



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

PROGRAMME GUIDELINES

BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME (BBSDP)

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Disclaimer:

This Guidelines document provides the criteria for the assessment of proposals from potential Black Business Supplier Development Programme (BBSDP) interventions and details the application process for the incentive. The BBSDP Guidelines are approved and issued by the Minister of Trade and Industry for purposes of ensuring clarity on the aims and requirements of the incentive programme. **the dti** reserves the right to amend the guidelines as it deems appropriate. Furthermore, **the dti** has the right, in its sole discretion, to provide decisions on the interpretation of these Guidelines in instances where they appear not to be specific. Amendments and interpretive decisions will be published on **the dti** website and in the Government Gazette, and will become effective immediately upon publication on **the dti** website.

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Abbreviations and Acronyms

BBSDP	Black Business Supplier Development Programme
BPS	Business Process Services
ESS	Enterprise Support Services
HR	Human Resource
ID	Identity document
ISO	International Organisation for Standardisation
IT	Information Technology
NF	Network facilitator
PRECCA	Prevention and Combating of Corrupt Activities Act
TEO	The Enterprise Organisation
VAT	Value-added tax
the dti	Department of Trade and Industry

Glossary

Applicant	Means an enterprise applying for the BBSDP grant
Black enterprise	Means a business owned by at least 51% South African black people
ESS	Means Enterprise Support Services and refers to the interventions set out in clauses 4.1 (training programmes) and 4.2 (business development interventions)
Intervention	Means a business development or training project/activity, or the purchase of tools, machinery and equipment, as the case may be
Network facilitator	Means independent contractor who act as an honest broker between the dti and black enterprises seeking assistance under the BBSDP.
Service provider	Means an individual or enterprise that renders a service (in terms of the approved interventions and/or activities to an approved BBSDP beneficiary) and ensures that the successful claim of an approved intervention is submitted
Supplier enterprises	Means a black enterprises that supply goods and or services to the general public, the public sector or privat sector. applicant,

1. Overview

- 1.1 The Black Business Supplier Development Programme (BBSDP) was introduced in 2002 to address the constraints that many black-owned small enterprises faced in participating in the mainstream economy. The usual constraints were that these enterprises had limited access to competitive markets, that most of their products could not meet the required quality standards, and that most lacked the management skills to operate growing enterprises.
- 1.2 The programme started as a pilot project under the auspices of the World Bank and was taken over by the Department of Trade and Industry (**the dti**) after its inception. **the dti** is re-launching the programme with the aim of reaching more entrepreneurs, broadening the activities eligible for assistance, and increasing the level of funding support in order to achieve higher impact on targeted enterprises.
- 1.3 The BBSDP provides a matching grant to enterprises to assist them in improving their competitiveness, through for instance upgrading managerial capabilities, market development and quality improvement projects.
- 1.4 There are already a variety of support measures available through **the dti** and its agencies that would complement the roll-out of BBSDP. I encourage entrepreneurs to make use of this facility and to grow their businesses to their full potential.

Dr Rob Davies (MP)
Minister of Trade and Industry
Date: 14 / 06 / 2011

2. Description of the BBSDP

- 2.1 The BBSDP is a cost-sharing grant offered to black-owned small enterprises, to assist them in improving their competitiveness and sustainability, in order to become integrated into the main economy. It provides grants to a maximum of R800 000 for tools, machinery and equipment, and R200 000 for business development and training interventions per eligible enterprise, to improve the business's **corporate governance, management, marketing, productivity** and use of **modern technology**.
- 2.2 The focus is on formal black enterprises that have a valid tax clearance certificate and have the potential or capacity to supply goods and or services to general public, the public sector or private sector corporations, on a sustainable basis.
- 2.3 The programme outcomes are to improve the sustainability of black-owned enterprises and thereby increase employment.
- 2.4 The guidelines set out herein seek to enable applicants to present their proposed interventions to **the dti** and provide a framework for **the dti** to evaluate such interventions. The purpose of the incentive is to advance certain policy objectives. It is thus not a guarantee that the incentive will be granted, and **the dti** reserves the right to allow or disallow the incentive in its sole discretion. Any such decision will be final.
- 2.5 The amended BBSDP will open for business on 1 September 2010 and be administered for a period of seven years, up to 31 July 2017.
- 2.6 These guidelines may be amended from time-to-time. These amendments will be published on **the dti** website and in the Government Gazette, and be effective immediately upon publication thereof.
- 2.7 Where the Guidelines lend themselves to alternative interpretations or do not deal with a particular subject, the interpretation of **the dti** must be requested and such interpretation will be decisive and final and may be published on **the dti** website, as and when deemed necessary.

- 2.8 Approval of applications will be subject to the availability of funds. **the dti** will endeavour to communicate to the public in good time the likelihood of funds for new allocations being exhausted.
- 2.9 The Director General of **the dti** may in his sole discretion waive any requirement of the BBSDP Guidelines in favour of the winners and or runners up of any **dti** initiated and driven awards, provided that the waiver and accordingly the incentive awarded must still be aligned to the objectives of the BBSDP, as well as the award in question.

3. Eligible Enterprises

To qualify for funding under the BBSDP the enterprise must:

- 3.1 Be predominantly black-owned (51%);
- 3.2 Have a predominantly black management team (50%);
- 3.3 Have R250 000 to R35 million turn-over per year;
- 3.4 Be registered with the South African Revenue Service (SARS) for VAT if applicable ,and be able to provide a valid tax clearance certificate and VAT registration number; and
- 3.5 Be operating and trading for at least one financial year – at the sole discretion of **the dti**, an enterprise that has been operational/registered for less than a year may be considered for this incentive, provided that the enterprise can provide sufficient evidence to service a tender/contract.

4. Eligible Interventions

Qualifying Interventions

- 4.1 Interventions that qualify are those aimed at upgrading the capability of the enterprise's management, through generic management training programmes. Examples of such training programmes are:

- *Business management* (including planning, organising, finance, industrial relations, Human Resource (HR), business writing, business Information Technology (IT));
- *Corporate governance* (including roles/responsibilities of directors, line functions, conducting meetings, business ethics, compliance);
- *Sales management* (including customer service, customer support)
- *Negotiating skills and techniques*;
- *Tendering and contracting*;
- *Mentorship and coaching*; and
- *HIV and AIDS risk mitigation* (including policies, programmes, awareness, prevention, treatment).

4.2 Interventions that qualify are those aimed at improving the effectiveness of the management systems of an enterprise; assisting enterprises with entry into targeted or new markets; increasing competitiveness of enterprises or any other similar business development intervention, including:

- *Company diagnostics*;
- *Business Plan to raise finance*
- *Management information systems* (including production, sales, accounting software);
- *Quality management systems and assurance* (e.g. International Organisation for Standardisation (ISO), certification, accreditation, grading costs);
- *Patenting and intellectual property rights*;
- *Production and productivity improvements*;
- *Product improvements*;
- *BEE rating and certification*; and
- *Merger (majority shareholding) and acquisitions*

4.3 For the acquisition of tools, machinery and equipment enterprises may apply for support under one of the following options:

- Introducing a tool, machinery or equipment that will improve the entities productivity and competitiveness (eg. lathe machine, grass cutter machines, etc)
- Introduce a *clean production process*;

- Secure a contract or tender for which the equipment is essential;
- Attain a grading or accreditation (e.g. star-grading from the Tourism Board of South Africa; BEE verification certificate) to qualify the enterprise for new or larger tasks;
- Information Technology (provide security of information or back-up where this is integral to the operations of the enterprise); and
- Enhance growth or efficiency through the use of business IT.

5. Eligible Expenditure

- 5.1 For Enterprise Support Services (ESS) interventions, the BBSDP will offer a cost-sharing grant of 80% of the approved costs of qualifying interventions, and approved enterprises will contribute 20% of the necessary costs (for business development services and training). The maximum grant will be R200 000, subject to the exclusions and limitations set out under clause 6.
- 5.2 With regard to tools, machinery and equipment, the BBSDP will offer a cost-sharing grant of 50% of the approved costs of qualifying equipment, and approved enterprises will contribute 50% of the necessary costs. The maximum grant will be R800 000, subject to the exclusions and limitations set out under clause 6.
- 5.3 Motivations should be submitted for ESS interventions exceeding R200 0000 as well as for machinery exceeding R800 000
- 5.4 An eligible enterprise may apply for multiple interventions (subject to clause 6) provided that the cumulative grants awarded to the enterprise do not exceed the maximum grant that can be awarded under the BBSDP. An eligible enterprise is, however, not permitted to apply for funding for the same intervention more than once.
- 5.5 All applicants should note that requested amounts for each intervention may not be greater than 30% of the enterprise's previous year's turnover.

6. Exclusions and Limitations

6.1 The following are not eligible for funding:

- 6.1.1 Office equipment, furniture and computer hardware costs, except for Business Process Services (BPS) applications;
- 6.1.2 Land and buildings;
- 6.1.3 Working capital;
- 6.1.4 Training programmes that exceed five (5) weeks or one-hundred and sixty (160) notional hours;
- 6.1.5 Long-term formal training (e.g. a Master of Business Administration), including training at accredited institutions such as universities;
- 6.1.6 Interventions that are already funded by another government scheme or parastatal;
- 6.1.7 Any other costs that the Adjudication Committee, in its sole discretion, deems as non-qualifying; and
- 6.1.8 Design and printing of marketing material
- 6.1.9 Vehicles (sedans, mini buses and buses , panel vans ,bakkies)

6.2 A condition regarding the calculation and payment of qualifying expenditure is that the following limitation rules will apply:

6.2.1 **the dti's** contribution towards special skills training is limited to a maximum of R5 000 per individual and overall to a maximum of R30 000 a group of more than 6 individuals annually

6.2.2 Applications for training interventions must be submitted together with an application for a business development intervention, and should be related to the business development intervention for which the business is applying.

6.2.3 **the dti's** contribution towards any single ESS intervention shall not exceed 30% of the applicant enterprise's turnover, or R200 000, whichever is the lesser.

6.3 The BBSDP grant approval is subject to the availability of funds.

7. Application Procedure

7.1 Documents required for the submission of applications to **the dti**:

- Proof of ownership of the enterprise (Company and Intellectual Properties Commission-CIPC eg. Ck1, CM9 etc);
- ID Copies of managers, directors, shareholders and list of employees with their ID numbers;
- Signed financial statements (i.e. income statements and balance sheets) for the latest financial year (not older than twelve months) or management accounts of the enterprise from the accountant;
- A completed application form;
- PSC report (to be conducted pro-bono by network facilitators);
- Company diagnostic report; (to be conducted pro bono by network facilitators);
- At least three (3) proposals, the costs of services and profiles of service providers to compile database
- A valid tax clearance certificate
- With regard to tools, equipment and machinery, financial capacity of enterprise to fund the project or letter intend from a 3rd party

7.2 Site Visits

The BBSDP Secretariat will undertake site visits prior to submitting applications to the BBSDP Adjudication Committee, to verify the existence of the applicant's business, and complete a site visit report.

8. Calculation and Payment of Incentive Benefit

- 8.1 The cost-sharing grant is calculated on a 80:20 ratio for ESS (business development and training support services). Whereas for equipment support services, BBSDP will cost share on a 50:50 ratio of the cost of the equipment or R800 000, whichever is the lesser.

For example, if the BBSDP approves an intervention of which the total cost, excluding VAT is R200 000, the grant will be calculated as follows:

$$R200\ 000 \times 80\% = R160\ 000 \text{ (ESS)}$$

$$R200\ 000 \times 50\% = R100\ 000 \text{ (Tools, machinery and equipment)}$$

The applicant will be responsible to pay the service provider as follows:

$$R200\ 000 \times 20\% = R40\ 000 \text{ (ESS)}$$

$$R200\ 000 \times 50\% = R100\ 000 \text{ (Tools, machinery and equipment)}$$

- 8.2 Payment of claims can only be effected upon receipt of the following documentation from the service provider:
- Letter indicating the successful completion of the intervention signed off by grant applicant and service provider;
 - Proof of payment of the grant applicants' contribution;
 - Deliverable outputs, as per the approval letter, **the dti** or its appointed representative/s may conduct site visits at each claim stage before payment may be effected;
 - Valid tax clearance certificate from the service provider or from the grant applicant in the event the grant applicant has paid the 100%;
 - Training certificate and attendance register for training received.

NB: If the grant applicant fails to pay their contribution portion to the service provider, or does not fully comply with a requirement of this incentive, he/she will also be responsible for payment of the remainder of the costs charged by the service provider.

9. Network Facilitators

Enterprises applying for the BBSDP may use the services of a Network Facilitator (NF). NFs are individuals who will be trained to assist enterprises in completing and submitting BBSDP proposals. The tasks performed by NFs are as follows:

- Conducting a needs assessment for enterprises applying for business development services only;
- Assisting enterprises with the completion of BBSDP applications;
- Obtaining three competing quotations from service providers;
- Ensuring that the applicant complies with all the mandatory requirements of the BBSDP;
- The payment of Network Facilitators will form part of the incentive amount; meaning that the incentive will be reduced by up to R21 100 payable for facilitation services rendered by Network Facilitators to various enterprises. This means the grant value will decrease to R936 900 (i.e. R1 million minus up to R21 100 x 3 over a period of three years);
- For further information on NFs, please refer to the Network Facilitator Guidelines, application form and a list of approved NFs.

10. Monitoring and Reporting

10.1 All approved interventions will be monitored to assess how the BBSDP is contributing to the stated development outcomes.

10.2 The BBSDP Secretariat will undertake post-approval site visits for progress reports (on a bi-annual basis). An Intervention Monitoring Report will be completed as part of this process.

11. Submission of Applications

Applications should be submitted to the following address:

Attention: Programme Manager: BBSDP, The Enterprise Organisation

Physical Address:

the dti Campus
77 Meintjies Street, Sunnyside,
Pretoria, 0002

Postal Address:

The Enterprise Organisation
Private Bag X84
Pretoria, 0001

12. General Legal Stipulations

- 12.1 Any attempt to circumvent or actual circumvention of these Guidelines which, at the sole discretion of **the dti**, may allow an applicant who would otherwise not have qualified to qualify for this incentive, will lead to rejection of the application or claim.
- 12.2 **the dti** may, upon suspicion of any criminal, misleading, dishonest and/or irregular activities, suspend payments that may be due or become due to a claimant. Further, **the dti** shall not be liable for any damages or interest, pending the finalisation of any forensic investigations and any criminal proceedings emanating from such investigations.
- 12.3 Findings of a forensic investigation indicating any criminal, misleading, dishonest and/or irregular activities will be sufficient to allow **the dti** to cease all payments and reclaim any payments already made, with *mora* interest.
- 12.4 **the dti** subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act (PRECCA), No. 12 of 2004. Applicants are

requested to contact **the dti** Fraud Hotline on 0800 701 701, should they wish to report any suspicious behaviour.

- 12.5 A duty rests on the applicant and any other person who may benefit from the BBSDP to disclose everything that may have an influence of the adjudication of the application and/or claim. Failure to do so will lead to the termination/cancellation/suspension of the application/claim.
- 12.6 **the dti** reserves the right to publish success stories of successful candidates. The right to choose a successful candidate for publication will be at the sole discretion of **the dti** and by applying for the BBSDP grant, the applicant provides his/her consent to such publication.
- 12.7 **the dti** reserves the right to obtain independent quotations for any intervention proposed or claimed and to pay the lesser amount of the independent quote or the amount proposed or claimed. In this regard, **the dti** may, where a certain type of intervention occurs regularly, set benchmarks or maximum amounts for such interventions, to ensure the fair and equitable treatment of all applicants.
- 12.8 Any relaxation of minimum requirements, conditions or terms in these Guidelines will be based on merit and at the sole discretion of **the dti**. In this regard, the decision of **the dti** will be final.

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