



**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

# PROGRAMME GUIDELINES

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## BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME (BBSDP)

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## **Disclaimer**

This guideline document provides the criteria to assess proposals from potential BBSDP projects and the process of applying for the incentive. The guidelines are approved and issued by the Minister of Trade and Industry for purposes of ensuring clarity on the aim and requirements of the incentives programme. **the dti** reserves the right to amend the guidelines as it deems appropriate.

# 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 an aim to reach more entrepreneurs, broaden the activities eligible for assistance and increase 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 by for instance upgrading managerial capabilities, market development, quality improvement projects and the acquisition of technology.
- 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 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 part of the mainstream economy. It provides grants to a maximum of R1 000 000 (R800 000 will be ring-fenced for tools, machinery and equipment) per eligible enterprise to improve their **corporate governance, management, marketing, productivity** and use of **modern technology**.
- 2.2 The focus is on formal black enterprises that are registered for VAT and that have the potential or capacity to supply goods and services to public and private sector corporations and local, provincial and national government departments on a sustainable basis.
- 2.3 The programme outcomes are to improve sustainability of black-owned enterprises and thereby increase employment.
- 2.4 The amended BBSDP will open for business on 01 April 2010 and will be administered for a period of seven years up to 2016.

## **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 a minimum and maximum turnover of R1 000 000 to R35 million turnover per year respectively;
- 3.4 Be registered with SARS for VAT and be able to provide a valid Tax Clearance Certificate.
- 3.5 Any enterprise operational/registered for less than a year must provide evidence to service a tender/contract to qualify.
- 3.6 The enterprise must be operating and trading for at least one financial year.  
(NB: These criteria will be waived depending on the enterprise case.)

## 4. Eligible projects

### Projects that qualify are:

4.1 Projects aimed at upgrading the capability of the management team of the enterprise through generic management training programmes. Examples of such training programmes are:

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

4.2 Projects aimed at improving the effectiveness of the management systems of an enterprise and assisting enterprises with entry into targeted or new markets:

- Company diagnostics
- Business Plan to raise finance (Funding Proposal)
- Business strategy
- Marketing strategy (information, planning, improvements, branding)
- Organisation and management improvements (structures, functions)
- Management information systems (production, sales, accounting software)
- Quality assurance (ISO, certification, accreditation, grading costs)
- Patenting and intellectual property rights
- Production and productivity improvements
- Product improvements
- BEE rating and certification
- Expansion and modernisation strategy and planning

- 4.3 Acquisition of tools, machinery and equipment. Enterprises may apply for support in acquiring equipment under one of the following options:
- Introduce a clean production process
  - Secure a contract or tender for which the equipment is essential
  - Attain a grading to qualify the enterprise for new or larger tasks
  - Provide security of power supply or back-up where this is essential
  - Enhance growth or efficiency through the use of business IT.

## **5. Eligible expenditure**

- 5.1 The BBSDP will offer a cost-sharing grant of 50 percent of the approved costs of qualifying projects and approved enterprises will contribute 50 percent of the cost (business development services). With regard to tools, machinery and equipment, the BBSDP will offer a cost-sharing grant of 35 percent of the approved costs of qualifying equipment with a limit of R800 000.
- 5.2 An eligible enterprise can apply for multiple projects provided that the cumulative grants awarded to the enterprise do not exceed the maximum grant that can be awarded under BBSDP. An eligible enterprise is, however, not allowed to apply for funding for the same project/activity more than once.
- 5.3 For all applications, requested amounts for each project will not be greater than 25 percent of the previous year's turnover.

## **6. Exclusions and limitations**

**The following are not eligible for funding:**

- 6.1.1 Office equipment and computer hardware costs except for BPO applications
- 6.1.2 Land and buildings
- 6.1.3 Working capital
- 6.1.4 Training programmes that exceed five weeks or hundred and sixty notional hours
- 6.1.5 Long-term formal training (e.g. MBA) at accredited institutions like universities
- 6.1.6 Activities 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

6.1.8 Design and printing of company stationery and business cards are excluded.

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

6.2.1 Printing of any materials will be limited to R5000;

6.2.2 Payment towards skills training is limited to R15 000 per individual or R30,000 per group, whichever is the lesser;

6.2.3 BBSDP will approve up to two training interventions in any one year per enterprise and any further interventions will be approved only after any previously approved interventions have been completed and evaluated;

6.2.4 Only two interventions will be approved at a time for Enterprise Support Services (ESS), provided that any previously approved interventions have been completed and evaluated. No single ESS intervention shall exceed 10 percent of turnover or R200 000 whichever is the lesser;

6.2.5 BBSDP will support only one such intervention for any enterprise or enterprises owned by the same shareholders or family members. BBSDP will cost share up to 35 percent of the cost of equipment; therefore the maximum that may be drawn will be R800,000;

6.2.6 Each enterprise, or group of enterprises owned by the same shareholders, will qualify for up to a total of five interventions combined under the three categories over a three year period.

**The grant approval is subject to availability of funds.**

## **7. Application procedure**

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

- Proof of ownership
- Certificate of registration
- List of managers and employees
- Latest financial statements (not older than 12 months). Three months bank statement. A completed Application Form
- A completed and signed Letter of Consent to which must be attached a certified copy of the applicant's Identity Document

- Rapid assessment or company diagnostic report
- TORs used to obtain proposals/quotations
- At least three proposals, cost and profiles of service providers
- Applicant must submit three month's bank statement
- A valid Tax Clearance Certificate and VAT Certificate obtainable from the South African Revenue Services (SARS) should be the latest indicating an applicant's good standing in respect of its tax obligations
- Financial Statements: audited and signed financial statements applicable to a Pty (LTD). Other forms of businesses must submit management accounts - for the latest financial year. These statements are required to validate the applicant's capacity to finance the proposed project.
- With regard to tools, equipment and machinery:
  - Due diligence conducted by a financial institution and/or developmental finance.
  - Evidence should be provided that a financial institution or a financing agency will finance the project.
- **Site inspections**
  - The BBSDP Secretariat will undertake site inspections a week prior to submitting applications to the BBSDP Adjudication Committee. The site inspection will verify the existence of the applicant's business, apply tools to assess the business to verify the information provided by network facilitators and advise accordingly. Baseline data will be collected during these visits.
  - The BBSDP Secretariat will undertake post-approval inspections for progress report (on bi-annual basis).
- Certificate of satisfaction signed by enterprise and service provider
- Invoice and proof of payment to service provider
- Service provider evaluation report.

## 8. Calculation and payment of incentive benefit

- 8.1 The cost-sharing grant is calculated on 50:50 percent basis (excluding VAT) for enterprise support and training support services. For example, if the BBSDP approves a project of which the total cost is R 200 000, the grant will be calculated as:

$$R200\ 000 \times 14\% \text{ (VAT)} = R228\ 000$$

**the dti** will pay R100 000 and the client will pay R128 000.

Whereas for equipment support services, BBSDP will cost share 35 percent of the cost of the equipment or R800 000, whichever is the lesser.

- 8.2 Payment of claims can only be effected on receipt of the following documents from the applicant:

- Letter indicating a successful completion of the project
- Proof of payment of 50 percent of the project cost by the enterprise (the service provider is not allowed to pay the 50 percent on behalf of the client)
- The deliverable outputs as per the Annexure of Approvals
- Valid tax clearance and VAT certificated from both the grant applicant and the service provider
- If the grant applicant fails to pay the 50 percent portion to the service provider, he/she will be responsible for the payment of the 100 percent portion to the service provider
- Proof of instalment and/or contract from a financial institution and/or developmental financial institution
- Evidence of approved finance from any financial institution and/or developmental financial institution with regards to tools, equipment and machinery.

## 9. Monitoring and reporting

- 9.1 All approved projects will be monitored to assess how the BBSDP contributes to stated development outcomes.
- 9.2 **the dti** or its appointed representative(s) will conduct site inspections at each claim stage. A Project Monitoring Report will be completed as part of this process.

## **10. Submission of applications**

**The applications must be submitted to the following address:**

Programme Manager: BBSDP

**the dti** campus

77 Meintjies Street, Sunnyside, Pretoria

Tel No: 012 394 1438

Fax No: 012 394 2438

### **Postal Address:**

The Enterprise Organisation

Private Bag X84

Pretoria, 0001

Website: [www.thedti.gov.za](http://www.thedti.gov.za)

Call Centre: 0861 843 384

## **Appendix A: Glossary of definitions**

<b>Applicant</b>	An enterprise applying for BBSDP grant
<b>Network facilitator</b>	An individual who assists enterprises in compiling BBSDP proposals and ensures that a successful claim of an approved project is submitted
<b>Service provider</b>	An individual or enterprise that renders a service (in terms of the approved projects and/or activities to an approved BBSDP beneficiary)

## Annexure of Approvals: MONITORING AND EVALUATION

NARRATIVE DESCRIPTION	KEY INDICATORS	UNIT OF MEASURE
Efficiency w.r.t programme output	Application processed	<ul style="list-style-type: none"> <li>• No. of applications processed/ approved</li> <li>• Efficiency - turnaround times</li> <li>• Customer satisfaction</li> </ul>
	Grant disbursed	<ul style="list-style-type: none"> <li>• Funds committed and disbursed</li> <li>• Utilisation rate per sector, women-owned, location, size</li> </ul>
Outcome	Increased number of Black-owned supplier enterprises	
	Growth and sustenance of supported enterprises	<ul style="list-style-type: none"> <li>• Increase in output, capacity utilisation and productivity in assisted enterprises</li> <li>• No.. directly employed by supported enterprises</li> </ul>
Impact	Sustained enterprise growth	<ul style="list-style-type: none"> <li>• Assisted enterprises remaining in business for at least four or five years</li> </ul>
	Development indicators for cluster project funding	<ul style="list-style-type: none"> <li>• Ad hoc indicators</li> </ul>
	Cost benefit – effectiveness	<ul style="list-style-type: none"> <li>• Economic impact vs programme costs</li> </ul>