



**THE RELEVANCE OF BLACK ECONOMIC  
EMPOWERMENT (BEE) TO THE  
IMPLEMENTATION OF COMPETITION POLICY  
AND LAW IN NAMIBIA**

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***IS IT AN IMPERATIVE?***

**MIHE GAOMAB II**

**Windhoek, Namibia  
26<sup>th</sup> May 2010**

*Mihe Gaomab II is the Secretary and CEO of the Namibia Competition Commission. He is the Founding President of the Namibia Economic Society and remains an honorary member. This Article was adapted from a NES speech presented at a Seminar on BEE in South Africa organized by DELTACON, a BEE Auditing and Verification Company on the 4<sup>th</sup> November 2009.*

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Madam Moderator and Facilitator  
Distinguished Panelists  
Ladies and Gentlemen,

Good Morning and allow me from the onset to thank NES for making it possible for me to present to you a contemporary yet crucial topic which is the Black Economic Empowerment in Namibia. This presentation of this topic is pioneering in the sense that I have been requested to present the *relevance of BEE from a Competition Policy and Law perspective*.

### **Competition Policy and Law in Namibia**

As you are aware, at independence, Namibia realized that it faces developmental challenges based on an economy which was dualistic with high unemployment and an economic structure which is enclaved and concentrated around few sectors. The developmental challenges which are to reduce poverty, create employment, reduce inequalities across individuals and regions thereby ensuring balanced economic growth became a prime driver of focus for our government.

This developmental objectives have been addressed at varying levels to a large extent by our government but government further realize that to ensure that this developmental policy objectives are addressed, it needs reorientation or rather a transformation of the economy. These are clearly espoused in the development plans and Vision 2030. Hence the need also to create a regulatory environment that would cater for private sector development. But more importantly an

institutional process that would assist for in ensuring a market based outcomes that optimizes efficient allocation of our resources be it in form of capital and labour. Such outcomes were already focused on private sector to expand its manufacturing base through the development of white paper on industrial policy in 1992, EPZ Act of 1995, Foreign Investment Act 1990, Manufacturing Incentives, and host of other measures.

There were other policies done for other sectors as well is indeed commendable on the part of our government. These include the promotion of SMEs through enacting SME Policy in 1996, promoting employment through enactment of 2007 Labour Act, and looking after a broader based of us Namibians by drafting the Transformation Economic and Social Framework (TESEF), especially those of us that were historically lessened or deprived due to skewed policies of that time.

Now empirical data and experience points to the fact that by creating a competitive economy especially among business or the private sector, a country is able to develop faster, withstand external shocks, and even assist in rates of per capita growth through employment and investment promotion. There are documented facts that in countries such as Peru, Australia and South Africa, who started off well with competition authorities in the 1990s, the impact assessments shows that by having a competition law and policy as well as entrenched competition culture, despite costs encountered, the economic benefits are enormous with welfare implications for consumers, wage incomes and employment creation leading to overall economic growth and government revenue.

The question that still needs a lot of advocacy on is what is competition policy and law. Competition Policy refers to a set of government measures that details the strategic direction of the Ministry of Trade and Industry to regulate the competitive behaviour of firms and business in the country. The government put in place competition policy as far as the late 1990s to assist in reorientation and re-structuring of the economy, with the ultimate aim to reorient our economy towards higher growth as envisioned in Vision 2030.

The policy is thus an integral part of the overall macroeconomy of which our Commissioners have been entrusted to use as a policy that is supportive and is cross appealing across aspects such as trade measures, industrial, investment, finance, planning, poverty reduction, employment, growth, and welfare considerations.

Regulation of competition issues was introduced in 2003 through the Competition Act of 2003 (Act No. 2 of 2003) in the country. In the past, competition issues in Namibia were regulated by the Regulation of Monopolistic Conditions Amendment Act, 1958 (Act 14 of 1958). However, this was a South African Act, which was not applied in Namibia after independence.

The main overarching objective for the implementation of the Competition Law as a competition policy instrument is to enhance the promotion and safeguarding of competition. The urgency of having a competition policy and law rests fundamentally on three key issues.

Firstly, Namibia's economic competitiveness still needs a lot of work on as it is consistently ranked not among the top five of countries which are Botswana, Tunisia, South Africa, Mauritius, and Egypt.

Secondly, although Namibia's competitiveness is characterise as a lower middle-income country with an average per capita income of above US\$3,000 and its macroeconomic fundamentals are sound and proper, the Namibian economy is characterised by a large, non-tradable sector (government services), and an export oriented primary sector, mainly fisheries, agriculture and mining. Namibia is also a small open economy heavily relying on imports, which are sometimes subjected to distorted pricing, dumping of undesirable and defective products and anti competitive behaviour.

The economy therefore remains enclaved and is structurally biased in terms of service and production towards satisfying external markets rather than domestically. Currently, there are no meaningful transformation with albeit lack of forward and backward linkages between key sectors, an important precondition for any restructuring from a micro economic point of view of sectoral transformation and development. Here the need for a competition policy becomes more urgent to regulate by law the competitive behaviour of industry, firms and business in terms of ensuring a just, orderly, safe and optimal competitive process in the economy.

Lastly, there is also general recognition by our government that economically there has been instances of market failures i.e. private sector sometimes not doing what it ought to do in terms of proper and orderly competitive conduct in market place. There is anecdotal evidence that a market economy with a thriving and robust private sector can be the key to economic growth and development. This situation can hold long term sustainable increases in consumer welfare. However, it is proven empirically that markets can fail because of anti-competitive practices. Hence the need for developing competition policy that creates a just orderly conduct of the market place allowing for a fair production process through an efficient competitive process that benefits the customers and the economy as a whole.

It also proven that an effective competition law and policy will encourage the use of the most efficient methods of production, and will guide resources to the uses society values most highly and can give rise to continuing incentives for innovation to increase productivity and general efficiency of markets through improved transparency of the rules that apply to business transactions.

The Namibian Competition Commission has been established in terms of the Competition Act (Act No. 2 of 2003). It is tasked with promoting competitive market conditions through investigation and prosecution of anti-competitive activities, reviewing and approving mergers and exemption applications, and disseminating information to businesses, consumers and other stakeholders.

Namibia's competition law not only covers the three major competition concerns of anti-competitive agreements, abuse of dominance, and anti-competitive mergers, but it also takes into account the public interests provisions on protecting consumers by safeguarding competitive prices and product choices as well as promoting employment, investment and advancing the social and economic welfare of Namibians. It also has special requirements of its economy, which are the protection and promotion of small undertakings as well as ***promoting a greater spread of ownership of historically advantaged persons.***

The essence of decisions that NaCC is empowered to make is therefore analyzed, investigated and adjudicated upon taking into account that there needs to a BEE component to ensure localization and involvement of Namibians. This particularly applies to Merger approvals of some odd 60 000 odd businesses in the country.

The Commission is cognizant however that at the time of writing, the empowerment emphasis was on the word ownership. But we all know that the word BEE should amply read BBEE to encompass *broadness broad based*. The Competition Act of 2003 has been therefore futuristic to include the essence of *broadness* by indicating the promotion of a greater spread of ownership of historically advantaged persons.

We are considerate that TESEF will aim to ensure that all relevant definitions and analytical interpretations will assist from a legal and policy point of view to clearly articulate such terms and words from a BBEE implementation point of view, of course using the SWAPO Manifesto, NDPs and Vision 2030 as guiding documents.

The reasons are that there is a lot of debate on the concept of Broad based BEE within the context of the development of Southern Africa, notably in South Africa, Namibia, Zambia and Zimbabwe. There are increasingly a lot of controversy and confusion regarding the term and the definition, nature, form, implementation and conduct BBEED has today, Namibia needs to avoid this by implementing our Presidents call for having a well targeted BEE policy and law in the country that aims to empower most Namibians (never mind the word Black) within the mainstream in Namibia.

*Madam Moderator*

**Is BEE an Imperative in Namibia, lets rather firstly look at the historical context of BEE developments.** The origin, imperative and the need for having a BEE policy in place within Southern Africa can only be predicated on the basis that an economy can only flourish if it can meet the needs of all its economic citizens, people and their enterprises in a sustainable and developmental manner. Such predicaments are evidenced in Benhabib, Jess and Mark M Speigel in *“The Role of Human Capital in Economic Development: Evidence from Aggregate Cross Country Data,”* Journal of Monetary Economics, 1994, 34, 143-173.

The conclusions of this scientific research are broad ranging in the sense that human and economic development can only be possible if the systems be it economic, social, legal or political builds on the full potential of all persons and communities across the length and breadth of a country.

The colonial historical context of the countries in Southern Africa in particular South Africa and Namibia witnessed a period of protracted economic development which even though created a necessary capital infrastructure which is commendably in place today created a human capital that is largely unskilled, uninformed and restricted from meaningful participation in the economy. The historical context of appreciating human capital towards economic and development shows however that where, human capital was suppressed or alienated from the economic developmental process, it had a profound effect on the standard of living of its people and status of developing an economy.

This is clearly proven empirically in Nathan Nunn (2007) where the effect of human capital suppression and its long term associated effect on Africa's development are well researched in *"Slavery, Institutional Development, and Long Run Economic Growth in Africa"*. The evidence suggests that slave trade as a form of human capital suppression had an adverse negative effect on economic development in Africa. Of relevance will be to consult the Bertocchi, Graziella and Fabio Canova (2002) titled *"Did Colonialism Matter for Growth in Africa"* where it empirically explore the historical causes of Africa's development due to Colonialism. *European Economic Review, XLVI. Pages 1851 – 1871.*

In Southern Africa, the assets, skills, positions and opportunities of millions of people were directly and indirectly restricted either through some socio-political/economic policy. Such a process created a capital accumulation process where it confined the creation of wealth to a minority population and constricted

underdevelopment and poverty on the majority of the population. In South Africa and Namibia for example, the result is an enclaved and skewed economic structure that today, in essence, still excludes the vast majority of its inhabitants.

### **Imperative for BEE in Southern Africa**

*Madam Moderator*

The basic vision of an economy that meets the needs of the people in a more equitable manner goes back to the ANC's Freedom Charter of 1955 in South Africa and the Swapo's Manifestos in the 1960's of Namibia. Since the political transformation in 1990 of Namibia and 1994 of South Africa, the respective economies have undergone rapid consistent economic growth, albeit for the East Asia Financial Crisis 1998/09 and the Global Economic and Financial Crisis in 2008/09.

Generally, these countries had profound macroeconomic stabilisation which has provided largely a platform for a sustained economic growth rates. Compared to pre 1990's, both economies has become increasingly integrated into regional (SADC and SACU) as well as global markets (EU, US, BRICS, East Asia, MECOSUR) and both countries became a successful exporter of base metals and minerals (Gold, Uranium, Diamonds etc) and for instance in case of South Africa, manufactured goods and value-added services have proliferated.

Because of that sustained economic growth, in terms of GDP and GDP per capita, Namibia is increasingly been viewed as a upper middle income country and South Africa is now able to position itself as an emerging manufacturing economy. Further, both economies have consistently put in place appropriate broad economic strategies to transform the economies.

In Namibia, National Development Plan I, II, and III which serves as a five year plans for economic development with an explicit target of around 7% on average according to the long term plan Vision 2030 was continuously emphasised. In South Africa, the Reconstruction and Development Programme (1994) and GEAR (1998) has been the focus of a broad strategies along with others such as the Microeconomic Reform Strategy, Integrated Manufacturing Strategy and the National Research and Development Strategy that has underpinned the South African miracle of economic growth of close to around 5%, a visible improvement taking into account negative growth it encountered in the 1980's.

Despite the sustained economic growth successes and a host of developmental plans, policies and strategy introduced and implemented, there is another statistical picture that paints a grim reality of entrenched income inequalities characterising both economies. One could argue that this pervasive inequality act as a deterrent to future economic growth, economic development, employment creation and poverty eradication.

There is no denying the fact that there is still evidence of vast racial and gender inequalities in the distribution of and access to wealth, income, skills and

employment. The end result is that these unequal income hinders economic development and we all black and white alike loses out because our economies continues to perform below its long run economic potential thus robbing us of future growth dividends for our next generation and for ensuring a sustainable growth path that we can be proud of as South Africans and Namibians.

This grim picture of the South African and Namibian situation shows further that the economy has not re-oriented or transforms to cater for an absorption of the population towards a majority segment. These could be because the economic structures of both countries are still fundamentally rigid in the sense that it neither has nor fundamentally transformed itself from the historical years of skewedness in terms of resource endowment, entitlement, capital, positions and access.

The virtual economic exclusion of ensuring the inclusion of the majority of the population means that the economy is not growing on a broad based basis and that any growth is only as a result of the hitherto structurally enclaved sectors (mainly in agriculture, mining, fishing and to a lesser extent manufacturing) that are not link on a backward and forward basis, to the rest of the economy to cater for or absorb the economic potential of the population. Such an enclaved growth further explains the susceptibility of the South African and Namibian economies to the global and regional forces as evident from the recent global economic and financial crisis as well as the economic effects of climate change.

*Madam Moderator*

Once could argue that the current turmoil of economic crisis in Namibia and South Africa are over but still it does not bring comfort to justify that we need to attain and sustain high levels of economic growth than what we have currently. These high levels of economic growth unfortunately cannot be realized without the presence of broad based participation of the majority of its population.

In order to grow and develop the South African and Namibian economy, there is a need to empower on a broad and shared basis by encouraging through appropriate mechanisms the economic and social re-engineering of wealth and opportunities to the majority of the population.

### **Developments of BEE in South Africa and Namibia**

The Black Economic Empowerment is and continues to be an unfolding process happening in Namibia and South Africa. Despite its controversy, BEE seem to have taken root in South Africa where a comprehensive and focussed strategy has been drafted and consulted upon with stakeholders ironing out the economic analytics of the day on BEE in 2004. The essence of that strategy rested on policy statement and policy instruments that the government will consistently and predictably use including the formalisation of partnerships and 'charters' with the private sector; the use of a 'balanced scorecard' approach to gauging success; and an Act that allows for the formalisation of guidelines and codes and the establishment of an Advisory Council. In addition the introduction of an exclusive BEE fund as a financial support measure were also introduced and aligned with the BEE strategy developed in 2004.

At the current moment, BEE Policy in Namibia in the form of TESEF, the *“Transformation Economic and Social Framework”* has been developed, and consulted with stakeholders in 2008. This has been submitted to the Prime Minister’s Office. TESEF in a sense learns from best practice employed by South Africa and includes the formalization of partnerships and ‘charters’ with the private sector; the use of a ‘balanced scorecard’ approach to gauging success.

From the experiences of South Africa and Namibia for example, the strategic policy thrust of BEE are centered around six key pillars: *(a) direct ownership, management, control of enterprises and productive assets (b), SME enterprise development (c) human resource and skill development, (d) achieving employment equity, (e) preferential procurement or balanced tendering, (f) and corporate social investment in social related programmes and community development initiatives.*

### **Controversy surrounding BEE?**

There is no need to go into each of these pillars as you all are familiar with it and are Masters of Trade when it comes to the development and selling of BEE as a viable instrument. However as you are all aware, there are controversies surrounding the concept, nature and implementation of BEE.

In terms of the concept, the word Black Economic Empowerment (or *Swart Ekonomiese Bemagtiging*) is in essence just what the words encompass but it seem to be termed divisive and ascribed to a zero sum game. This means that BEE is been viewed as a means of an economic empowerment of those people previously disadvantaged at the expense of the previously advantaged. Hence the

definition of "black" that refers from a policy perspective to the previously disadvantaged communities and individuals that were subjected mostly to exclusion in the historical past are increasingly been seen as the *"Swart Gevaar"*. *The sensitivity of "Wat gebeur met die Wittes as Swartes bemagtig word"* seem to be the stereotype surrounding the word "Black" and what it means to economic empowerment for the benefit of all South Africans and Namibians alike. I am here to inform you that there is no need to despair, provided we follow certain principles that I will outline further below.

The nature of BEE is also increasingly questioned. BEE is viewed as a front for *"Black Elite Enrichment"*. There are notable worthy names that got rich through the process of implementing BEE as legislation in South Africa and de facto in Namibia. When those names are mentioned, there are negative sentiments expressed that they are neo-whites or that they are a Black Skin in White Wool and that they enriches themselves and are becoming billionaires whereas the rest of the country is still in a poverty trap. Unfortunately, there is an increased realization that BEE can only take root if there is a Championing process on a Black Empowerment process. It is unfortunately the first phase of a successful BEE transformation. Take the example of WEE or *"White Economic Empowerment"* as it were. WEE can be termed a success *ceteris paribus* if ascribed to capital accumulation, assets, positions, skills of whites in South Africa and Namibia. The essence of entrenching White Economic Empowerment or WEE with due respect was quite self evident and its importance of capital accumulation and creation of necessary infrastructure in South Africa and Namibia cannot at all be viewed as *"throwing the baby away with bathwater"*.

South Africa and Namibia are having the best infrastructure in Southern Africa (roads, rail, ports, power, etc) and seemed to integrate with ease regionally and globally upon the era of political transformation in 1990 and 1994 respectively. One can even argue that the current maintenance culture of such infrastructure can be termed an “apartheid dividend” in terms of capital accumulation. I just wish that such an “apartheid dividend” could have been applicable in terms of human resource accumulation across the Board of ensuring that more people come onboard within the economy. This would have created a broader scope of opening up doors for white and black empowerment processes that involves *“Human Economic Empowerment”* or HEE. This could further had economic spin-offs of job creation, rural development, urban renewal, poverty alleviation, specific measures to empower both white and black, women and the disabled, skills and management development, education, meaningful ownership, and access to finance for households and for the purpose of conducting proper business.

But all is not in vain. A current reality show that is where we are moving albeit pain stakingly. Whites and Blacks are realizing that together we aim to implement BEE but divided we aim to fail BEE. This standing together is compromised however by how we are implementing BEE. Whites on the one hand are accused of “fronting” or “black renting” the BEE process whereas Blacks or the Black Elites are accused of “quick bucks investment” syndrome or “fly by nite” companies. But all of us seem to realize that BEE in its current form is unsustainable. Although the championing process that I support seem to have its narrow based impact, all Whites and Blacks are realizing that BEE in its current form should be a transitory process and that in order for it to be credible and have a desired broader impact

in terms of economic development it needs to transform into a *Broad Based Black Economic Empowerment (BBBEE)*.

The question that is now on everybody's mindset is. Have we failed as economic agents the concept of BEE? Does the latest development inform us that we are not well equipped to get this vital process off the ground? Are we as two nations now saying let's give up on the idea and start to look at alternatives of empowering our people?

The above leads me to enter a dangerous terrain that of "psycholising" BEE. We all know that we still need a process to empower people and I mean more people. Hence the concept BEE is as highly relevant as it was 10 years ago. We just need to realize that just like any economy goes into stages of development, BEE has come to a point where its relevance has actually undergone metamorphosis or transformation.

The transformation to the word "Black" is "Human". BEE in its transformative form is not that it aims to separate Whites from Blacks but in my view it is been used just to ensure identity of purpose, that is to empower those left out during the apartheid and colonial times. It should not also be used to set-off blacks against whites but for a common economic good for us all.

*Madam Moderator*

In my view economic empowerment is about developing mechanisms, pathways and people so that access to the main stream of the economy is a real possibility. It involves a win-win situation for both blacks and whites and should not be

treated as a traditional zero sum game. By that I meant that there should be recognition of the dual need not only to encourage and nurture the participation of black persons or the previously disadvantaged in the economy, but should also be accommodative enough of allowing economic room for white or the originally advantaged to together work under some economic code of conduct and social contract to expand the economic cake of our economies. This can only be realized if a synergy is created that will retain the experience, expertise and knowledge of the white person but also to augment those traits in the black person.

These economic codes of conduct should be underpinned by economic structures that should be created to ensure broad based economic empowerment. One notable deal of BBBEE in Namibia was the Old Mutual group that has signed a BEE deal worth N\$308 million (R308 million) with a broad-based group on behalf of its own operation, as well as Nedbank Namibia and Mutual & Federal Namibia. The transaction includes employees, strategic business partners, distributors, trade union members and their families, women's organisations and church groups. Others in Mining and Telecoms Industries launched a BEE procurement policy. This was done without any legislation backing it, but out of the need identified by the company to drive empowerment within the country. The Tender Board Act is recently reviewed to look into preferential treatment of locals and small business. The Ministry of Trade and Industry is busy on a strategic approach to reserve certain petty retailing and transport avenues for locals. There are other measures which for brevity sake I won't mentioned here but which points to the fact that there is growing realisation of BEE inspired efforts to ensure local ownership and involvement on part of government and private sector sectors alike.

## **Is BEE Still Relevant in Modern Times?**

The implementation process of the Broad Based Black Economic Empowerment (BBBEE) remains however not without its faults. There are proponents that argue that the nature and the participation of those involved make it narrower in disguise.

BBBEE should never be seen as a short term gain but as a medium to long-term process that will only work if sound corporate governance, business and economic principles are followed. Artificial means on both White and Black to hijack the noble goal of broad empowerment can be beneficial for the parties involved in terms of capital and human resource gain in the short term but I can guarantee you that it would be detrimental in the medium to long term for any economy that desperately needs higher levels of sustained local economic growth and development. It is important to look for long lasting solutions on BBBEE rather than ones of a quick fix nature.

The role of mentorship and skills transfer cannot be overemphasized in the path to broad based empowerment. Many companies afford these tremendous opportunities to young, newly qualified black managers. The value of experience, coaching, mentoring and hands-on tactics should not be discounted. It is noteworthy that certain international companies in South Africa and Namibia have also engaged in models of in-house mentorship and incubation of fledgling black entrepreneurs in their field. This model ensures long-term sustainability through strong management and entrepreneurial spirit being built. Special emphasis must also be placed on training, upgrading and real participation in

ownership to de-lock the mind on “easy gains” but to engage consistently in a *“Road Less Travelled”*.

The source of broad based BEE for the majority of Namibians and South Africans will not be found for the future in the formal private and public sectors. There seem to be limits on their growth potential given the current regional and global constraints. There is need to shift the mindset in Namibia and South Africa of innovating and creating ideas within the Small and Medium Enterprises sector to make it grow as it is the only sector that is responsive to advancing technologies in the knowledge service orientation, corporate social investment oriented avenues, renewable energy to tackle climate change and home grown or creation of indigenous products such as arts, crafts, health products, agro processed products.

These alternative economic activities which are entrepreneurial such as the SME’s must be fostered with finding an expansive domestic and export markets as it is the only enterprise development in the SME sector which can have multiplier effects and gauged by many to be the most significant future contributor to job creation and economic growth in the country. SME’s role is still under emphasised in Namibia and to a lesser extent in South Africa but it is the only sector in Southern Africa which is cross cutting across sectors such as mining, tourism, leisure, manufacturing, etc and can assist in absorbing a majority of the excluded population into the economic sphere of Namibia

But for such a sector to take off, there is a need to develop better mechanisms of ensured access to finance, entrepreneurial skills, values, talent and culture and

Government and Private Sector must put heads together and spark the liveliness of this sector for it to take off properly.

To achieve a credible and effective BEE in Namibia and South Africa which is broad based and does address the “real” empowerment of those to be empowered, it is crucial to **structure BEE** in our economies. BEE needs to be implemented within a framework where a *consistency of approach, appropriate flexibility to respond to different economic and enterprise conditions and the ability to measure the progress on BEE implementation has to be fostered.*

In terms of a **consistency of approach**, it is crucial that when ownership is transferred to black ownership, that there needs to be innovative ways of financing the empowerment deals that will support effective BEE transactions. The companies that want to transact BEE with its empowered partner needs to realize that they must first employ best practice finance models for BEE transactions?

BEE ownership transfer deals does not entail “one-size-fits-all” approach but needs to be done taking a consistent approach in terms of best practice implementation. The various types of finance mechanisms that are available to successfully achieve sustainable empowerment shareholding which includes Government funding, Share schemes, Grants and incentives; Debt finance, Project finance, Joint ventures, and Venture capital need to consider on the nature and type of a BEE deal taking into account what kind of players are involved as well.

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Of all this type of finance mechanisms, South African experience and to a lesser extent in Namibia the consideration of debt finance seem to be the most logical and attractive options which is easily implemented in terms of BEE deals. It involves a process whereby the empowerment partners because of their inability to have ready capital available to transact the BEE, incurs a loan structured in such a way to repay such a loan or debt from cash flows generated by the company. Such an approach involves a process where massive wealth is transferred to the empowerment partners leading to a possibility of black fronting, and transfer of assets without real value addition.

When other broad BEE players are brought on board to make it look broad based such as Women and Trade Unions and regional or provincial players, such approach does not necessarily solve the problem of black fronting and seem to be broad in disguise and does not really lead to real empowerment but again to those who have the transaction right to the BEE deal. The debt financed BEE transaction deals which are currently still been considered is not in my view a sustainable empowerment mechanism as it invokes the moral hazard problem as it sounds more like sharing in *“money on a silver platter without any contribution”*. Further, the partners are trapped in deals that take up to 20 years to realize dividends, if at all. The debt finance deals are also supplemented by sole vendor financing (the white BEE partner) and issue of share options and grants to its black empowerment partner. Through this approach, debt is then raised against the shares the BEE partner possess in the company and hence the deal is more structured at arm’s length basis whereby the BEE partner is passively involved in the growth, value addition and profitability of the company.

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Increasingly, experiences with BEE transactions are showing that empowerment partners need to at least bring some capital to ensure BEE transactions to work effectively. Hence, various new options are considered that BEE partners in Namibia and South Africa can take advantage of. One attractive option is equity financing where a BEE partner needs to find actively an investor as partner to start its business, normally a SME. There are two main potential categories that can make equity financing successful which also bring in an element of broad based economic empowerment. These are (a) venture capitalist or risk-loving equity funding companies, (b) or engaging employee, women and/or trade union investors. The real value addition of these broad based options is to ensure that these partners are entitled to contribute in some sort towards the empowerment process. It does not always have to be money but can be also goodwill and commitment. Women Associations for example can be made mandatory as a empowerment partner to train a number of woman in finance skills per annum whereas trade unions will be required to contribute to work ethic, efficiency and productivity of a company through shared performance assessment and performance policy towards increased profitability of all.

Another innovative option involves debt financing raised against its assets and not shares as it is traditionally used to be. Given that BEE partners do not have sufficient assets to transact BEE, white BEE partner can sell assets to its BEE black partner which in turn borrows money from the bank against those assets to pay for them. This model called also the *leveraging model* represents a robust sustainable long term (usually 10 to 20 years) process where moral hazard problems are avoided and where both the financier (bank), vendor (white BEE

partner) and empowerment partner share in the risk and the growth and development of the company. This kind of models I am to learn are proven to be more attractive in South Africa as success models among SME's and where large companies such as Anglo American and *Ingwe*, an empowerment partner has financed it successfully.

With regard to appropriate **flexibility** to respond to different economic and enterprise conditions, BEE companies need to realize that they are confronted by changing domestic, regional and global economic, political and social factors that can impinge on the success of their enterprise and hence be mindful of those developments. BEE companies need to successfully build an affirmative procurement policy to create a sustainable empowerment initiative in their company. Concerns such as whether your company is BEE compliant, or sourcing its goods and supplies from BEE suppliers adhering to proper ethical guidelines are matters that requires immediate attention if the BEE partners wants to make success of its business.

*Madam Moderator*

Another issue concerns whether the BEE Company applies effective employment equity plan, policies and programmes that promotes efficient human resource development and growth in their entity and is aligned to the affirmative action act of the country? Here *the success to Broad Base BEE is Skills, Skills and ...more Skills*. BEE Companies need to be conscious of treating skills development as the foundation of real broad base BEE. BEE companies need to continuously answer

questions such as is there an accelerated skills development and training initiatives that further enhance the company of BEE goals. Has the BEE company master the appropriate techniques to effectively build a social investment and enterprise development policy for its stakeholders are also another matter that BEE enterprises must take into account to respond adequately to any socially developmental activity such as an HIV/Aids prevention and invest wisely for health retention of its own staff for example.

In conclusion, experience so far on BEE Structuring shows that the current debt financing of BEE transactions is not successful and BEE companies are under renewed pressure to actively transact their BEE deals through private equity capital. Such is the urgency of executing BEE transactions that the traditional private equity industry has virtually been turned into a BEE financing industry in South Africa for example and Namibia is actually following that example. This type of financing represents a most noble approach towards structuring BEE in Namibia and South Africa and needs to be encouraged especially as funding mechanism for the emerging and fast growing SMEs.

To end on a positive note, Broad based BEE is a must taking into account similar success in Malaysia to address this skewed perpetuating socio-economic situation in the 1960's. In Malaysia, a concerted policy called "*Bumaputra Malays*" to address the indigenisation of Malays from the expatriate Chinese was also implemented to ensure development of the economic infrastructure in which the *Malays* find themselves in to ensure increased opportunities in terms of positions, assets and income.

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