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# **PRESENTATION ON DEVIATIONS IN AMENDED AgriBEE SECTOR CODE**

**TO**

**SANAS B-BBEE WORKSHOP**

**by**

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**agriculture,  
forestry & fisheries**

Department:  
Agriculture, Forestry and Fisheries  
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# Background

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- **AgriBEE Sector Code is one of first Sector Transformation Charters to be developed.**
- **Its scope of application covers primary (Farming), secondary (Agro-processing & Value addition) and tertiary (Inputs and Services, including agricultural finance) agriculture activities.**
- **AgriBEE Sector Code was published in gazette on 28<sup>th</sup> December 2012.**
- **AgriBEE Charter Council appointed on 5 December 2008.**
- **AgriBEE Sector Code was fully aligned to BBEE Act and Codes Amendments.**
- **Amended AgriBEE Sector Code published in gazette 8 December 2017.**
- **No transitional period for implementation of the AgriBEE Sector Code.**



# Deviations

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- The deviations are informed by peculiarities of the Agricultural Sector:
  - Agricultural activities (primary level of farming) are mostly taking place in the rural areas where unemployment is very high; the economic performance of the sector is dependent and influenced by natural factors such as weather; soil; water availability etc. These factors increase business risk and affect farm income and profitability.
  - Skills and the related issues, such as the flat structure of management; training of workers (low literacy levels); mechanization; R & D investment were critical considerations during alignment. Also, existing commercial farmers' base is aging and the Sector struggles to attract young people.
  - These factors and baseline information forms premise in setting targets, including phase-in that are in AgriBEE Sector Code.
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# Deviation: General Ownership element

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- **Inclusion of farm workers under the main scorecard of General Ownership. Previously, farm workers were excluded from direct ownership targets in AgriBEE Sector Code.**
- **With this deviation, farm workers (who are most vulnerable in the agricultural sector) are now counted under the main ownership target (25% + 1vote), specifically under ownership target and definition of Designated Groups (3 out of 25 points) in terms of Economic Interest.**
- **Farm Workers can become owners in both farms and agri-business involved in agro-processing.**
- **By including farm workers under Ownership Scorecard, more black ownership transactions can take place.**



# Deviation: Land Ownership element

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- **The 30% Land Reform target is still recognised and critical under the AgriBEE Sector Code.**
- **Land and the ownership thereof is to a large extent, applicable to Primary Agriculture (Farming).**
- **Outstanding Land Claims and new land claims as a result of Restitution of Land Rights Amendment Act, 2014 will impact on the implementation of the AgriBEE Sector Code.**
- **AgriBEE Charter Council's decision was that land should be handled as separate process (there are already processes existing under the Department of Rural Development and Land Reform).**
- **In scorecard, land ownership measurement will be handled under Statement 102 (Sale of Assets), guided by principles in BBEE Codes.**



# Deviation: Skills Development element weighting

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- Under this element, the unemployed who were previously excluded, are now included as beneficiaries of skills development training and spend. As agricultural activities are happening in rural areas, employment opportunities can be activated and increased. A pipeline of future employees that are trained and skilled will make positive contribution to the Sector.
- 85% of skills spend on Scarce & Critical skills (AgriSETA list).
- Already since the early implementation of AgriBEE Sector Code, big emphasis was placed on this element. ABET-level 3 and literacy programs for workers are funded by enterprises.



# Deviation: Enterprise and Supplier Development element

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- Deviation is to Phase-In the 40% Procurement target in the following way: 10% - 1st year; 20% - 2nd year; 25% - 3rd year; 30% - 4th year; and finally the 40% in 5th year. On condition that target for Supplier Development is increased from 2% to 3% (NPAT) for years 1 - 4. From 5th year for entire BEE period, target of 2% NPAT will apply.
- Additional 1% NPAT is to fast-track black suppliers across the agricultural sector supply chain as industries should create programs to develop black suppliers. Phase-In targets are motivated by fact that there are few black owned suppliers who supply agricultural inputs to farmers, especially in the rural areas where most of farming activities take place.
- Industry undertakes to implement programs to increase Black Suppliers and the PPPFA in terms of public procurement can also contribute to these targets.





# Enterprise and Supplier development Scorecard for large Enterprise.

Weighting	Measurement Category & Criteria	Weighting Points	Compliance Target
40	Preferential procurement		
	B-BBEE Procurement spent from all Empowering suppliers based on the B-BBEE Procurement recognition levels as percentage of Total measured procurement spent	5	80%
	B-BBEE Procurement spent from all Empowering suppliers that are Qualifying Small Enterprises based on BBEE Procurement recognition levels as percentage of Total measured procurement spent.	3	15%
	B-BBEE Procurement spent from all Empowering suppliers that are Exempted Micro- Enterprises based on BBEE Procurement recognition levels as percentage of Total measured procurement spent.	4	15%
	B-BBEE Procurement spent from all Empowering suppliers that are at least 51% black owned based on applicable BBEE Procurement recognition levels as percentage of Total measured procurement spent. <b>Phase in: 10% for 1<sup>st</sup> year, 20% for 2<sup>nd</sup> year , 25% 3<sup>rd</sup>year , 30% for 4th year, 40% 5<sup>th</sup> year.</b>	9	40%

# Enterprise and supplier development scorecard for large Enterprise cont..

Weighting	Measurement Category & Criteria	Weighting Points	Compliance Target
40	<b>B-BBEE Procurement spent from all Empowering suppliers that are at least 30 % black Women owned based on applicable BBEE Procurement recognition levels as percentage of Total measured procurement spent.</b> <b>Phase in: Target is 6% for year 1 to year 4, provided the target for the supplier development is to 3% NPAT.</b>	4	12%
	<b>Bonus points.</b>		
	<b>BBBEE Procurement spent from designated group suppliers that are at least 51% black owned.</b>	2	2%
	<b>Supplier Development</b>		
	<b>Annual value of all supplier development contribution made by the measured entity as a percentage of the target.</b>	10	<b>(3% of NPAT for year 1 to 4) 2% of NPAT</b>
	<b>Enterprise Development</b>		
	<b>Annual value of all Enterprise development contribution made by the measured entity as a percentage of the target</b>	5	<b>1.5% of NPAT</b> <span style="border: 1px solid black; padding: 2px;">10</span>



# Deviation: Socio Economic Development element

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- Deviation is that the number of points is increased from 5 to 15.
- Recognize efforts by Agricultural Sector by providing black people (BEE beneficiaries) access to economic opportunities. Agricultural enterprises (primary and secondary level) make significant contribution annually on Corporate Social Investment (CSI).
- Farmers are building schools in farming communities and offer study bursaries; contribute to farm labourers & dwellers' housing; partner with Government to provide access to social development services which rural people need.
- Beneficiaries must be 75% black, for measured entities to earn SED points.
- Furthermore, objectives of the National Development Plan 2030 Vision will also be addressed through the AgriBEE Sector Code. SED initiatives funded by the agricultural enterprises will create economic opportunities, that can especially benefit women, youth and people living with disability.



# Further Considerations

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- Any policy uncertainty will negatively affect transformation objectives and the implementation of AgriBEE Sector Code.
- Agricultural Sector still dealing with challenges experienced during last few years i.e. drought and water availability constraints; tough global and local economic conditions; labour unrest, etc.
- The Amended AgriBEE Sector Code will provide much needed policy-certainty and enabling conditions for implementation of AgriBEE Sector Codes.
- Public-Private Partnerships are encouraged to achieve transformation.
- Through AgriBEE Charter Council framework, there is goodwill amongst the stakeholders and commitment towards Transformation Agenda.
- AgriBEE Sector Code serves as blueprint for Transformation in Agriculture.
- Review of AgriBEE Sector Code within 3 years of implementation.



# Concluding Remarks

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- **There should be common understanding in interpretation of the Amended AgriBEE Sector Code Scorecards by those involved in BBBEE verification.**
- **Agricultural entities must report in accordance with the AgriBEE Sector Code, to get recognition for B-BBEE measurement.**
- **Agricultural entities must register BBBEE ownership transactions with the B-BBEE Commission, as required by legislation.**
- **AgriBEE Charter Council and its Stakeholders will popularize the Amended AgriBEE Sector Code.**
- **Report on implementation of Amended AgriBEE Sector Code will be compiled annually by AgriBEE Charter Council.**



# Thank you

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