

Time for country's business to see BEE as an opportunity

A DIFFERENT APPROACH

Duane Newman

AS WE APPROACH the Manufacturing Indaba in the last week of June, the economic landscape is littered with uncertainty and concern.

A rise in unemployment and a slide into recession have presented South Africa's manufacturers with more gloom than they deserve, and there might be a temptation for us all to wring our hands and to moan a lot.

However, this sector is resilient, and has a strong ally in the government, which provides tens of billions of rand each year in incentives to support investment and growth.

The road map for support is laid out each year by the Department of Trade and Industry (dti) in an annual document called the Industrial Policy Action Plan (Ipap), and the latest version was unveiled in the run-up to this Indaba, of which the dti is also an important sponsor.

Ipap contains three important drivers for boosting manufacturing:

- A redoubling of the commitment to radical economic transformation;
- Ongoing efforts to promote the transformation of ownership of business;

■ A rapid acceleration in the Black Industrialists programme.

The common theme in all three of these drivers is a focus on increasing and promoting black economic empowerment (BEE) on a more significant scale throughout all the sectors which Ipap supports.

The focus may be new, but the policy is not. The dti has been trying to promote higher levels of BEE for years through its incentive programmes, but sometimes this has been in an inconsistent manner.

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Now it seems these inconsistencies have been identified, and there is a strategic focus right across Ipap 2017/2020.

From my own personal experience in helping businesses to cope with changes in BEE codes, it has become clear that many large corporates in South Africa have seen BEE as a compliance issue, rather than as a strategic one – ticking boxes, rather than asking what should they be doing differently as a responsible corporate in South

Africa to keep their business sustainable in the long term.

It is clear to me that the dti does recognise that big business will need some assistance to transform more quickly. It has a Strategic Partnership Programme (SPP), an incubation and supplier development incentive, and provides support for the development of SMME's – and specifically black firms – in the supply chain.

Radical change

For such incentives to be effective, we need a radical change in approach to help develop black suppliers of scale in the supply chain. This needs strategic intent by boards and executive teams of large corporate businesses.

We have been seeing progressive companies using the various incentive programmes – such as the Jobs Fund, the SPP and the Business Intelligence programme – to help create new businesses that either supply them upstream or downstream – as customers and suppliers. This is a win-win formula.

Trade and Industry Minister Rob Davies rightly stresses that the rules are tight to prevent the window dressing of predominantly white-owned companies with a few black faces – which is known as "fronting". I fully support this drive.

It is vitally important to make sure that fronting is adequately addressed upfront. Otherwise, firms could be disallowed from accessing incentives, and – in extreme cases – could be acting illegally.

It is clear that one of the lessons from past incentive programmes is that future



A worker waits for customers at a clothing store in Johannesburg. The Manufacturing Circle has come up with a target of creating 1 million new jobs.

PHOTO: REUTERS

incentives should be much more focused on specific sectors, and hence the recently-launched agro processing support scheme, which reflects such a focus on the agro processing industry – which includes furniture, forestry, fertiliser, feed, and food and beverage processing.

The agro processing incentive will cover all activities after the farm gate, but it is clear that agriculture and agro processing are intricately linked.

Work together

We recommend, therefore, that the dti and the Department of Agriculture, Forestry and Fisheries work closely together – to ensure support is given across the whole value chain, and that the government supports further processing of locally-grown produce. So, the Manufacturing Indaba comes at an important time. It is important that clear actions are identified for follow-up from this Indaba by business and the government in partnership.

It is also vital that the trust gap between business and the government is narrowed. We need a common agenda and actions.

The Manufacturing Circle has come up with an important target of creating 1 million new jobs in industry.

Setting targets is easy; achieving them is less so. We will need far closer collaboration between business leaders, and between business and the government, to achieve this. Of course, we cannot ignore the tensions within organised business, most clearly shown by the recent spat between Business Unity South Africa and the Black Business Council. Surely, they must have the same aims: to boost black businesses and to support the wider manufacturing sector?

I would like to see a consensus at the 2017 Manufacturing Indaba that all of business will work together with government to reverse the decline in our economy, while welcoming and promoting the emergence of a new cohort of black industrialists.

We fail at our peril.

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