

## Enterprise development spend and B-BBEE

By Werner van Rooyen, Director of HowToTender (Pty) Ltd which specializes in tender consulting and tender training.

Enterprise Development is one of the most current buzz phrases in South Africa. Everybody from Government to Large Corporates to SMME's must either perform Enterprise Development or must be the beneficiaries of Enterprise Development.

According to the Stellenbosch Business School Enterprise Development is defined as "the act of investing time and capital in helping people establish, expand or improve businesses. Enterprise development helps people to earn a living; it helps them out of poverty; and it leads to long-term economic growth for themselves, their families, and their communities".

Enterprise Development is a Priority Element on the Amended B-BBEE Codes of Good Practice that came into effect on 1 May 2015. If your business does not achieve a subminimum of 40% for Enterprise Development then your business' B-BBEE Score will drop a level – in other words if your business achieved a Level 4 but you do not achieve 40% in Enterprise Development your business is going to be discounted one Level to a Level 5.

Fortunately there are many ways to comply with Enterprise development and because it is very easy to calculate how much your business have to spend (1% of Net Profit After Tax or NPAT for short), it is fairly easy to score the maximum available points on your B-BBEE Score Card. Just remember that there needs to be proper recordkeeping of all the Enterprise Development spend that you do.

Also, particularly important to remember is that both Large Businesses as well as Qualifying Small Enterprises (QSE's) must comply with this element.

10 ways to spend Enterprise Development are:

1. Provision of training or mentoring by suitably qualified entities or individuals to SMME's which will assist the SMME's to increase their operational or financial capacity; **A Good example of this is How2Tender.com's Enterprise Development package!**
2. Investments in beneficiary entities (SMME's);
3. Loans made to beneficiary entities;
4. Guarantees given or security provided on behalf of beneficiaries;
5. Direct costs incurred by a measured entity in assisting and hastening development of beneficiary entities;
6. Contributions made to settling service costs relating to the operational or financial capacity or efficiency levels of beneficiary entities;
7. Relaxed security requirements or absence of security requirements for beneficiary entities unable to provide security for loans;
8. Settlement of accounts with beneficiary entities over a shorter period in relation to the measured entity's normal payment period, provided the shorter period is no longer than 15 days;
9. Providing **training** or mentoring to beneficiary communities by a measured entity;
10. Payments made by the measured entity to suitably qualified and experienced third parties to perform Enterprise Development on the measured entity's behalf.

Enterprise Development must not be confused with Supplier Development. Any money spend on Enterprise Development cannot be claimed as Supplier Development as well.

To learn more about this and many other tender conditions attend our "Become a Tender Expert" 2-Day workshops presented in Johannesburg, Pretoria, Durban, Port Elizabeth, and Cape Town. Book and pay online at <https://howtotender.co.za/tender-expert-form/>

Contact us at [estelle@howtotender.co.za](mailto:estelle@howtotender.co.za) should you require more information.

*You can also purchase a Tender Manual (Handbook) on our website <https://howtotender.co.za/> which is a step by step guide how to respond to a South African Tender. It includes examples of completed SBD forms.*