



1999 Annual Forum

at Glenburn Lodge, Muldersdrift

Rethinking  
Black Economic Empowerment  
in the  
Post-Apartheid South Africa

---

O'mano Emma Edigheji

---

19-22 September 1999

**Rethinking Black Economic Empowerment in the Post-Apartheid  
South Africa**

**By**

**O'mano Emma Edigheji  
Doctoral Candidate  
Department of Sociology and Political Science  
Norwegian University of Science and Technology  
Trondheim, Norway  
E-mail: [omano.edigheji@svt.ntnu.no](mailto:omano.edigheji@svt.ntnu.no)**

**&**

**Research Associate  
Graduate School of Public and Development Management  
University of the Witwatersrand  
South Africa  
E-mail: [edighejo@zeus.mgmt.wits.ac.za](mailto:edighejo@zeus.mgmt.wits.ac.za)**

**Being a paper prepared for presentation at the Forum 1999, Growth and  
Investment in South Africa. Glenburn Lodge, Muldersdrift, South Africa. 20 –  
22 September 1999.**

## **Introduction**

Since the introduction of the concept of Black Economic Empowerment (BEE) into the South African socio-economic and political lexicon in the late 1980s, the concept has become an amorphous, slippery and catch phrase for politicians, journalists and academics of various ideological persuasions. BEE is generating controversy amongst labour unions, business organisations, government officials and people in the street, invoking hopes, fears and scepticism from various quarters. Books, newspapers and magazine articles have been written on the subject and conferences, seminars and workshops have been organised on the theme of BEE. It has also found its way into a wide range of political parties and government's documents since the 1994 non-racial and non-sexist democratic elections. Yet, the concept has been elusive and ill-defined as even the African National Congress (ANC) and the government have not come up with a clear definition or a coherent BEE strategy. Embodied in its various usages, however, is a struggle for the heart and shape of the present and future transformation of the South African state and society.

The concept of BEE has however been used interchangeably with that of Affirmative Action (AA). But rather than attempt to resolve the differences between BEE and AA, this paper explores the trajectory of the discourse on BEE for the purposes of policy implication and transformation of the South African state and society. I nonetheless draw on the AA literature because some of the contending views on BEE are replicated in the AA debate. Singh's (1996) distinctions of AA could be usefully applied to the debate of BEE. She identifies two versions of AA -- the minimalist and maximalist. These two have become the dominant approaches to the discourse and practices of BEE in the post-apartheid period.

This paper seeks to provide a coherent definition of BEE, which has the empowerment of the people as its prime objective. In the first section, I examine how the concept of empowerment has been used in the field of development. In section two, I introduce and critique the minimalist approach that emphasises individual empowerment especially through the creation of a filthy rich black business class without addressing the extreme poverty experienced by majority of the black population. In section three, I discuss the maximalist approach, which emphasises collective empowerment, that is, uplifting the living conditions of the majority of the black population. In section four, I analyse one of the government initiatives to promote BEE with a view of highlighting which of the two approaches have dominated the state policy.

In the concluding section, I argue for a broad-based approach to BEE. It stresses that individual -- the creation of a black business class and collective empowerment -- the reduction of poverty within the black community are intertwined processes. This constitutes the meaning of genuine empowerment -- the simultaneous empowerment of individuals and the community.

### **Conceptualising Empowerment**

Before proceeding with an examination of the two approaches to BEE, I should develop a conceptual framework of empowerment and its usage in the field of development. John Friedmann (1992), a professor of urban planning at the University of California, Los Angeles, provides an appropriate conceptual basis for an understanding of empowerment. He defines empowerment as an alternative development, which places emphasis on the improvement in the conditions of life and livelihood of the excluded majority. Empowerment is an alternative development because it aims to redress the historical process of systematic disempowerment or exclusion of the vast majority of people from economic and political power. Disempowerment denies the majority of 'human flourishing' as their lives are characterised by "hunger, poor health, poor education, a life of backbreaking labour, a constant fear of dispossession, and chaotic social relations (p12)". According to Friedman, empowerment aims to humanise the system that has shut out the majority, and its long-term aim is to fundamentally transform the whole of society including the structures of power.

In contrast to neo-classical economics which approaches the question of growth from the perspective of the firms, empowerment as an alternative development addresses the question of an improvement in the conditions of life and livelihood from a perspective of the household, notes Friedmann. Although empowerment is "centred on people rather than profits, it faces a profit-driven development as its dialectical other" (p9). Thus unlike neo-classical economics which takes the individual as its unit of analysis, empowerment takes the household as its unit of analysis.

According to Friedmann, "Economic science works with a model of "economic man," understood as a rational, utility-maximising being with a built-in moral calculus: that whatever promotes one's material interest also furthers the interest of all individuals together, provided that their actions are governed by the rules of market competition" (p31 -32). Alternative development on the other hand, works on the model of the household. Households are composed of natural persons, that is, moral human beings, who from birth engage in dynamic interactions with others. Moral beings are obligated to each other via

competition, collaboration, and their relations are guided by a complex moral code. Moral beings also desire affections, self-expression and esteem, unlike commodities. Furthermore, according to Friedmann, households through a process of joint decision-making collectively produce their own lives and livelihood. The households are therefore productive and proactive units. Thus unlike neo-classical theory which treat the household as a consumption unit and a private activity, alternative development treats households as both production-centred and public. As production units, households require the co-operative relations of others, relationships that are founded on reciprocity and trust.

In the pursuit of life and livelihoods, each household requires three types of powers: social, political and psychological, argues Friedmann.

He defines social power “as an increase in a household’s access to the bases of its productive wealth” (p33). These include access to information, knowledge and skills, participation in social organisations and finance. Political power means access of individual household members to the process by which decisions, especially those affecting their future, are made. This could be done through participation in political associations, community groups, trade unions, peasant organisations, etc. Psychological power is defined as an individual sense of potency. It is demonstrated in self-confident behaviour and its presence increases the household’s capacity to continue to struggle for social and political power. As Friedman points out, psychological empowerment is often the result of successful action at the social or political fronts.

Alternative development therefore seeks “the empowerment of households and their individual members in all three senses...Alternative development must be seen as a process that seeks the empowerment of households and their individual members ... (p33).

Although without direct reference to it, Friedmann conceptual framework provides a basis to understand economic empowerment. Economic empowerment can be defined as a process to fundamentally transform the structures of a society, especially the social and economic structures<sup>1</sup>. Its central objective is the improvement of life and livelihood of the excluded majority. This is achieved not through *handouts to individuals* but through increase in the productive access bases of the household. This includes access to skill development and training, employment opportunities, financial resources, and participation in social organisations.

---

<sup>1</sup> One element of this is to make the corporate business more socially responsible.

Friedman eloquently argues that successful empowerment requires a strong and proactive state. Such a state is accountable to its citizens (and not currency speculators), and it devolves powers to local units of governance and the people themselves, organised in their own communities, to manage problems that are best handled at those levels.

Against this conceptual framework, I will proceed to examine the two approaches to BEE in South Africa.

### **The Minimalist Approach to BEE**

The minimalist approach takes the individual black entrepreneurial, managerial and professional class as its unit of analysis. Broadly defined, the minimalist approach emphasises a proportional representation of previously marginalised groups of people in the public and private sectors. In other words, it focuses BEE discourse and practice on the career mobility/advancement of black managerial, professional and business ranks. This approach does not seek to alter the conditions that simultaneously engendered privileges for the minority on the one hand, and sustained exploitation and marginalisation of the majority on the other. Rather, it seeks to alter the racial composition of privileges and exploitations, that is, to create a **new circuit of racial capital accumulation**. In its narrow sense, the minimalist approach defines BEE in terms of development of black-owned businesses or creation of black business class. This has become the dominant position within the minimalist approach. It is best represented by former Deputy Minister of Trade and Industry, Ms Phumzile Mlambo-Ngcuka (1997) to whom BEE means making a few black businesspersons "filthy rich". As Freund and Padayachee (1998) rightly observed, the minimalist approach to BEE "is largely a class creation project, the promotion of a new class of wealthy and powerful African movers and shakers". A leading ANC intellectual and former Tourism Minister, Pallo Jordan bestowed on this emerging black bourgeoisie as the prime hope for setting "a new agenda of corporate social and civil responsibility" (Jordan, 1998) in the new South Africa. They have therefore been labelled patriotic bourgeoisie.

To the minimalists, to paraphrase Phinda Madi writing in *Breakwater Monitor* (1997), BEE occurs every time a group of black persons acquire share certificates in previously white-owned companies or secures an equity stake in government-initiated businesses, the latter via casino licences, the privatisation and commercialisation of state assets. In other words, the minimalist approach defines BEE in terms of share acquisitions by the black business class in previously white-owned businesses or the establishment of joint ventures between black and

white entities<sup>2</sup>. Not surprisingly, newspaper headlines on BEE have focused on share-acquisition by the emerging black business class.

Most of these emerging black entrepreneurs are closely allied to the ANC and have been described as *Comrades in Business* (Adam, Slabbert and Moodley, 1997). The comrades in business have used their political connections to increase their income, wealth and asset base. Indeed some have become millionaires in a very short space of time. One major area where the increase in the asset base of the emerging black entrepreneurs is noticeable is the Johannesburg Stock Exchange (JSE) where black equity stakes have increased from less than 1% in 1994 to between 7% and 8% in mid-1999 of its total capitalisation. Simultaneously however, in the name of corporate restructuring the comrades in business are presiding over the downsizing of the workforce in companies where they have control. Thus rather than seek to fundamentally transform the corporate structure, the emerging black business class have become comfortable with it as long as they become 'stinking rich'.

Therefore, the impact of the deracialisation of equity ownership, which the minimalist approach promotes, has been very limited. As Simon Segal (1998) rightly observed, most of the black operating companies cannot stand on their own and their contribution to job creation and skills development remains limited. Not only are the management and operational sides of these companies still under white control but these acquisitions and mergers are being financed by white South African capital or foreign banks or companies. Few examples will illustrate this point. The Sunday Business Times (August 22 1999) reports that none of the directors of Wiphold Financial Services that is being set up by Women Investment Portfolio Holdings<sup>3</sup> (Wiphold) black empowerment group is black. They are all white males. In a similar report, the Financial Mail (August 20 1999) notes that majority of the Executive directors of two leading BEE companies, African Life and Metropolitan Life are all white males. Blacks are relegated to token positions of non-executive directors<sup>4</sup>. This approach to BEE therefore reinforces white control over the economy and provides marginal access to a few blacks into the ownership structure of the corporate sector. In a telling conclusion, Segal notes, "black economic empowerment is evolving into something that is not black, economic or empowering, but rather white, political and enriching. It has also failed to change racial mindsets, is vulnerable to JSE's performance ... (Segal, 1998: 80)".

---

<sup>2</sup>The minimalists do not take into account whether the black equity stake is in the minority or not. Thus companies where blacks acquire less than one percent shares have been labelled BEE companies. Can such companies really be so called? The answer would be a resounding no if we take Friedmann's definition of empowerment as the base line.

<sup>3</sup> Wiphold is a black empowerment company led by women.

<sup>4</sup> Indeed most of the so-called empowerment companies are initiated by white consultants and investment bankers. These whites constitute the management and appoint blacks to non-executive positions to make them more acceptable and gain access to government contract. As Madi points out, the white consultants are has become the kingmakers in the so-called BEE companies.

Because the emerging black business class has depended on share acquisition through which it has inserted itself into the global economy, it has been subjected to the volatility of the global financial market. Thus as a result of the 1998 Asian contagion or more appropriately, the global economic crisis some of the BEE companies such as the New Africa Investment Limited (NAIL) lost over half of their share value. Coupled with increased interest rates, these firms are in the red and repayment of loans becomes impossible.

Another major implication of the minimalist approach to BEE is that it is fostering a process of social exclusion in the new South Africa as majority of blacks, and mostly rural women remain unemployed, and are denied the fruits of social transformation – without access to physical and social infrastructure. At the same time, a new filthy rich black and professional class enjoys the benefits of the democratic transition – with access to corporate ownership, leading positions in the public sector and lived in previously white-suburbs. Put differently, a minimalist to BEE promotes the empowerment of few blacks individuals and the disempowerment of the vast majority of the black population. This has resulted in the increased polarisation of the black community, that is widened the gap between the rich and the poor within the black population. As Hermann Giliomme of the University of Cape observed “A huge gap has opened up between the top quintile of the blacks and the lowest two. There’s a 60 times differential between the top 10% of blacks and the poorest 10%” (in the Financial Mail, November 29 1996). In the same edition of the Financial Mail, Kane-Berman notes that the “richer to poorer ratio within the black population is 29:1, compared with a 3,4:1 ratio of white to black earnings in the manufacturing sector”.

I therefore concur with President Thabo Mbeki (1998) that the new South Africa is a country of two nations. But in contrast to Mbeki, the two nations are defined by access to material conditions and privileges, as well as gender.

Within the minimalist approach to BEE, there is what I refer to as the psychological dimension. Its proponents such as the then General Secretary of the National Union of Mineworkers (NUM) and current General Secretary of the ANC, Kgalema Motlanthe (cited in *Enterprise*, November 1996) and Thami Mazwai (cited Sunday Independent: <http://www2.inc.co.za/Archives/1997/9710/21/bizeyr.html>) point out that the success of black businesses will give a psychological boost to the black community. According to this perspective, the success of black-owned companies would give inspiration to the black people and dispel the illusion that business success is a white-only phenomenon. This is what I call the psychological benefit and underpinning of BEE. The success of black companies is likely to inspire confidence and motivate the black community to engage in productive



socio-economic activities. The black community having been stigmatised and dehumanised over the years, the success of black-owned businesses could ignite and spread a sense of self-worth in the community as a whole. One analyst of economic empowerment celebrated the emergence the black petit bourgeoisie thus:

It is people like Nthato Motlana who inspires a lot of young black business aspirants to a point beyond just wishing to be shopkeepers or street vendors. People like Mzi Khumalo prove that the existence of black mining magnates is likely to become a reality in our lifetime. People like Cyril Ramaphosa help to break down the stereotype that blacks do not have the mental capacity to handle a multimillion business empire. The celebration of big black business is a phenomenon whose time has come. The author, and indeed many people in all four corners of South Africa and beyond are proud of these heroes. They are becoming the stuff of which legends are made<sup>5</sup> (Madi 1997: 57).

International experiences show that psychological motivation has been a crucial but not the major and only reason for the implementation of empowerment related programmes in countries such as Malaysia.

Solomon (1976) writing on the subject of empowering African-Americans from a social work perspective supports this argument. According to her, empowerment is a process whereby persons who had been stigmatised throughout their lives are assisted in skills development and the exercise of interpersonal influence, as well as in the performance of valued social roles<sup>6</sup>. Although the psychological imperative of empowerment is essential, BEE should not be limited to **psychological massaging** for the South African black community nor should it be regarded as a residual or accidental benefit of transition, as the proponents of self-enrichment would want to have it. This is one major limitation of the minimalist approach. It confines the majority of the black population to that of spectators that celebrates the success of others within their community. This is in contrast to Friedmann, who as noted earlier, argues that psychological empowerment flows from the individual sense of potency, and it is derived from access to employment, skill development and training, finances, information, etc.

The minimalist approach to BEE has been severely criticised from various quarters. The South African Communist Party (SACP) points out that such an approach could give rise to a

---

<sup>5</sup>The author followed the statement with a caveat expressing concern whether this was not a premature celebration fearing that most of the deals would lead to massive debts by the black business class. In other words it is not yet *Uhuru*.

<sup>6</sup> Even this definition goes beyond the creation of a business class. It also entails the skill development, etc.

limited version of a national democratic project (*The African Communist*, 1996). Cyril Ramaphosa, former ANC General Secretary and a major beneficiary of BEE concurs thus: "To define black economic empowerment only by the transfer of share ownership is short-sighted and skews the central thesis of **South Africa's transformation**" (cited in Turok, 1999: 119) (**emphasis mine**). Indeed, it has become a means to dismantle the state or reduce its role in the economy and the implementation of cost recovery social policy. This is because privatisation and commercialisation of state assets, as well as outsourcing of government services are carried out in the name of promoting black entrepreneurs. The minimalist approach is therefore synonymous with a minimalist state that is broadly supportive of the emerging black bourgeoisie but not overtly proactive in the empowerment of the majority of the black population.

Other critics such as Mbigi (1996) points out that a minimalist approach to BEE is both tragic and naive because, in his view, there can be no empowerment without the collective solidarity and advancement of the black community. Consequently, he calls on "black business people, professionals and managers to avoid this elite isolation and alienation" by constantly affirming their support and solidarity with workers and the black community. (Mbigi in *Business Day*, November 28, 1996).

While cautioning against the minimalist approach, Nzimande (1996) notes:

We need to challenge the notion that black economic empowerment only means the development of a black bourgeoisie or a "patriotic bourgeoisie" -- an ambiguous concept, yet to be defined by those who advocate it. Black economic empowerment should be rescued from this perspective and be given concrete meaning directed at empowering the mass of the people of our country. There is no reason why we should not be exploring alternative forms of economic ownership, like co-operatives. Embedded in the meaning of black economic empowerment as articulated by those aspiring to be capitalists is the notion of individual empowerment as opposed to collective economic empowerment of the working class, landless rural masses and small businesses (Nzimande, in *The African Communist*, 1996).

### **The Maximalist Approach to BEE**

The other framework to BEE could be broadly referred to as the maximalist approach. It emphasises a comprehensive restructuring of institutions and society, which would effectively alter power relations in the political and economic spheres, rather than the

replacement of white individuals with black ones. The approach entails the generation and redistribution of resources to the vast majority of the people, ranging from skills and educational training to land redistribution. Additionally, the maximalists stress the overall democratisation and transformation of institutions and organisational culture, rather than the mere inclusion of a few individuals from the previously disadvantaged communities in the ownership and management structures of the economy.

Sono (1991) eloquently articulates this approach to economic empowerment when he defines BEE as a corrective, creative and constructive mechanism for the redistribution of justice. It involves the shifting of power -- politically, commercially, economically and educationally -- from the traditional centres to the new demand sectors -- the black population. According to him, BEE should facilitate the economic empowerment of the black people who were disempowered, incapacitated and marginalised, in diverse ways, under apartheid. BEE also refers to the abilities of individuals to freely conduct economic activities of their choice.

Conceptually, this approach places at its core the simultaneous empowerment of the black people as a collective and the individual as an entity. In other words, BEE encompasses the collective and individual empowerment of the black people. The logic is that empowerment emanated from the need to redress the collective racial, gender and class inequalities engendered by apartheid. Consequently, BEE-related companies should therefore be socially and politically rooted with the aim of empowering the black community at large. By extension, BEE related - firms represent the co-existence of two conflicting, but mutually reinforcing interests, that are socio-political or collective (which is developmental) and economic interest of the entrepreneur (which is profit-maximising). This realisation prompted the *Business Day* (November 28, 1996) to assert that BEE should be rooted on the collective destiny of the black people which must form the basis and inspiration for empowerment-related business companies. Gqubule (1996) forcefully makes this point when he asserts:

In these days of corporate largesse (or reparations), it is important that the benefits of empowerment are spread as widely as possible to the black communities. By definition, reparations cannot be bestowed on a few individuals. This is especially so when black empowerment companies get deals, government contracts and licenses in the name of empowerment and benefit from state initiatives related to privatisation and deregulation... (Duma Gqubule, in *The Sunday Independent*, December 15, 1996).

Although the ANC doesn't have a clear definition or a coherent strategy on BEE, its November 1996 discussion document, 'The State and Social Transformation', provides a

glimpse of ANC thinking on the subject. In the document, the ANC argues that BEE is part of the overall transformation and democratisation of the South African state and society. Consequently, it asserts that BEE "should be aimed at maximising the number of ordinary communities who increase their share of participation, not only in creating improved material conditions, but also in determining the depth, direction and pace of economic transformation" (ANC, November 1996). In the same vein, an adviser of the ANC, Don Mkhwanazi (cited in *The Sunday Independent*, October 27, 1996:14) points out that "it (BEE) involves the ownership and control of productive assets of our country, namely, land, capital, management and entrepreneurship and labour by the blacks in the mainstream of the economy, in all sectors at all levels". Central to this perspective is the question of collective ownership of resources, and participation and improvement of the well being of the black community in the socio-political and economic life of South Africa. It is however doubtful whether this is the official ANC definition/policy of BEE as the document referred to is a discussion document and Mkhwanazi's definition have been contradicted by other key members of the ANC, as discussed in the previous section. The inability of the ANC, as well as the government, to clearly define BEE and situate it within the broader transformation project could explain the dominance of the minimalist approach both in discourse and practice.

Key members of the black business community, however, support the maximalist approach to BEE. For example, the Acting Chief Executive of Nafcoc Investment Holding, Mashudu Ramano aptly defined it thus: "Empowerment means democratisation of ownership of economic resources, creation of a significant entrepreneurial class amongst blacks, increased human capital development among blacks, improved living conditions of blacks and elimination of race in economic activities (Mashudu Ramano cited in *The Sunday Independent*: <http://www2.inc.co.za/Archives/1997/9710/21/bizeyr.html>)

Also the Congress of South African Trade Unions (Cosatu) conceptualisation of BEE falls within the maximalist approach. To Cosatu, BEE should be part and parcel of the broader and fundamental transformation of the state and society. It's then general secretary (current premier of Gauteng), Sam Shilowa, opined that the mere replacement of white individuals with blacks is "tokenism". He calls for a meaningful empowerment of workers and the black communities in the ownership, control and management of economic resources (Shilowa, 1994). The need to broaden the ownership of resources and participation of workers in particular and the black community in general informs the setting-up of investment companies by the trade unions<sup>7</sup>, which are involved in several empowerment ventures including partnership with black-owned businesses.

<sup>7</sup> The setting up of investment companies is generating debates within and outside the unions. Critics point out that some of the union investment firms are focussed on share acquisition and have no contribution to employment creation or valued added. It is also feared that rather union leaders rather working to improve the

This conceptualisation treats redistribution and economic growth as a single strategy that can be achieved simultaneously. It rejects the rigid separation of redistribution and growth, in contrast to neo-classical economists. Redistribution without growth would likely have disastrous effects on economic development. Also, growth without redistribution would likely result in socio-economic and political instability, which in turn would impact adversely on the economic realm since an unstable condition is an inauspicious environment for investment and growth.

To the South African Communist Party (SACP), one of the ANC alliance partners, BEE is one mechanism to realise the objectives of the Reconstruction and Development Programme (RDP), thereby deepening the national democratic revolution. Consequently, it argued that BEE should represent and promote the broader social interests of the working people including the urban and rural poor (*The African Communist*, Editorial, No 145, Third Quarter 1996).

This approach is premised on the argument that it is only through democratic economic empowerment that social and political stability can be sustained<sup>8</sup>. Anything else, the SACP warned, would lead to authoritarianism. The African Communist editorial aptly captured this:

As the structural limitations of upward mobility for the previously oppressed majority, **as advocated by the minimalists**, become more apparent, as pressures mount for "more delivery", there are dangers that the newly arrived taking their place alongside of an older white elite, will increasingly identify with top-down managerialism (in the name of professionalism), and the use of authority -- seeing in the excluded 70% less the motor force for ongoing transformation, and more a threat to newly acquired privilege and power (emphasis mine) (*The African Communist*, 1996: 4).

---

conditions of their members focuses on obtaining shares from the Stock Exchange. Additionally, it is feared that the investment by unions will blunt their militant culture (See Segal, 1998).

<sup>8</sup> International experiences give credence to this argument. In countries that are racially divided and where the ethnic minority dominated the economy, if after independence the post-colonial state pursued economic growth at the expense of undertaking measures to empower the vast majority of the previously marginalised racial group, the outcome has been racial riots that threatened the socio-political stability. The 13 May 1969 racial riot in Malaysia is a case in point. It broke out against the background of Malay economic backwardness and a festering resentment against Chinese wealth. The collapse of the Suharto regime in 1998 is partly due to the fact that the minority ethnic group, the Chinese, controlled the economy most of the indigenous people, the Malays, were mired in poverty. In the ensued riots, Chinese businesses were looted or destroyed.

From this perspective, economic empowerment is part and parcel of the democratic transformation of the South African state and society. In summary, BEE in its truest sense occurs “every time a black person acquires the means to earn a living...” (Madi 1997).

At this juncture, we should examine how these two approaches have shaped government policy on BEE. Such an analysis will shed light on the dominant approach to BEE. Towards this end, I will focus on the National Empowerment Fund (NEF) which was launched recently by the government.

### **National Empowerment Fund<sup>9</sup>**

The NEF is the boldest initiative taken so far by the government to promote (HDP) Historically Disadvantaged People (hereafter referred to as black) owned businesses. Through the NEF, the government intends to create investment opportunities for black people that will generate income and capital growth. It aimed to empower the black community through the sales of small amounts of shares to as a large number of black people as possible, rather than to a few black individuals<sup>10</sup> (Industrial Development Corporation, 1997). Two kinds of opportunities for black empowerment have been identified, that is, distribution on a mass basis to individuals and facilitation of the direct investment of black consortia/groups into restructured companies.

These would be achieved through a unit investment trust (hereafter referred to as Trust A) and direct investment (hereafter referred to as Trust B). In other words, Trust A and Trust B would accommodate the individuals and the black consortia respectively.

Shares would be made available to black businesses in state privatised companies, or to be more fashionable, in state restructured companies such as Telkom (the state owned telecommunication company. Ten percent of Telkom’s shares are reported to be reserved for BEE purposes). Likewise for Sun Air (currently being liquidated), Airports Company, Aventura, Eskom (the state owned energy company), etc. These shares would be sold to the black community at below the market rate or at discounted prices. To spread the ownership and to ensure participation by as many people as possible, it is envisaged that the unit price will be R20 and individual ownership limited to a maximum amount of R50, 000. Although it is open to all race groups, Trust A would focus on the small black businessperson. For easy accessibility, it is proposed that these units would be distributed to the public through the post

---

<sup>9</sup> Because the NEF is structured along the National Unit Trust (ASN) of Malaysia that was very successful, in terms of ensuring the participation of ordinary Malays (including housewives, market women, farmers, etc), in the analysis that follows I will compare the two schemes to highlight the limitations of the latter.

<sup>10</sup> As our analysis will soon show, the instruments for their achievement will contradict these noble objectives.

office, black-owned banks, etc. Also, Trust A would have a diversified portfolio as a way of striking a balance between immediate income-generating investments and those that would offer capital growth. NEF is also aimed at broadening ownership and encouraging savings among the black people (IDC, *ibid*).

As a "warehousing trust", it is proposed Trust B would hold equity stakes in restructured parastatals until these are sold, at a competitive price, to black business groups/consortia (IDC, *ibid*). One shortcoming of Trust B is that, without a fixed quota, one or few black groups/consortia will dominate and acquire all shares in restructured public companies. Also, since there is no fixed percentage of the amount of shares that blacks could own in joint ventures with white or foreign partners, black partners (with little or no control in their establishment) could use their names to acquire the state's restructured companies on behalf of their non-black partners. These will negate/defeat the aim of economic empowerment. Put differently, without a fixed quota, blacks could act as fronts for white and foreign investors.

Most of the "deals" entered into by the black consortia, some championed by those the SACP (1997) referred to as "comrade capitalists" have this feature, that is, acting as fronts for white and foreign capital. Strydom (1997) writing in *The Star Business Report* (October 10, 1997) aptly captured the adverse implication of this on economic empowerment thus: "the white establishment uses black faces to gain access to the new government and often pays the blacks in the form of shares in their companies... so at the end of the day, it is a handful of black people that are being enriched". She went on to note that enrichment of few individuals couldn't be referred to as economic empowerment. According to the president of the Micro Business Chamber, Lawrence Mavundla (1996 cited in the *Business Report*, November 6, 1996) it is only about 300 people, who are already rich that are benefiting from such deals. Consequently, he concluded that economic empowerment is a sham.

While these few black individuals are becoming "filthy rich" and black equity share ownership in the JSE increased from less than 1% in 1994 to about 5% in 1997, there is hardly any doubt that the majority of the black population have not benefited in terms of improvement of their living conditions, for example, through job creation. In 1997, the government-owned Central Statistics Services reported that between December 1994 and March 1997, no new jobs have been created in the South African economy. Indeed, a total of 152096 jobs have been lost in almost the same period, and by mid 1999, the figure of the job loss was in the region of 500,000. In other words, whilst on the one hand black equity participation is increasing and a few black individuals are enriching themselves, on the other hand, the hordes of the unemployed is increasing. One question that this brings forth is

whether these "deals" are adding values to the economy. If the job losses are any indication, the answer will be a

resounding no. Eskom chairman, Reuel Khoza, acknowledged this in his address to the last congress of Nafcoc when he lamented that:

Black business measures itself and the deals it concludes by the size of turnover or asset base and rarely by the quality of these revenues and assets and even less by the size and quality of the returns (Khoza, 1997 cited in *Business Day*, September 16 1997).

Another worrisome feature of these "deals", is their concentration in the primary sector, particularly in mining and their mad rush to other African countries to acquire mining concerns. Unfortunately these deals are hailed as the commercial equivalent of the political transition (Sunday Independent, 20 October, 1996). There is a lack of strategic thinking by the black business community on which sectors they should concentrate on to enhance their economic power, the quality of their investment and ultimately, the creation of jobs for the majority of the black population, as well as the transformation of the corporate culture. Khan and Hemson (1997) eloquently summed up the nature and effects of these empowerment deals thus:

Despite the media hype of empowerment taking a slice of the white establishments' control over the commanding heights, the investment of billions of rands of black peoples' funds in forming pyramids, buying into existing companies, and engaging in joint ventures has not produced significant gains in employment of black workers or even a substantially larger number of black managers. Far from being focused on the goals of the RDP or some other such programme for black advancement for the working class in terms of housing, health, community development, or establishing new manufacturing plants, black empowerment does not seem yet to equal the social responsibility programmes of existing conglomerates. Certainly their investment is not in these fields (Khan and Hemson, 1997: 19).

Also there is an absence of coherent government policy to enable black businesses to contribute to value added, as well as, enhance the competitiveness of the South African economy. Government efforts to promote black businesses focus on the SMMEs, most of which are survivalist businesses and in the ancillary sectors. Apart from its small business



initiatives, the other programmes by the government to promote black businesses are state tenders, and the privatisation and commercialisation of public corporations and utilities. Even the Industrial Development Corporation (IDC), a government parastatal that financed industrial development, has a generic approach in its programmes to promote black business. Consequently, the state does not privilege a particular type of manufacturing nor has it created a focal point for the black business community. What this shows is that, unlike the East Asian NICs and Malaysia, South Africa's state intervention is neither selective nor targeted.

The generic approach to BEE could be explained by the absence of coherent and effective industrial policy in the post-apartheid period (Fine, 1997), as well as the absence of an overall economic planning agency/body. These factors were crucial for the successful industrial and economic transformation of Korea, Taiwan and, to a large extent, Malaysia (Wade 1990; Evans 1995; Campos and Root 1996). The Reconstruction and Development Programme (RDP) office could have played the role of a super ministry with responsibility for economic policy formulation, planning, co-ordination, etc. Indeed, it could have been the body to create a unified economic vision and mobilise society around it. Unfortunately, it was given a low status, headed by a junior minister and was subsequently closed down and its function transferred to line ministries and the deputy president's office. Several reasons accounted for the closure of the RDP. This includes policy differences among, and competition between key ministries and the RDP office, as well as poor co-ordination between it and other departments (Michie and Padayachee, 1997).

Although the NEF scheme aims to discourage early withdrawal (i.e. 3 years), there is no mechanism to discourage "fronting", that is, to ensure that the poor do not hold shares/units on behalf of rich individuals who might want to conceal their excessive capital accumulation. The implication is that the aim of spreading ownership/participation to large members of the black community will probably be defeated. Furthermore, unlike the Malaysian ASN that specified that participants in its scheme could sell off their units only to the ASN, it is not clear how or through which means participants of the NEF would dispose of their shares. Surprisingly, it is being proposed that within a period of 5 to 6 years, the units should be "listed". The probable implication of this is that these units would be freely traded in the stock or open market. If this is the case, two scenarios are anticipated. Either, poor individuals will sell off their shares to rich black individuals or to white and foreign investors. In both cases, the objective of empowering the black community will be defeated. Furthermore, it is also difficult to fathom why Trust A is open to all race groups if the purpose of the NEF is to empower previously disadvantaged race groups, in this case the black people who were marginalised/disempowered by apartheid's political economy. This is

in contrast to the Malaysian case where participation in the ASN scheme was limited to the Bumiputeras. Since Trust A aimed to accommodate the individual person, it would have been more appropriate if it is limited to blacks, especially workers, peasants, informal traders, housewives, etc. A management staff of IDC, interviewed by the author, points out that if Trust A is opened to all race groups, it could be hijacked or dominated by other race groups, particularly by whites (Author interview, 9 October 1997).

However, it is also envisaged that the state through the NEF will play the following major roles in promoting black businesses:

- (a) Marketing drive to persuade black people to participate in the scheme, that is, to invest in the Trust,
- (b) Equity education programme for black investors,
- (c) Provision of interest free loans to the Trusts,
- (d) Provision of seed capital for the Trusts, and
- (e) The ultimate guarantor for the first three years of the minimum value of the individual investor's unit.

Additionally, the state will accept deferred payments of between 7 and 10 years for loans advanced to the Trusts.

These measures bear semblance to the Malaysian ASN. But the success of the ASN depended on political will<sup>11</sup> by the Malay political elites to carry them through, in addition to a more favourable international economic climate. It is doubtful whether these conditions are present in the South African context.

The management of Trust A is vested on a Board of Trustees to be appointed by investors themselves. The board will, however, be made up of representatives of government, business and the black community. It is envisaged that this will guarantee that the Trust remains under the control of the black community. As noted earlier, opening participation to all race groups is likely to make the realisation of this objective impossible.

---

<sup>11</sup> After the racial riot in 1969, the Malay political elite recognised that its legitimacy depended on its capacity to promote what Campos and Root (1996) refers to as Shared Growth, that is improving the living standard of ordinary Malays (or Bumis), creating a Malay entrepreneurial class, and expanding the economy. These were the principles encapsulated in the New Economic Policy (NEP) that came into effect in 1971. Since then the Malaysian political leadership has been resolute in its determination to achieve these set goals and it has adopted policies towards this end even in the face of opposition by International Financial Institutions such as the IMF and the World Bank. Only recently, in 1998, the Mahatir Mohamad's government imposed currency control to stabilise its currency that was under siege from international financial speculators. This was in the face of opposition by the IMF and the World Bank. Joseph Stiglitz was to concede later that financial regulation has not been to the Malaysian economy, contrary to the fears of the IMF and the World Bank.

But one merit of Trust B is that it is the only initiative by government that locates or sees black businesses beyond the confines of small businesses.

Although it is proposed that the Trusts will also receive funding from "investors and donors" (IDC, 1997), there is no clarity as to whether these will be white or foreign investors and if so what their role would be. It is also proposed that there should be an "alliance between black professional firms and banks" and "traditional institutions" in order to transfer skills and capacity" (IDC: *ibid*). While this is a welcome initiative, the government not only failed to spell out how it intends to attract the "traditional institutions" to participate in such an alliance but it also failed to identify which type of investors it intends to attract. In other words, the proposal is silent on the incentives to attract "traditional institutions" (both local and foreign) to participate in such an alliance.

Another shortcoming of the proposed NEF is the limitation of the government guarantor's role to the first three years. Critics point out that this is ill-informed as it is unlikely that these Trusts and the black investors would have matured after three years.

The third category of Trust proposed is the Entrepreneurs Trust, known as Trust C. By this, Trust A will enter partnership with various investors such as the IDC with the aim of contributing "equity to viable but under funded empowerment ventures" (establishments, expansions or buy-outs) (IDC, 1997: 9). As the deputy minister of Trade and Industry, Ms Mlambo-Ngcuka, puts it, Trust C is aimed to fast-track the creation of excellent and world-class companies owned by blacks (See *Business Report*, May 28 1997). Trust A will be allowed to invest only five percent of its total assets base in Trust C. The management and administration of Trust C is to be the responsibility of a trustees set up in accordance with a Trust deed and management agreement.

A black female entrepreneur while welcoming the Trust schemes, questioned the rationale behind it in the face of government failure to meet the basic needs of the poor. According to her, "where will the poor, the homeless, the hungry, etc get money to invest in the Trust scheme?". Consequently, she calls on the government to proactively adopt measures to meet the basic needs of black South Africans in particular and all South Africans in general. This in her view is what economic empowerment means (author interview, 8 September 1997). Put differently, creating a black business class and meeting the basic needs of South Africans especially the poor should constitute the core of economic empowerment.

From the foregoing analysis of the NEF scheme, it is clear that government policies to promote BEE have been dominated by the minimalist approach, with its attendant implications for transformation.

### **Conclusion: Towards a People-centred Approach**

The two approaches discussed above treat individual and collective empowerment as antagonist and separate developments. The major theme of the minimalist approach is its emphasis on individual empowerment. On the other hand, the maximalist stresses the importance of collective empowerment. I will argue that both approaches miss the point. I argue that the transformation of the South African state, economic and society should engender the simultaneous rise of black entrepreneurs and eradication of poverty. In other words, all black South Africans should share the fruits of economic empowerment. This is what I called shared empowerment. This is because, as noted earlier, BEE flows from attempts to redress the shared experience of oppression and exploitation by the black people. Black capital however, constitutes an important component of, and has a crucial role to play in the transformation of South Africa.

Henderson's (1993) analysis of the significance of empowering African-Americans and the role African-American-owned businesses could play in the process therefore constitutes a useful starting point to understand empowerment. In line with Friedmann's conceptual framework, Henderson argues that economic empowerment is a source of individual financial wealth, community capital formation, self-esteem for business owners, employees and their communities, skills formation and capacity building, and even political power. Henderson subsequently identified five components of empowerment for African Americans, which could be applicable in the South African context. These are:

- (1) The formulation of strategic goals and objectives by the individuals and institutions that focus on the creation, expansion, distribution, and the utilisation of human, financial, technological, and information resources, particularly for a given group or organisation;
- (2) The mobilisation of those resources through strategic interaction with individuals, institutions and communities within and beyond the current range or field of interaction to achieve even higher levels of resource attainment;

- (3) As resource mobilisation generates higher levels of resource attainment, entrepreneurs build skills, capacities, and networks that position them for even greater resource development and diversification;
- (4) As resource development and diversification occurs, entrepreneurs are able to transact, contract, and interact across more and more community, financial, institutional, and other boundaries within and beyond locations, further extending their networks, skills, and resource base; and
- (5) The enabling and building of individual, organisational, and institutional networks, of which the empowered organisation is part. In other words, when one force is empowered, most forces connected with it are actually and potentially empowered. (Henderson, 1993: 91-92).

Economic empowerment, from this perspective occurs first and foremost when the entrepreneur takes the decision to become an entrepreneur and then mobilises the requisite resources to actualise his/her objectives. Second, economic empowerment occurs when various networks, within and outside the community, are created to generate employment, capital formation, and increased productivity for/by the community at large. In this sense, BEE has a two-dimensional, yet inseparable, imperatives:

- (i) The conception, development, and enrichment of economically and socially productive businesses, and
- (ii) The mutually enriching and collectively productive relationship between the business organisation and the black community at the level of the individual, the households and the community as a collective.

Therefore economic empowerment does not negate the need for the creation of black entrepreneurial class. But it seeks appropriate mechanisms that incorporate it as one of the several objectives to be mutually achieved. As Friedmann points out, individual and community empowerment are inseparable and integral objectives that can be simultaneously pursued and achieved. This was the case in Malaysia. This strategy should include alternative investment strategy by the black community including workers and community groups' co-operatives, investing in socio-economic activities within the black community that would uplift their living conditions. Consequently, the development of black businesses is therefore a means towards an end: the general empowerment of the black community.

In conclusion, economic empowerment should be rooted socially, aiming to fundamentally transform both the black community in particular and the South African society in general. Economic empowerment should be seen as part of the struggle for liberation and social transformation of the state and society. Having achieved political power, the economic sphere becomes the most critical source of real power for blacks and business ownership and eradication of poverty are the ultimate manifestations of economic liberation. Its success will require not a minimalist state but an activist state that will articulate a clear vision of BEE and mobilise society around it.

## REFERENCES

- Adam, H., Slabbert, F.V.Z and Moodley, K** (1997) *Comrades in Business: Post-Liberation Politics in South Africa*. Tafelberg. Cape Town.
- Author** interview with black female entrepreneur. 8 September 1997
- Author** interview with IDC Management staff. 9 October 1997
- Browning, Paul** (1989) *Black Economic Empowerment: Shaping South African Business for the 21st Century*. Fontein Publishing Company, Parklands.
- Business Day*, November 28 1996
- Business Day*, October 16 1997.
- Campos, Jose Edgardo and Root, Hilton L** (1996) *The Key to the Asian Miracle: Making Shared Growth Credible*. Washington DC. The Brookings Institution.
- Central Statistics Services** (1997) 'Query from Parliament: Reply 938'. September 5. Pretoria.
- Charlton, Guy D and Niekerk Naas van** (1994) *Affirming Action - Beyond 1994*. Juta & Co, Ltd, Kenwyn.
- Crouch, Harold** (1996) *Government and Society In Malaysia*. Cornell University Press, Ithaca and London.
- Department of Trade and Industry** (1995) *National Strategy for the Development and Promotion of Small Businesses in South Africa. White Paper*. Pretoria. February.
- Edigheji, Oghenemano** (1997) Globalisation and the Role of the State in the Promotion of Black Economic Empowerment in South Africa. University of Durban-Westville. Unpublished MA Thesis.
- Emsley, Ian** (1996) *The Malaysian Experience of Affirmative Action: Lessons for South Africa*. Human and Rousseau Tafelberg, Cape Town.
- Evans, Peter** (1995) *Embedded Autonomy: States and Industrial Transformation*. Princeton University Press, Princeton, New Jersey.
- Financial Mail* (1999) 'A thin black line'. Johannesburg. August 20.
- Financial Mail* (1999) 'Venturing Beyond the Pale'. Johannesburg. August 20
- Fine, Ben** (1997) "Industrial and Energy Policy." In Michie, Jonathan and Padayachee, Vishnu (1997) (eds) *The Political Economy of South Africa's Transition*. The Dryden Press, London.
- Freund, Bill and Padayachee, Vishnu** (1998) Post-Apartheid South: The Key Patterns Emerge. *Economic and Political Weekly*. India. May 6.
- Friedman, Steven** (1997) "Government searches for 'patriotic bourgeoisie.'" *Business Day*, October 27.
- Friedmann, John** (1992) *Empowerment: The Politics of Alternative Development*. Cambridge: Blackwell Publishers.
- Graduate School of Business** (1997) *Breakwater Monitor, Monitoring Employment Equity in SA*. September. University of Cape Town.
- Henderson, Lenneal J** (1993) "Empowerment through Enterprise: African-American Business

- Development." *The State of Black America 1993*. National Urban League, Inc.
- Gqubule, Duma** (1996) "In times of Corporate largesse, black empowerment could lead to enrichment of the few." *The Sunday Independent*. December 15.
- Industrial Development Corporation** (1997) *National Empowerment Fund: Proposal for the Establishment of the National Empowerment Fund to Facilitate Large-Scale Economic Empowerment in South Africa*. Discussion Document. Johannesburg. June.
- Jordan, Pallo** (1998) New role models. Johannesburg: *Mail and Guardian*.
- Jesudason, James. V** (1989) *Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia*. Singapore, Oxford University Press, Oxford and New York.
- Khan, Firoz and Hemson, David** (1997) "Shifting Spatial, Institutional and Economic Scales: The Political Mediation of Globalization and Industrial Policy in Post-Apartheid South Africa - Deliberating Local Economic Development in Durban." University of Durban-Westville. (Unpublished paper).
- Khoza, Reuel** (1997) cited in *Business Report*. October 10.
- Madi, Phinda Mzwakhe** (1997) *Black Economic Empowerment in the New South Africa: The Rights and the Wrongs*. Randburg: Knowledge Resources (Pty) Ltd.
- Mavundla, Lawrence** (1996) cited in *Business Report*, November 6
- Mbeki, Thabo** (1998) 'Reconciliation and Nation Building' Statement at the opening of the National Assembly. National Parliament, Cape Town. 29 May.
- Mbigi, Lovemore** (1996) cited in *Business Day*, November 28.
- Michie, Jonathan and Padayachee, Vishnu** (1997) "The South African Policy Debate Resumes." In Michie, Jonathan and Padayachee, Vishnu (1997) (eds) *The Political Economy of South Africa's Transition*. The Dryden Press, London.
- Mkhwanazi, Don** (1996) cited in *The Sunday Independent*, October 27
- Phumzile Mlambo-Ngcuka** (1997) cited in *Mail and Guardian*, March 7
- Motlanthe, Kgalema** (1996) cited in *Enterprise*, November.
- Nafcoc** (1994) *Business Manifesto*. Johannesburg.
- Nafcoc** (1996) *Business Annual 1996: Empowerment Through Growth*. Johannesburg
- Nzimande, Blade** (1996) "The role of the working class in consolidating and deepening the national democratic revolution." *The African Communist*. No. 145, Third Quarter, Johannesburg.
- Padayachee, Vishnu** (1997) "The Evolution of South Africa's International Financial Relations and Policy: 1985 - 95." In Michie, Jonathan and Padayachee, Vishnu (1997) (eds) *The Political Economy of South Africa's Transition*. The Dryden Press. London.
- Philip, Bruce** (1993) "Equalising opportunity through Small Business Development: A South African Perspective." *The Review of Black Political Economy*. Fall.
- Ramano, Mashudu** (1996) cited in *Sunday Times*, September 1.
- Randall, Duncan James** (1996) "Prospects for the Development of a Black Business Class in South Africa." *The Journal of Modern African Studies*, 34, 4. Cambridge University Press, London.
- Segal, Simon** (1998) Black Economic Empowerment, in James, W and Levy (eds) *Pulse: Passages in Democracy-Building South Africa's Transition*. Cape Town: Idasa.
- Shilowa, Sam** (1994) "Black Economic Empowerment." Address to IEC Conference, Sandton Holiday Inn,



- Singh, Ratnamala** (1996) "The Uses and Abuses of Affirmative Action in South Africa." In Nzimande, Blade and Sikhosana (1996) (eds) *Affirmative Action and Transformation*. Indicator Press, University of Natal.
- Solomon, Barbara Bryant** (1976) *Black Empowerment: Social Work in Oppressed Communities*. Columbia University Press, New York.
- Sono, Themba** (1991) "Black Economic Empowerment: Reality or Illusion in South African Organizations? Political Science Perspective." Paper Presented at the University of South Africa SBL seminar: Black Economic Empowerment. November.
- South African Communist Party** (1996) "Let's keep our strategic priorities in focus." *The African Communist*. NO. 145, Third Quarter. Johannesburg.
- South African Communist Party** (1997) "Some Theses on the Question of the "Patriotic Bourgeoisie": An SACP Position" (unpublished).
- Strydom, Miranda** (1997) "Black Empowerment: Is there really more to it than equity." *Business Report*. October 10
- Sunday Times**, July 30, 1995
- Sunday Times Business Times** (22 August 1999) 'Seductive Focus for White Males'.
- The Sunday Independent**: <http://www2.inc.co.za/Archives/1997/9710/21/bizeyr.html>
- Turok, Ben** (1999) *Beyond the Miracle - Development and Economy in South Africa: A Reader*. Fair Share, University of Western Cape.
- Wade, Robert** (1990) *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialisation*. Princeton University Press, Princeton, New Jersey.