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The exemption headache

Small businesses find themselves in a catch-22

when it comes to BEE verification.



An ideal economic world

This is an edited excerpt from the book $\emph{Visions of Black Economic Empowerment}$

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was not a South African according to the South African government. Now, did I consider myself a South African after 1994 or was I always a South African in my mind? I will never know the damage that was inflicted by a system that intended to deprive me of my national identity, and saw me as nothing more than a maid in someone's home. I share this because unless you have personally experienced a life of prejudice, exclusion, discrimination and humiliation you cannot possibly imagine the social conse-

quences of such a system on the psyche of a people.

What we seek to achieve is to become a nation of equals in every respect. Whether or not this is achieved depends on choices we have to make. How we choose to live is the question we must ask ourselves, and our answers must always be guided by a reflection on the consequences of the choices we make. Democracy grants us the privilege of choice. Whether we exercise such choice or not, there are always consequences.

BEE as a social and economic voice

Eleven years into our democracy we are still servants. We have greater political power but, in many ways, we are still invisible and inaudible because we do not have a social and economic voice. BEE is an attempt to find that voice. What we are experimenting with in South Africa is economic democracy. We are experimenting with a spiritual transformation of capitalism, shifting the emphasis from greed to enlightened self-interest, from elitism to economic democracy, from the fundamental doctrine of profit at any cost to a conscious capitalism that espouses money and morals.

When nations are in transition, as South Africa was in the early 1990s, there are those who emerge as pioneers to champion new ways of participating in the transition. New Africa Investments Limited, which was pioneered by Nthato Motlana, and Women Investment Portfolio Holdings (Wiphold), which I pioneered in 1993, were the definitive revolutionary catalysts for empowerment of men and women respectively. They were the voices that sounded the call for empowerment. I suspect that together with our respective co-founders we were inspired by South Africa's imminent democracy to take our destiny into our own hands. We wanted to rescue ourselves and transform an economic system that had made us second-class citizens, dependent on others for our livelihoods. We wanted to create something mean-



Ideal: by 2030 our rural communities have sustainable economic infrastructure; everyone has a proper home with a flower and vegetable garden, a telephone, water and electricity. Photograph: Samantha Reinders

ingful with our lives. We had seen how other communities

had done that with their economies.

WENDY LUHABE.

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In his classic work, Pedagogy of the Oppressed, Paolo Freire writes about how a system of oppression turns groups of oppressed people against each other. We needed to avoid such traps by collaborating with one another, particularly as women operating in a patriarchal society. The International Institute for Management Development was so impressed with what Wiphold had achieved that they offered to do a case study on Wiphold for one of their global executive development programmes on competitiveness. The case study was nominated for a European Foundation for Management Development award in case writing in December 2005 as the best case study in the developing category.

Let me borrow from scenario planners and assume three possible outcomes from our efforts with BEE since the early attempts in 1993, and discuss the consequences of each.

Successful BEE scenario

By 2030, I would wish to see every South African child with access to good education, and every school and community with resources to bridge the digital, information and knowledge divide. The incidence of HIV/Aids would have been reversed because people would have assumed responsibility for their lifestyles; our unemployment levels would be under 10%; the number of new entrepreneurs would be 30% higher than the current levels; our savings levels as a country would reach between 25% and 30% of GDP; our

rural communities would have sustainable economic infrastructure; everyone would have a proper home with a flower and vegetable garden, a telephone, water and electricity; our mobility as a people would be (Afrikaners and Jews, for example) greatly enhanced and our human and race relations would be an inspiration to the entire world. This scenario requires a giant leap of integrity, moral intelligence and a higher level of consciousness to participate in motivating and enabling the large numbers of impoverished and demoralised people to take their destiny into their own hands.

Mediocre BEE scenario

I suppose the fundamental difference between the Afrikaner economic movement and BEE is that there was a robust intellectual dialogue among Afrikaner intellectuals that informed the values and the principles of their economic strategy. BEE lacks this intellectual engagement. We have acted in a vacuum and our efforts to define an integrated and cohesive strategy have been unsuccessful partly because of that.

The Afrikaners created structures to address their challenges right at the beginning of their economic revolution. The two organisations of note were the Federale Volksbelegging (Federal People's Investment), which mobilised capital to launch Afrikaner businesses, and the Redingsdaadbond (RDB), which was established to dispense funds to suitable applicants who wanted to venture into business. These organisations led to the creation of many Afrikaner enterprises and, ultimately, their economic muscle.

These efforts were supported by the Afrikaans universities, which produced growing numbers of commerce graduates. Five years after its inception, the RDB had 400

branches countrywide and had registered 70 000 members. Thousands of job opportunities had been created and numerous Afrikaans enterprises had been assisted with loans, counselling or funding for studies, an effort that later linked up with the Helpmekaar Study Fund.

Eleven years after BEE came into being, we have grown the black middle class, with estimates for black people in LSM 8 to 10 reaching almost one million. We earn almost 10 times what we earned 20 years ago; we have more than one luxury vehicle; we can afford private school education for our children, who own cellphones; and we own more than one home. Materially, we have advanced significantly in our lifestyles and quality of living. What has not been measured is whether, as a result of this estimated one million, our extended family members have somehow benefited from this new class of capitalists through, for example, assistance with education and making sure we provide appropriate mentorship and assistance for less fortunate relatives.

Secondly, our poorly conceived intention to spread the fruits of BEE. as widely as possible has made us dishonest people with many trusts that have fictitious structures that cannot be accounted for.

Thirdly, the one million members of the black middle class, if that is the correct count, have contributed substantially to the economic boom that has confounded all economic predictions and forecasts with an economic growth level that I suspect is beyond 6% already. If anyone had said in

Making policy choices to distribute resources is fundamental for sustainable democracy

1993 that cellphone subscriber numbers would exceed 20-million in just 12 years, they would have been described as insane. Thanks to the cellular industry, painters, electricians and bricklayers are no longer barely visible - they participate in the economic mainstream. There is also a huge informal economy that remains unaccounted for.

Fourthly, I am concerned by the culture of conspicuous consumption and a value system that seems to be in conflict with what human beings really need to live meaningfully. We have created a generation of people who want everything immediately without having to work too hard for it. We have swelled the numbers of Mr and Mrs Joneses who must keep up with the latest trends, instead of building their individual identities.

Finally, we know we want to open up the economy for more South Africans to have a stake, we have created the charters to provide uswith guidelines, but we still do no have a national vision of why this is important and why it has to be done, which leads to the third scenario.

Failed BEE scenario

Thirteen years into our democracy, there is a remote possibility that we could follow in the footsteps of Zimbabwe, unlikely as this might appear today. Zimbabwe was such an example and inspiration in the 1970s and 1980s, but the country probably did not make the difficult policy choices that we have been making since 1994 to create a robust economic foundation that will enable us to deal with the legacies of our past.

Making policy choices to distribute the nation's resources is fundamental for sustainable democracy, but it is not sufficient by itself. It requires authentic stakeholder partnerships with the private sector and civil society. In this area, there is still a lot of room for improvement. Partnerships that are not based on the principles of equality and win-win outcomes are dangerous. We have to resist partnerships that take more from the government and give back less, or partnerships that are opportunistic. All this will do is buy us time but, like all borrowed time, when the chickens come home to roost, wars usually erupt, people lose all sense of reason and will not hesitate to destroy what is in front of them because they have nothing to lose anyway. We must create a society where every single South African has something at stake - a home, education, a job - because they will want to protect it.

I am increasingly concerned about the obscene disparities between executive pay and wages at other levels of employment in companies. This could potentially erupt into conflict of a magnitude that we may not be able to manage. These are examples that make a clear statement, either deliberately or unconsciously, that white labour is more valuable than black labour. I do not know how much longer our society can tolerate such dispreportionate distortions.