

An EMPOWERDEX Guide



The Codes of Good Practice

Scorecard Essentials

ENTERPRISE DEVELOPMENT

Code 600 – Enterprise Development

Statement 600 – Measurement of Enterprise Development



Enterprise Development

Enterprise Development

Code Series 600

Measurement of the Enterprise Development Element of B-BBEE

Statement 600

The General Principles for Measuring Enterprise Development

What you can expect:

- Enterprise Development scorecard
- Key measurement principles
- Measurement of Qualifying Contributions
- The Benefit Factor Matrix

The Essence of Statement 600:

The Enterprise Development scorecard allocates points for:

- The average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity

Key Measurement Principles

- Measured Entities receive recognition for any Qualifying Enterprise Development Contributions that are **quantifiable as a monetary value** using a Standard Valuation Method
- Qualifying Contributions are recognisable **cumulatively**:
 - from the commencement date of the Codes, or an earlier date chosen by the Measured Entity (Inception Date) until the date of measurement
 - The Inception Date chosen must not be earlier than 5 years before commencement of the Codes
 - No portion of the value of any Qualifying Enterprise Development Contributions that is payable to the beneficiary after the date of measurement can form part of any calculation under Statement 600.

Recognition of Enterprise Development Contributions

- Enterprise Development contributions consist of monetary or non-monetary, recoverable or non-recoverable contributions actually initiated and implemented in favour of beneficiary entities by a Measured Entity with the **specific objective of assisting or accelerating the development, sustainability and ultimate financial and operational independence** of that beneficiary. This is commonly accomplished through the expansion of those beneficiaries' financial and/or operational capacity.
- The full value of contributions, adjusted using the Benefit Factor, made to **Exempted Micro-Enterprises** or **Qualifying Small Enterprises** which are 50% black owned or 30% black women owned, are **multiplied by 1.25**
- Also recognisable is the **full value** of contributions to any enterprises that are:
 - 50% black owned or 30% black women owned with a BEE Status of between Level One and Level Eight
 - 25% black owned or 20% black women owned with a BEE Status of between Level One and Level Six
- Recognition of Enterprise Development contribution is limited to Qualifying Enterprise Development Contributions made to beneficiary entities. However, historical contributions to **non-qualifying beneficiaries** are considered Qualifying Enterprise Development Contributions if those contributions were initiated by the Measured Entity in favour of the beneficiary on the understanding that the beneficiary; as a result of those Enterprise Development contributions, would over time meet the requirements of a beneficiary entity. To clarify, measurement of non-beneficiaries as Qualifying Enterprise Development Contributions the following must apply:
 - Contributions commenced **before** the commencement of the Codes must be shown to have involved agreement between the Measured Entity and the beneficiary that the support received be used, at least in part, for the purposes of improving the beneficiary's overall BEE compliance level
 - Contributions commenced **after** the commencement of the Codes must be in terms of a written agreement between the Measured Entity and the beneficiary recording that support received be used, at least in part, for the purposes of meeting the definitional requirements of a beneficiary entity.

Enterprise Development contributions include:

- grant contributions to beneficiary entities
- investments in beneficiary entities
- loans made to beneficiary entities
- guarantees given or security provided on behalf of beneficiaries
- credit facilities made available to beneficiary entities
- direct costs incurred by a company in assisting and hastening development of beneficiary entities
- overhead costs of a company that can be directly attributable to Enterprise Development contributions
- Enterprise Development or developmental capital advanced to beneficiary entities
- preferential credit terms granted by a company to beneficiary entities
- preferential terms granted by a company in respect of its supply of goods or services to beneficiary entities
- contributions made to settling service costs relating to the operational or

- financial capacity or efficiency levels of a beneficiary entities
- payments made by the company to third parties to perform enterprise development on the company's behalf
- discounts given to beneficiary entities in relation to the acquisition and maintenance costs associated with the grant to those beneficiary entities of franchise, licence, agency, distribution or other similar business rights
- creation or development of capacity and expertise for beneficiary entities needed to manufacture or produce goods or services previously not manufactured, produced or provided in the Republic of South Africa
- facilitating access to credit for beneficiary entities without access to similar credit facilities through traditional means owing to a lack of credit history, high-risk or lack of collateral
- provision of training or mentoring to beneficiary entities which will assist the beneficiary entities to increase their operational or financial capacity
- maintenance by the company of an enterprise development unit which focuses exclusively on support of beneficiary entities or candidate beneficiary entities.

Contributions can also include:

- creation or development of the capacity of beneficiary entities which will enable them to manufacture and produce goods or provide services previously not available in the Republic of South Africa
- provision of preferential credit facilities to a beneficiary entity such as:
 - provision of finance to beneficiary entities at lower than commercial rates of interest
 - relaxed security requirements or absence of security requirements for beneficiary entities unable to provide security for loans
 - settlement of accounts with beneficiary entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 10 days
- provision of training or mentoring to a beneficiary entity (such contributions are measurable by quantifying the cost of time spent by staff or management of the company in carrying out such initiatives but any travel or commuting time is not recognisable). A clear justification must support any claim for such time costs incurred, commensurate with the level of seniority and expertise of the trainer or mentor.
- maintenance of an enterprise development unit by the company (such contributions include the salaries and wages of staff and other expenses involved in operating the enterprise development unit). However, only that portion of salaries and wages attributable to time spent by the staff in and the other expenses related to promoting and implementing enterprise development constitute contributions
- payments made by the company to third parties to perform enterprise development on the company's behalf.

The Benefit Factor Matrix

The Minister may from time to time, by notice in the gazette, revise or substitute the Benefit Factor Matrix. Any changes will only be applicable to the compliance reports for a Measured Entity for the 12-month period following the gazetting of a revision or substitution.

Qualifying Contribution type	Contribution Amount	Benefit Factor
Grant and Related Contributions		
Grant Contribution	Full Grant Amount	100%
Direct Cost incurred in supporting enterprise development	Verifiable Cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting enterprise development	Discount Amount (in addition to normal business discount)	100%
Overhead Costs incurred in supporting enterprise development (including people appointed in enterprise development)	Verifiable Costs (including both monetary and non-monetary)	80%
Loans and Related Contributions		
Interest-Free Loan with no security requirements supporting enterprise development	Outstanding Loan Amount	100%
Standard Loan to Black Owned EME and QSEs	Outstanding Loan Amount	70%
Standard Loan provided to other Beneficiary Enterprises	Outstanding Loan Amount	60%
Guarantees provided on behalf of a Beneficiary entity	Guarantee Amount	3%
Lower Interest Rate	Outstanding loan amount	Prime Rate - Actual Rate
Equity Investments and Related Contributions		
Minority Investment in Black Owned EME and QSEs	Investment Amount	100%
Minority Investment in Other Beneficiary Enterprises	Investment Amount	80%
Enterprise Development Investment with lower dividend to financier	Investment Amount	Dividend Rate of Ordinary Shareholders - Actual Dividend Rate of Contributor
Contributions made in the form of human resource capacity		
Professional services rendered at no cost and supporting enterprise development	Commercial hourly rate of professional	80%
Professional services rendered at a discount and supporting enterprise development	Value of discount based on commercial hourly rate of professional	80%
Time of employees of Measured Entity productively deployed in assisting beneficiaries	Monthly salary divided by 160	80%
Other Contributions		
Shorter payment periods	Percentage of invoiced amount	Percentage being 15 days less the number of days from invoice to payment