

INFORMATION PACK- SOUTH AFRICA

Definition of a minority business in South Africa

A Juristic Entity in which Black South African citizens hold at least 51% of the economic interest (shareholding), exercisable voting rights (Board representation), and management control.

IN COUNTRY DEMOGRAPHY/ STATISTICS

Different categories of recognised minority groups; "Black people" means African, Coloured or Indian persons who are natural persons and

- ✓ are citizens of the Republic of South Africa by birth or descent; or
- ✓ are citizens of the Republic of South Africa by naturalisation before the commencement date of the Constitution of the Republic of South Africa Act of 1993; or
- ✓ became citizens of the Republic of South Africa after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, but for the Apartheid policy that had been in place prior to that date, would have been entitled to acquire citizenship by naturalisation prior to that date.

- **% of total minority population:** 91.6%

- **Individual break down by ethnicity:**

Population Group	Male		Female		Total	
	No.	% of Male	No.	% of Female	No.	%
African	21 168 700	80.3	22 165 000	80.2	49 447 100	91.6
Coloured	2 0305 800	8.7	2 465 700	8.9		
Indian	677 000	2.6	664 900	2.4		
White	2 214 400	8.4	2 340 400	8.5	4 554 800	8.4
TOTAL	26 366 000	100	27 635 900	100	54 002 000	100

- **Top five regions/ cities where they are based**

- | | | |
|---|---|-------|
| 1. Gauteng (mainly Johannesburg & Pretoria) | - | 23.9% |
| 2. KwaZulu Natal (mainly Durban) | - | 19.8% |
| 3. Eastern Cape (mainly Port Elizabeth and East London) | - | 12.6% |
| 4. Western Cape (mainly Cape Town) | - | 11.3% |
| 5. Limpopo Province (mainly Polokwane) | - | 10.4% |

Key drivers for supplier diversity in South Africa:

Legal: Since the birth of true democracy in South Africa in 1994, the SA government has been implementing policy and legislation that is focussed on transforming the socio-economic landscape of the country by driving the increased participation of black people (marginalized due to apartheid) in the mainstream economy. These have been in the form of employment representation, prioritized skills development and business ownership. The most prevalent form of legislation has been the Broad-based Black Economic Empowerment (B-BBEE) Act, and regulations for measuring the implementation thereof by both private and public sector through the B-BBEE Codes of Good Practice. These first came into being in 2007 and the revised (more stringent) Codes came into effect in October 2013, 1 May 2015 being the effective date for compliance measurement. Within this legislation, procurement from Black owned suppliers has become a strong focus of measurement with a target of 40% of measured procurement spend and penalties for not achieving at least 40% of this 40% spend target. Almost every industry/sector has in addition and specific to its priorities its own sector charters which are now being aligned to the B-BBEE codes.

Social: Supplier diversity is focussed on opportunity and capacity building of targeted groups. Historical imbalances due to apartheid has resulted in intergenerational skills shortages in the Black population in South Africa. Black businesses tend to operate from and employ people from black communities. Supplier diversity provides buying forms with a leveraged opportunity to impact on these communities by its deliberate focus on providing these businesses with access to market opportunities and with development support to the owners, management and employees of these businesses. Ultimately it impacts on the overall capabilities and therefore potential of these affected communities while increasing employment opportunities and addressing a business need.

Economic: Directly related to the above, unemployment in the country mostly affected black communities (unemployment in the country approximately 25%). By supporting black business, more employment is created for black people, resulting in more income and spending power within black communities. This results in higher consumer demand and markets to service for businesses that have a presence in these black communities.

Business case for supplier diversity in South Africa:

Supplier Diversity is a more sustainable and strategic response to complying with local legislation for supporting the inclusion of Black people into the mainstream economy because it is driven by an aligned business case and corporate strategy. The application thereof can result in improved supply chain performance because it will introduce more competition and innovative solutions to buying firms. Whereas companies perceive B-BBEE to be a cost of doing business, supplier diversity is instead positioned as a lever for improved profitability, market access and long-term business sustainability – all this while meeting and exceeding legislative compliance and generating a return on investment as per conventional market mechanisms.

About South African Supplier Diversity Council

Established: 2011

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Number of Corporate Members on 1st Jan 2016: 25

Number of Certified MBEs on 1st Jan 2015: 362