



# Black Business Supplier Development Programme Guidelines



**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA



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Disclaimer:

These Guidelines outline the criteria for the assessment of proposals from emerging exporters and the application process for project funding. The Guidelines were approved and issued by the Minister of Trade and Industry for the purpose of ensuring clarity on the aims and requirements of the incentive programme and were effective from 1 January 2009. **the dti** reserves the right to amend the Guidelines as it deems appropriate.

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## Abbreviations and Acronyms

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

## Glossary

<b>Applicant</b>	<b>Means</b> an enterprise applying for the BBSDP grant
<b>Black enterprise</b>	<b>Means</b> a business owned by at least 51% South African black people
<b>ESS</b>	<b>Means</b> Enterprise Support Services and refers to the interventions set out in clauses 4.1 (training programmes) and 4.2 (business development interventions)
<b>Intervention</b>	<b>Means</b> a business development or training project/activity, or the purchase of tools, machinery and equipment, as the case may be
<b>Network facilitator</b>	<b>Means</b> an individual who assists enterprises in compiling BBSDP proposals and ensures that the successful claim of an approved intervention is submitted
<b>Service provider</b>	<b>Means</b> an individual or enterprise that renders a service (in terms of the approved interventions and/or activities to an approved BBSDP beneficiary)
<b>Supplier enterprises or Supply</b>	<b>Means</b> that the applicant, as a supplier enterprise, must have a contract or tender to supply goods or services, for which contract/service the applicant requires business development interventions, training or tools, machinery and equipment, so as to enable the applicant to supply the goods or services, in terms of the contract/tender

## 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: 12 /06/2009

## 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 of the BBSDP is on formal black enterprises that are registered for value-added tax (VAT) and have the potential or capacity to supply goods and services to public and private sector corporations, as well as local, provincial and national government departments, on a sustainable basis.
- 2.3 The BBSDP 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 (7) years, up to 31 July 2017.

- 2.6 The 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.

### 3. Eligible Enterprises

**To qualify for funding under the BBSDP the enterprise must:**

- 3.1 Be predominantly black-owned (50+1%);
- 3.2 Have a predominantly black management team (50%);
- 3.3 Have R500 000 to R35 million turn-over per year;
- 3.4 Be registered with the South African Revenue Service (SARS) for VAT, 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 (1) 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 strategy*;
- *Marketing strategy* (including information, planning, improvements, branding);
- *Organisation and management improvements* (e.g. structures, functions);
- *Management information systems* (including production, sales, accounting software);

- *Quality 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
- *Expansion modernisation strategy and planning*.

4.3 Interventions that qualify are those that wish to acquire tools, machinery and equipment. Enterprises may apply for support in acquiring equipment under one (1) of the following options:

- *Introduce a clean production process*;
- *Secure a contract or tender for which the equipment is essential*;
- *Attain a grading* (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 As regards Enterprise Support Services (ESS) interventions, the BBSDP will offer a cost-sharing grant of 50% of the approved costs of qualifying interventions, and approved enterprises will contribute 50% 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 35% of the approved costs of qualifying equipment, and approved enterprises will contribute 65% of the necessary costs. The maximum

grant will be R800 000 subject to the exclusions and limitations set out under clause 6.

- 5.3 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.
- 5.4 All applicants should note that requested amounts for each intervention may not be greater than 25% 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 Outsourcing and Offshoring (BPO&O) 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 company stationery and business cards.

**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 printing of any materials and marketing is limited to R5 000.
- 6.2.2 **the dti's** contribution towards skills training is limited to a maximum of R15 000 per individual and overall to a maximum of R30 000 per group.
- 6.2.3 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.
- 6.2.4 Each enterprise, or group of enterprises, which owns a common shareholder/s, or owner/s, may qualify for up to five (5) interventions (combined under the three (3) categories, over a three-(3)-year period), provided that:
  - 6.2.4.1 It is the first time that an enterprise is submitting an application, or until a previously approved intervention has been completed and evaluated prior to payment;
  - 6.2.4.2. The maximum incentive limit has not yet been reached, a maximum of two (2) training interventions may be applied for in any one (1) year;
  - 6.2.4.3. The maximum incentive limit has not yet been reached, a maximum of two (2) interventions may be applied for per enterprise for business development interventions, over a period of three (3) years;
  - 6.2.4.4. The maximum incentive limit has not yet been reached, a maximum of two (2) interventions may be applied for per enterprise for tools, machinery and equipment, over a period of three (3) years;

6.2.4.4. Where enterprises have a common shareholder(s) or owner or family member of the owner/shareholder, such enterprises will be regarded as one enterprise and any application for an intervention by one, will count towards the maximum number of interventions allowed . for the other, and vice versa, so that together these enterprises only qualify for a maximum of five (5) interventions, as set out above.

6.2.5 **the dti's** contribution towards any single ESS intervention shall not exceed 10% of the applicant enterprise's turnover, or R200 000, whichever is the lower amount.

6.3 The BBDP 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;
- Certificate of registration;
- List of managers, directors, shareholders and employees, together with identity document (ID) numbers of all persons in each category;
- ID numbers and copies of ID books of staff to be trained;
- Signed financial statements (i.e. income statements and balance sheets) for the latest financial year (not older than twelve (12) months) or management accounts of the enterprise, where the enterprise has been operational for less than twelve (12) months, provided that the audited statements are submitted to **the dti** within four (4) months after the end of the enterprise's first financial year. These statements are required to validate the applicant's capacity to finance the proposed intervention;

- Three (3) months' bank statements of the enterprise;
- A completed application form;
- A completed and signed letter of consent, to which must be attached a certified copy of the applicant's ID;
- Sound company report (to be conducted pro bono by officials of **the dti** or network facilitators);
- Company diagnostic report;
- Terms of reference used to obtain proposals/quotations;
- Proof that the enterprise has the potential to supply;
- At least three (3) proposals, the costs of services and profiles of service providers;
- A valid tax clearance certificate and VAT registration number obtainable from the South African Revenue Service (SARS), indicating an applicant's good standing in respect of its tax obligations;
- Certificate of satisfaction signed from the enterprise and service provider;
- Invoice from and proof of payment submitted to service provider;
- Service provider evaluation report;
- With regard to tools, equipment and machinery:
  - Due diligence conducted by a financial institution and/or developmental finance, and
  - Approval letter stating the requirements for final approval by the financial institution and/or developmental finance;
  - With regard to site inspections:
    - The BBSDP Secretariat will undertake site inspections prior to submitting applications to the BBSDP Adjudication Committee, to verify the existence of the applicant's business, apply tools to assess the business and verify the information provided by network facilitators and advise accordingly, and collect baseline data; and
    - The BBSDP Secretariat will undertake post-approval inspections for progress reports (on a bi-annual basis).

## 8. Calculation and Payment of Incentive Benefit

8.1 The cost-sharing grant is calculated on a 50:50 basis for ESS (business development and training support services). Whereas for equipment support services, BBSDP will cost share on a 35:65 basis 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:

$$R200\ 000 \times 50\% = R100\ 000 \text{ (ESS)}$$

$$R200\ 000 \times 35\% = R70\ 000 \text{ (Tools, machinery and equipment)}$$

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

$$R200\ 000 \times 50\% = R100\ 000 \text{ (ESS)}$$

$$R200\ 000 \times 65\% = R130\ 000 \text{ (Tools, machinery and equipment)}$$

8.2 Payment of claims can only be effected upon receipt of the following documentation from the applicant:

- Letter indicating the successful completion of the intervention;
- Proof of payment of the required percentage of the intervention cost by the enterprise (neither the service provider, nor any other third party is permitted to pay the 50 or 65% on behalf of the applicant). If the payment of the applicant's portion is financed, a copy of the contract with the financial institution must be submitted, together with a bank statement reflecting the first instalment;
- Deliverable outputs, as per the 'Annexure of Approvals';
- Valid tax clearance and VAT registration numbers of both the grant applicant and the service provider;
- Proof of instalment and contract from a financial institution and/or developmental financial institution; and
- Training certificate and attendance register for training received.

NB: If the grant applicant fails to pay the 50% or 65% 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.

### 8.3 Network Facilitators

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

- Conducting a needs assessment of the enterprise, for enterprises applying for business development services only;
- Assisting enterprises in the completion of BBSDP applications;
- Compiling business development plans for the enterprise;
- Obtaining quotations from, and profiles of, service providers;
- Ensuring that the applicant complies with all the mandatory requirements of the BBSDP (e.g. a valid tax clearance certificate of the enterprise must be submitted with every application);
- Ensuring that the beneficiary is satisfied with the delivery of services delivered by the service provider; and
- Ensuring that a successful claim of an approved project is submitted.

For further information on NFs, please refer to the Network Facilitator Guidelines, Application Form and a list of approved NFs (available directly from **the dti** offices or on **the dti** website: [www.thedti.gov.za](http://www.thedti.gov.za)).

## 9. Monitoring and Reporting

- 9.1 All approved interventions will be monitored to assess how the BBSDP is contributing to the stated development outcomes.
- 9.2 **the dti** or its appointed representative/s may conduct site inspections at each claim stage. An Intervention Monitoring Report will be completed as part of this process.

## 10. Submission of Applications

**Applications should be submitted to the following physical address:**

**Attention: Programme Manager: BBSDP**

The Enterprise Organisation

**the dti** Campus

77 Meintjies Street, Sunnyside,

Pretoria, 0002

**For further assistance, please contact TEO's Helpdesk:**

**Application Helpdesk:**

Tel. No.: (012) 394 1438/1426/1423

Fax No.: (012) 394 2438

Claims Helpdesk:

Tel. No.: (012) 394 1439/5581

**General enquiries can be directed to:**

Tel. No.: (012) 394 1438

## 11. General Legal Stipulations

- 11.1 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.
- 11.2 **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.
- 11.3 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.
- 11.4 **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.
- 11.5 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.
- 11.6 **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.

- 11.7 **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.
- 11.8 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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