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B-BBEE COMMISSION
a member of the dti group

1. Who are we?

The Broad-Based Black Economic Empowerment Commission ("B-BBEE Commission") is established as an entity within the administration of the Department of Trade and Industry ("**the dti**") by the Broad-Based Black Economic Empowerment Act 53 of 2003, as amended by Act 46 of 2013 ("the B-BBEE Act"). Its role includes overseeing the implementation of the B-BBEE Act and to act against fronting practices.

2. What does the Socio-Economic Development Element entail?

According to paragraph 7 of Statement 000 of the Codes of Good Practice (the Codes), one of the elements identified to advance empowerment of black people is Socio-Economic Development (SED) which is contained in Statement 500.

Every measured entity on an annual basis is required to contribute 1% of Net Profit After Tax (NPAT) or 0.1% of allocated budget, gross receipts or discretionary spend for entities governed by Statement 004 (also known as the specialised scorecard), towards socio-economic development initiatives that will enable black people to gain access to the mainstream economy.

SED contributions consist of monetary or non-monetary contributions actually initiated and implemented in favour of beneficiaries with the objective of facilitating income generating activities for targeted beneficiaries.

To be recognised, at least 75% of the full value of SED contributions must directly benefits black people. If less than 75% of the full value of SED contributions directly benefits black people, only the value of the contribution made multiplied by the percentage that benefits black people, is recognisable.

3. Who must implement Socio-Economic Development Initiatives?

Statement 500 must be implemented by all organs of state and public entities, all entities that undertake any economic activity with organs of state and/or public

entities, as well as entities that undertake any economic activity with the measured entities whether direct or indirectly.

4. Examples of Socio-Economic Development Initiatives

Key to Statement 500 is the income generating factor in the initiatives to be implemented. Below is a non-exhaustive list of qualifying initiatives towards income generating activities for purposes of SED recognition:

(a) Sustainable livelihood initiatives, limited to economic activities.
(b) Building of vocational, literacy and work related (including self-employment) skills.
(c) Providing opportunities for adult education.
(d) Income generating skills and knowledge.
(e) Improvement of capacity to work, including self-employment.
(f) Generation of income from productive activities.
(g) Increased employability and earning power.
(h) Providing training or mentoring to beneficiary communities. Such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A clear justification must support any claim for time costs incurred, commensurate with the seniority and expertise of the trainer or mentor).
(i) Maintaining a socio-economic development unit by the Measured Entity. Only that portion of salaries and wages attributable to time spent by the staff in, and the other expenses related to, promoting and implementing socio-economic development constitute contributions.

Initiatives mentioned in part (a) to (g) above, simply mean initiatives that enhance the ability of black people who remain non-participants in the economic mainstream to be included in participating in the economy in a sustainable manner by encouraging implementation of socio-economic development contributions linked to improving the financial circumstances of black people in order to and discourage perpetual dependence on hand-outs. For example, provision of development capital for communities, training or mentoring beneficiary communities which will assist them to increase financial capacity or offering preferential terms to beneficiary communities when purchasing their goods/ services.

Further, the Codes in “Schedule 1 on interpretation and Definitions” in addition to the initiatives listed above, has indicated that SED contributions can take the form of:

(a) development programmes for women, youth, people with disabilities, people living in rural areas;
(b) support of healthcare and HIV/AIDS programmes;

(c) support for education programmes, resources and materials at primary, secondary and tertiary education level, as well as bursaries and scholarships;
(d) community training; skills development for unemployed people and adult basic education and training; or
(e) support of arts, cultural or sporting development programmes.

5. What will not qualify as Socio-Economic Development?

Any support of the initiatives outlined in 4 above, through SED contributions cannot be charitable in nature such as mere donations that are not linked to income generation. Further, SED is not necessarily tantamount to Corporate Social Investment (CSI).

CSI is mostly used to promote good will in communities where the measured entity operates, but does not necessarily meet the income generation test. This is usually in form of handouts, for example, donation of school uniform and books, building repairs, donation of food parcels etc.

In justifying the conversion of CSI programmes into SED contributions, it is usually argued that the manner in which the Codes have been drafted makes it easy for entities to blur the lines between socio-economic development and corporate social investments.

Nonetheless, it must always be remembered that SED places less reliance on donations and rather enable income generation for beneficiaries in order to create and maintain sustainable access to the economy. For Below is an example of how an entity can make meaningful impact by providing the following in implementing initiatives mentioned in paragraph 4 above:

Qualifying contribution type	**Contribution amount**	**Benefit factor**
Grant and related contributions		
Grant contributions	Full grant amount	
Direct Cost incurred in supporting socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Verifiable cost (monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting socio-economic development, sector specific initiatives or	Discount amount (in addition to normal business discount)	100%

Approved Socio-Economic Development Contributions		
Overhead costs incurred in supporting socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Verifiable cost (monetary and non-monetary)	80%
Human resource capacity contributions		
Professional services rendered at no cost supporting socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Commercial hourly rate of professional	80%
Professional services rendered at discount supporting socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Value of discount based on commercial hourly rate of professional	80%
Time of employees of Measured Entity productively deployed in assisting beneficiaries and socio-economic development, sector specific initiatives or Approved Socio-Economic Development Contributions	Monthly salary divided by 160	80%

6. Measurement of Socio-Economic Development Contributions

In recognising SED contributions, a verification professional as prescribed in the verification manual of **the dti** published on 18 July 2008 (as may be amended from time to time), ought to verify the B-BBEE status of the beneficiary entity through sufficient and appropriate evidence, obtain confirmation from the beneficiary entity or black participants that it has satisfied the definition of “black people”, and acknowledgement of the contribution, and confirm that the SED initiative has been initiated and implemented within a particular measurement period resulted in income generation for the beneficiaries.

7. Measurement of Third Party Initiatives

Where an SED initiative is implemented through a third party, the measured entity contribution must be initiated and implemented with the target beneficiary. Mere contribution of the funds to a third party does not qualify for recognition of SED

points. Further, contributions made after the date of measurement cannot be recognised.

Where the third party identified by a measured entity to facilitate its SED contributions is a Non-Profit Organisation (NPO) or Public Benefit Organisation (PBO) including Non-Profit Companies (NPC), such entity must be able to produce either a B-BBEE certificate or sworn affidavit on its B-BBEE compliance.

NPOs/PBOs/NPCs are referred to as specialised enterprises for purposes of B-BBEE measurement. Their B-BBEE compliance is measured in terms of Statement 004 (also referred to as the specialised scorecard).

The specialised scorecard classify specialised enterprises in terms of annual turnover, allocated budget or gross receipts. This means that a specialised entity with R0 and less R10 million annual turnover/allocated budget/gross receipts are regarded an as Exempted Micro Enterprise (EMEs), if annual turnover/allocated budget/gross receipts is above R10 million but less R50 million it is called a Qualifying Small Enterprise (QSE), and those with annual turnover/allocated budget/gross receipts of R50 million above are regarded as large entities,

How a B-BBEE Sworn Affidavit/Certificate is obtained:

Specialised EMEs are given an automatic level 4 but if it has 51% of black beneficiaries it will be level 2, and 75% black beneficiaries it will obtain a level 1. EMEs only have to obtain a sworn affidavit. See attached template for guidance.

Specialised QSEs have to be measured by an accredited verification professional (https://www.sanas.co.za/Pages/index.aspx) to obtain a B-BBEE certificate. But if it has 51% of black beneficiaries it will aromatically be level 2 and 75% black beneficiaries it is a level. Also has to complete a sworn affidavit for QSEs.

Large specialised entities have to be verified by either an accredited verification professional.

How to contact us:

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