Importers to align designated goods to new BEE codes

Nomonde Mesatywa, DTI chief director of BEE

Business owners who import goods that have been designated by the minister of trade and industry for local procurement – such as clothing, pharmaceutical products, office and school furniture and components for solar-water heaters – could see their BEE score significantly affected.

Under the amended BEE codes of good practice, which were gazetted in October, firms that import goods from designated sectors under the Preferential Procurement Policy Framework Act (PPPFA) for local production will no longer be able to exclude these when calculating their preferential procurement score on the BEE scorecard.

For example, while a firm in which clothing imports make up 90% of its procurement spend might previously have been able to attain a 100% BEE procurement score by sourcing its remaining supplies from black-empowered suppliers – the best it can now hope to get is 10% BEE procurement score if it continues to import clothing.

However, importers of all other goods will be able to continue to exclude these from their procurement score, after the Department of Trade and Industry (DTI) conceded to industry demands.

A number of other products have also been designated under the PPPFA for local production. These include rail rolling stock, steel power pylons, bus bodies, canned or processed vegetables, set-top boxes for television digital migration, power and telecommunication cables and valves and manual and pneu-matic actuators.

The department has indicated that it is looking into designating further products.

The new codes allow businesses to exclude imports from their BEE score if there is no existing production of such capital goods or components and if importing the capital goods or components promotes further value production in SA. It means that importers can still obtain a high BEE score by procuring their remaining goods and services – such as cleaning, security and stationery for example – from black-owned or empowered companies.

If importers have developed a supplier development and enterprise development plan for imported goods and services, then they can also exclude imports that carry a brand different from locally produced goods and services or have different technical specifications to the locally produced goods, can be excluded from their BEE procurement score.

“They must have a plan to say in the next three or four years (for example) they will develop suppliers to get that product,” explained the DTI’s chief director of BEE Nomonde Mesatywa, adding that the new provisions are aimed at encouraging local production.

The new BEE codes, which will come into effect in October 2014, will offer a major boost to black entrepreneurs that want to supply the private sector, since they incentivise large companies to offer support and buy from black-owned enterprises.

More large companies will be compelled to set up supplier development programmes to offer mentoring and buy from black suppliers.

While the present codes oblige qualifying small enterprises (QSEs) to obtain a BEE scorecard, under the new codes black-owned QSEs – like exempted micro enterprises (EMEs) – will be exempted from producing a BEE certificate.

The turnover threshold for EMEs has also been raised from R5 million to R10m, while the QSE threshold has been raised from R35m to R50m.

Added to this, the BEE amendment bill, which is currently waiting assent from President Jacob Zuma, will criminalise fronting when it comes into effect.