

The difference between Supplier and Enterprise Development

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The Amended B-BBEE Codes of Good Practice came into effect on 1 May 2015. This means that any business that has a turnover of more than R10 million per annum and that participates in B-BBEE will have to comply with these Amended Codes. Although B-BBEE is voluntary, it is going to become difficult to avoid if your business is mainstream, does not matter what your turnover is.

One of the easiest ways to earn points is through the Enterprise and Supplier Development Element. This Element counts for 40 points on the Generic Scorecard and for 30 points on the Qualifying Small Enterprise (QSE) Scorecard. The reason it is easy to score points is because there are three sub-elements and you can score points on each one of them. The three sub-elements are:

- Preferential Procurement;
- Supplier Development and
- Enterprise Development.

Preferential Procurement will dictate who your suppliers are going to be in future - new stringent requirements around Preferential Procurement will force businesses to broaden their supplier database. Supplier Development will become especially important because businesses are going to struggle with their Preferential Procurement and therefore, they will need to develop Suppliers to fulfil their supply chain needs. Enterprise Development will become increasingly critical to feed the Supplier Development as well as the Preferential Procurement supply chain.

But what is the difference between Supplier Development and Enterprise Development? Supplier Development is done on your current supplier database whereas Enterprise Development is done on suppliers that are not on your database as well as on start-up businesses or new entrants. With Supplier Development the business is already a supplier to your business as where with Enterprise Development the business wants to become part of your supply chain.

Remember that when you do either Supplier or Enterprise Development there are certain rules and regulations that need to be followed:

- Supplier and Enterprise Development can only be done for 51% or more Black Owned Businesses;
- These 51% or more Black Owned Businesses must have a turnover of less than R50 million per annum;
- You cannot claim money spend on Supplier Development as money spend on Enterprise Development;
- Supplier and Enterprise Development can only be done on existing businesses;
- The spend on these two sub-elements must be quantifiable in a monetary value;
- There must be a formal written agreement between your business and the recipient of Supplier or Enterprise Development;
- The recipient must show its gratitude by means of a Letter of Appreciation.

Finally – you must remember that for your business to score full points for Supplier and Enterprise Development you will have to spend money on these two development criteria:

- For Supplier Development you will have to spend 2% (1% QSE) of your nett profit after tax per annum and
- For Enterprise Development you will have to spend 1% (1% QSE) of your nett profit after tax.

Our advice is to start planning now!

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 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.