



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

GUIDELINES: EQUITY EQUIVALENT PROGRAMME FOR MULTINATIONALS

1. INTRODUCTION

The Codes of Good Practice require that all entities operating in the South African economy make a contribution towards the objectives of Broad-Based Black Economic Empowerment (B-BBEE). It is, however, acknowledged that there may exist multinationals that have global practices preventing them from complying with the ownership element of B-BBEE through the traditional sale of shares to black South Africans. In this instance, and provided that it can be proven that such entities do not enter into any ownership partnership arrangements in other countries globally, the codes have made provision for the recognition of contributions in lieu of such sale of equity. Such contributions are referred to as Equity Equivalent (EE) contributions. Such EE contributions towards the ownership element of B-BBEE made by multinationals will be measurable against 25% of the value of their operations in South Africa.

An EE Programme would entail a public programme/scheme and/or private programme/scheme designed to fulfill the requirements of B-BBEE ownership. Such a programme needs to be approved by the Minister of Trade and Industry in order to qualify for ownership points on the scorecard.

A proposal for an EE Programme would have to be developed by a representative entity of the foreign multinational for submission to **the dti** and may either take the form of a private programme or a public programme or a combination of both as provided for in the codes.

2. OBJECTIVES

EE Programmes are expected to contribute towards the achievement of the following objectives:

- Enterprise creation and development.
- Foreign direct investment.
- Accelerated empowerment of black rural women and youth.
- Sustainable growth and development.
- Human development with focus on education and skills development.
- Infrastructure investment with emphasis on developing the country's research and development infrastructure.

3. PRINCIPLES

- The economic impact of the EE Programme must be aligned to the objectives of the B-BBEE Act.
- The EE Programme must not displace other B-BBEE initiatives to be undertaken as per the scorecard.
- The EE Programme must be broad based in its impact on the black population.

4. QUALIFICATION CRITERIA FOR PARTICIPATION IN EE PROGRAMME

- EE proposals must demonstrate commercial viability and long-term sustainability (economically and operationally).
- EE proposals must be aligned to the overall objectives of B-BBEE.
- There must be transfer of business and/or technical skills.
- EE proposals must be measurable against the value of their operations locally with tangible measurable outputs.

5. EXAMPLES OF DIFFERENT FORMS OF EE PROGRAMMES

- Enterprise Creation Programmes.
- Economic Development Programmes.
- Projects aimed at technology transfer/diffusion within the small, medium and micro-enterprise sector of the local economy.
- Programmes that promote economic growth and employment creation through the enhancement of technological innovation.

6. ROLE AND RESPONSIBILITIES OF EE PROGRAMME CANDIDATES

- To carry out their EE programme in line with BEE objectives.
- To target sustainable projects, which are in line with governments' accelerated and shared growth initiatives.
- To submit EE proposals that are measurable against the value of their operations with tangible measurable outputs.
- To demonstrate how they arrived at the valuation model, the assumptions made and the viability of the project.
- Enter into a Memorandum of Agreement with the dti regarding the EE upon granting of the approval.

7. PROCEDURE FOR THE APPROVAL OF EQUITY EQUIVALENT

- Multinational entity obtains in principle support for application for exemption from sale of equity from line Ministry.
- Multinational entity submits an application to **the dti** for exemption from the sale of equity.
- Multinational entity must prove that such sale of equity is against global practice.
- **the dti** to grant exemption and approve go ahead for proposal on EE Programme by Multinational.
- Multinational entity to submit EE proposal to **the dti** within 60 days from date of granting of the exemption.
- Evaluation of EE proposal by the EE Committee.
- Granting of pre-approval by **the dti**, within two weeks from date of evaluation.
- In the event that the proposal is rejected, **the dti** to notify and submit reasons.
- **the dti** evaluation committee to make recommendations to the Minister for final approval.
- Scorecard points for EE to be calculated and awarded to Multinational entity.

8. THE ROLE AND RESPONSIBILITIES OF THE EQUITY EQUIVALENT COMMITTEE

- Evaluate and negotiate the EE proposal against the set criteria.
- Monitor and evaluate the implementation of the EE Programme.
- Provide strategic direction on BEE and approve EE proposals.
- Liaise and disseminate information regarding EE to other government department and stakeholders.

9. COMPOSITION OF THE EQUITY EQUIVALENT COMMITTEE

- Black Economic Empowerment Unit within **the dti**;
- National Industrial Participation Secretariat Unit within **the dti**;
- Any other relevant division/unit within **the dti**, e.g ERPC, SME, CSP;
- Industrial Development Corporation; and,
- Sector Representative (if deemed necessary).