: improving expenditure on and number of participants in training activities counts for little if participants are unable to find earning and learning opportunities after training. The misalignment of training activities to market outcomes, or measurable targets in lieu of outcomes, is not unique to the skills framework and is found in many other policy areas.

A crucial challenge remains the co-articulation of BBBEE and other policy aims, objectives and processes. In the case of the automotive manufacturing sector, Mashilo and Moothilal\(^\text{25}\) call for the transformation of production and industry to focus on deepening and widening “the value added domestically, thereby broadening the participation of black South Africans through localisation and employment growth. They argue for expanding, diversifying and growing second- and third-tier automotive component suppliers. This would ensure that local original equipment manufacturing (OEM) assembly plants are complemented by deep and dynamic supply bases, as a result of unlocking OEM procurement opportunities in a direct swap for narrow equity positions. The multiplier impacts of such an approach would have positive externalities and spill-overs for automotive research and development (R&D), knowledge and skills transfer, which would broaden the payoffs from transformation beyond a narrow base of equity beneficiaries.

Viewed in this way, the next phase of B-BBEE policy needs to consider the “tools” available to achieve the objectives of the B-BBEE legislation. Moreover, as this publication highlights, many of the challenges of co-articulation between BEE, industrial and competition policy, skills and enterprise development have to do with specific and general weaknesses in progress towards the “outcomes” sought by the transformation project, especially in the manufacturing sector.

\(^{25}\) See “Black economic empowerment in the automotive manufacturing industry: A case for productive capacity development transformation.”
WHAT IS POSSIBLE WITHIN THE BLACK ECONOMIC EMPOWERMENT FRAMEWORK

Having considered some of the key issues related to widening the scope of how empowerment is undertaken, who is empowered, how outcomes are measured and the influence of other critical success factors on the type of social change envisaged, some of the key findings and learnings from the BEE experiences over the last two decades are:

• Despite advances made in the post-2000s to broaden BEE, key features of earlier colonial and homeland examples of black empowerment remain. These include leveraged acquisition of stakes in target firms, the role of development finance institutions as facilitators of empowerment and the failure in many sectors to mount a coordinated challenge to dominant actors in key product and service markets. Furthermore, many of the traditional value-adding sectors in the South African economy have exhibited slow transformation of ownership and managerial control.

• When viewed through the lens of widening and broadening economic participation, BEE continues to confront the restless ghosts of old: occupational segregation, weak educational and skills outcomes, and the overrepresentation of particular demographics in low wage and low productivity work.

• Policy outcomes are not measured uniformly in South Africa, and significant gaps exist in the transformation in the unlisted private sector space, mandated investments and other areas of the economy outside the regulated and listed arena. Furthermore, these measurement issues and sophisticated mandated structures may serve to overinflate scorecard scores, but without real substantive underlying change in economic relations. This can be seen in the arena of skills development and the overreliance on macro-spend measures (expenditure, beneficiary demographics and retention etc.) that often mask the qualitative challenges.

• Transformation remains slow in sectors outside of those in the minerals-energy complex or reliant on public procurement and licensing, where these serve as a lever to secure commitments to transformation. In this regard, the transformation of the manufacturing sector and other parts of secondary industry requires more than just the spread of ownership. It also requires using competition policy and industrial policy to facilitate market entry, expand markets and ensure coordinated investment along value chains, while combatting the abuse of market power by giant firms. Competition policy, and the interpretation of public interest obligations in competition legislation, as seen in the Grand Parade/Burger King story, is going to be a critical tool and an enabler of structural and demographic transformation outcomes in the coming years.

Moreover, programmes that pursue interventions, such as enterprise and skills development, need to be seen as a complement, not a substitute, for BEE in spreading ownership and economic control among the historically disadvantaged. Although the tools and instruments appear vast, the task of a developmental state is to marshal them behind the objectives of demographic and structural transformation, thereby ensuring the spread of economic control and decision-making among black South Africans.
REFLECTIONS ON POLICY AND REGULATION

This publication is not about revisiting the many valid criticisms of B-BBEE, but rather about proposing a new prism for calibrating transformational ideals that goes beyond the pursuit of targets or the narrow payoffs to special purpose vehicles. It aims to unravel the economic structure of South Africa, and "apply appropriate tools in a co-ordinated manner to open up markets and support inclusion", as encouraged by Goga and Avenyo.26 Despite several policy tools and measures seeking to foster the entry and capabilities of black industrialists, many of these programmes have failed. As Lumkile Mondi27 suggests, the sectoral distribution of industrialists supported thus far sorely lacks a new industry focus, with fewer industrialists in green energy and digital economy sectors funded through the Black Industrialists Programme. By granting “rents” to incumbents (for example in the metals, machinery, chemicals and plastics value chains), government may have been complicit in undermining competition and inclusion in the manufacturing sector.

B-BBEE has to go beyond solely pushing for the market entry of black players in traditional sectors, to focus also on developing new industries and sectors with high growth potential. Such industries include the renewables sector, electric vehicles and fuel cell technologies that could build on South Africa's comparative advantage in platinum. Further structural shifts, in response to climate change and health challenges, will bring new opportunities in the energy, pharmaceuticals and biofuels sectors for industrialists to adapt or find new applications and sources of demand. However, this will require resolving the challenges of institutional coordination, confronting the market power of incumbents, and dealing with the day-to-day challenges faced by black industrialists.

With mounting disappointment over the fruits of "narrow BEE", there has been a shift towards the idea of creating black industrialists, centred on the manufacturing sector, that reflects an attempt to get back to the underlying value proposition of the narrow approach: to have a “developmental state”; South Africa needs a “patriotic bourgeoisie”. The manufacturing sector is privileged because it is seen as the key driver of development, and industrial

26 See “Industrial policy, the manufacturing sector, and black empowerment in South Africa”.
27 See “Eskom, IDC, DBSA: BEE and empowerment”.
Policy (or sector strategy) is the key intervention associated with developmental states (Andreoni & Tregenna, 2018).

Transferring equity to “strategic investors” might have succeeded in creating a class of black rentiers with valuable financial assets. But the line of causality between stock ownership and economic transformation was never clearly defined and has proven to be chimeric. What is needed is a class of black industrialists that can extend the state-centric approach to development into the private sector. Thus, the dti28 defines a black industrialist as:

*Black people directly involved in the origination, creation, significant ownership, management and operation of industrial enterprises that derive value from the manufacturing of goods and services at a large scale; acting to unlock the productive potential of our country’s capital assets for massive employment locally.*

Until now the manufacturing sector has been a laggard in the empowerment process, which may in part reflect the relative strength of unlisted assets in the ownership of manufacturing firms (at least relative to finance or mining). Yet empowerment deals on listed industrial stocks have created value for black beneficiaries of only 2.1% of market capitalisation, compared to 6% for banks and 12% for mining stocks (Theobald et al., 2015). Africans account for only 9% of top management in the manufacturing sector, compared to 15% in financial and business services and 28% in mining (Department of Employment and Labour, 2019). No wonder that the link between industrial policy and black empowerment has been so tenuous. While still in its early stages, the black industrialist programme represents an opportunity to shift the focus of empowerment policy towards stronger linkage with industrial policy.

In the agricultural sector, some very practical interventions could unlock greater agro-investment and support land beneficiaries, such as transferring title deeds or tradable leases, allocating new water rights and introducing an Agricultural Development Fund.29 The end game is a meaningful agrarian transformation in line with a vision of a “dynamic and vibrant rural economy” that can bring

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28 https://www.dtcapital.co.za/black-industrialists-scheme/
29 See “Addressing constraints to South Africa’s agriculture inclusiveness” by Mzukisi Qobo and Wandile Sihlobo.
closer the decent life and economic opportunities promised through spatially transforming the countryside. However, without substantive structural change, any efforts to empower black producers and enterprises in primary, secondary and tertiary industries will walk the beaten path of mistakes and missteps of the early democratic years.

Mondi argues for the Black Industrialist Programme to go further, to become a catalyst for transforming South Africa's minerals and energy complex into a diversified black industrialist complex intimately linked to South Africa's national systems of innovation in R&D activities, and focused on manufacturing, agriculture, technology and energy in a manner that has a positive impact on South Africa's carbon footprint.

South Africa's ideas of empowerment must respond not only to the demographic, but also to the structural shifts required in a context of considerable uncertainty and unparalleled social change.

There are several reasons to believe that the programme of “narrow empowerment” as currently conceived has reached a cul-de-sac. Operationally, the goal of narrow empowerment been defined as deracialised ownership and control of existing assets, particularly in the large formal corporate sector. However, “to properly transform the economy, South Africa needs to make sure ownership of the economy reflects the demographics of the country”, with progress measured by the cumulative and permanent changes in the black share of equity ownership, board seats and top management appointments. Progress on these three objectives has been glacial and subject to reversals, and, at the current pace of change, substantial and permanent shifts to demographic representativity are a very distant prospect.

The future of programmes that seek to transfer ownership and control of listed assets faces several hurdles.

1. **The high cost of BEE deals.** Typically, shares are transferred with a 30% discount. Transactions are typically “locked-in” over a decade and anchored to assumptions about dividend flows, interest rates and the appreciation of equity value. Given that beneficiaries lack collateral, funders largely carry the costs of these systemic risks. Where the empowering company finances the deal itself, the risks are internalised, potentially adding to costs. Banks and other third-party funders have little appetite to take on these risks and where they do the costs are high.

2. **The “net value creation” does not offset the high costs of transactions.** For existing investors in a firm, empowerment transactions are costs that reduce the returns on capital. If for any reason the transaction does not offset this cost by creating economic value (for instance by transforming the operations of the firm), investors may reallocate their portfolios to higher yielding assets that do not face these costs (for instance opportunities in the unlisted sector).

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30 See “Eskom, IDC, DBSA: BEE and empowerment”.
3. The value for beneficiaries is small compared to the costs of transactions. Value creation depends largely on the appreciation of stock values and the assumption that these will outpace the associated debt obligations. Even as the economy slowed after 2011, stock market valuations continued to rise, largely on the back of unorthodox monetary policy in the developed world. However, after 2014 the stock market boom began to slow, and any prospect of a return to buoyant conditions must be set against the pressure on global interest rates, secular stagnation in the developed economies and the continued deceleration of China.

4. Empowerment transactions do not result in permanent changes in ownership, despite rising antipathy of shareholders, due to the above-mentioned factors (high costs, the perceived absence of value-creation and the limited scale benefits). This points to a strong policy imperative to continue down the same path, as “ownership stakes that BEE deals provide are unlikely to form a long-term ownership interest” (Theobald et al., 2015: 7). The deals generate narrowly focused investments and, once the deal matures, beneficiaries are likely to rebalance their portfolios into other assets. For example, if they shift towards unlisted investments, then black ownership of the JSE would decline, even though the beneficiaries are still “out there” enjoying the fruits of their investments.

5. Individual equity ownership does not necessarily result in strategic influence in a company or “economic power” in the economy, nor in operational control of assets. This is where affirmative action and board appointments should play a complementary role, but progress in this regard has been even less impressive than with ownership. For instance, in the financial sector, progress on the B-BBEE scorecard targets has been strongest on ownership, but a large gap remains on management control and employment equity targets. Therefore, other unexplored instruments of redress could be considered, to incentivise corporates (due to the impact on firm profitability) to comply with Employment Equity, for instance, in public procurement opportunities. One such example are Section 53 compliance certificates that affect the ability of non-compliant firms to access state contracts.
EXISTING BEE: A POLICY FUDGE WITH STRONG INSTITUTIONAL MOMENTUM

Following the widespread adoption of a broad approach to BEE in the early 2000s, the dti was left to define an operational policy framework and attempted to “draw a line halfway” between a broad and narrow definition (Gqubule, 2006: 8). Out of these ambiguities was born the policy definition of B-BBEE, which sought to achieve the narrow goals of transferring ownership (creating a black capitalist class) but apologised for doing so by also mandating other forms of corporate restructuring, including skills development, affirmative action, supplier development and employee participation. In addition, the transfers of ownership mandated by regulation were to include community participation and worker ownership.

As a pragmatic policy compromise, this fudge was probably inevitable. However, it leaves open uncomfortable questions about the relationship between BEE and broader development goals. For example, how does the BEE policy framework relate to the system of education and skills development? Should industrial policy focus on productivity, employment or black empowerment, and how should it balance these imperatives where there may be tensions between them? Similarly, how should competition policy take account of black empowerment objectives? And what does “skewing” growth opportunities towards black entrepreneurs mean in practice?

Whatever its conceptual shortfalls, the imperative of B-BBEE has created a powerful edifice of public institutions and incentives that subject formal-sector corporate objectives to social dialogue and political engagement. It does this by creating a currency (in the form of BEE points) that can be allocated through negotiation. Sector forums and charter processes ensure continuous dialogue at the intersection of corporate profitability and the private sector’s responsibility to broader social objectives. The BEE institutional architecture has been created, entrenched and rendered increasingly important to corporate bottom lines. The challenge is how can this architecture be deployed more broadly in concert with sector strategy and be repurposed to achieved stronger growth and development outcomes?
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