

Preferential Procurement Driving B-BBEE

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Preferential procurement is without doubt the driving force behind the **Broad- Based Black Economic Empowerment** Act (B-BBEE). Effectively this element, which has the same weighting as ownership, 20 points in the case of the Generic scorecard and 25 points on the QSE (Qualifying Small Enterprise) card, forces procurement managers and business owners to constantly evaluate their procurement spend whilst always keeping an eye on their achievable **BEE scorecard** points says Lizette Frank, Managing Member of BEE Empowered.

Considering the difficulties and costs involved in changing a company's ownership and management structures it is no surprise that companies are looking to maximise their BEE scores through the preferential procurement element.

One Anomaly, says Frank, which has surfaced since the Codes were gazetted last year is the reluctance of majority black owned businesses in the R5 million to R35 million turnover sector (QSE's) to have their BEE compliance independently verified. Their reluctance being attributed to the questions.... "why should I pay to be verified when you can see by looking at our skin that we are black?" and "We have been supplying companies, government or councils for years why do we need to pay for a piece of paper to prove we are black?". Unfortunately the misconception that BEE is all about ownership is still prevalent in the market place. The B-BBEE act allows for a levelling of the playing field giving all business the same opportunities, however, suggests Frank, for the system to work it is imperative that all businesses big, small, black owned or white owned embrace the process fully. We cannot have one rule for one business and a different one for another, how could a procurement manager ever be sure that a black business is indeed owned by the black individuals professing to be the owners? Further how could he be sure it was not a fronting exercise? Frank argues that the only way forward, as the B-BBEE Codes of Good Practice allow, is for independent BEE compliance verification of companies, undertaken by accredited verification agencies thus giving a clear, unbiased and consistent yard stick, which those responsible for procurement, can use with impunity.

When it comes to the BEE verification of a company's suppliers by a verification agency there are differing roles played by the agencies, some verification agencies such as BEE Empowered employ procurement analysts who check and verify each supplier for the measured entity as an included part of the verification process, other agencies simply leave the rather tiresome job to the measured entity and just verify on the number of scorecards given to them. Due to the relationships built, maybe over many years, with suppliers, many companies are loath to just discard them in favour of a new unknown BEE verified alternative, by having their suppliers dealt with professionally by an experienced analyst during the procurement verification process the non verified supplier will, more often than not, embark on the verification process thus adding to the measured entities score the follow year and alleviating the need to change suppliers.

A number of companies when compiling their supplier and procurement spend lists for verification tend to only submit their larger suppliers this practice can be quite detrimental to their overall procurement score says Frank, a lot of smaller suppliers can contribute additional points if for instance they are black owned, black female owned or have enterprise development value. At BEE Empowered we recommend full procurement verification to maximise scores.