

## **White-owned enterprises can now also benefit from BEE.**

Author:

### ***The important role entrepreneurship plays in the growth of the South African economy is recognised by the new Broad Based Black Economic Empowerment (BBBEE) Codes of Good Practice.***

That's according to Adil Abdullah, Manager: BEE Services at MWEB CommerceZone, a leading provider of hosted e-procurement solutions and services which include assisting businesses to ensure that a greater percentage of their spend is directed to bona fide BEE organisations as required by the preferential procurement component of the BBBEE scorecard.

Abdullah says the Codes go much further than simply affording exempt micro enterprises (EMEs) automatic 'level four contributor' status and accommodating smaller companies, called Qualifying Small Enterprises (QSEs), by requiring them to select best four of the seven pillars of BBBEE.

"The new Codes actively encourage big businesses to direct a relatively large portion of their procurement spend towards EMEs and QSEs. That's good news for small businesses generally. Indeed, this could prove to be just the catalyst we've been waiting for to ignite a widespread spirit of entrepreneurship in South Africa," he explains.

Any company with annual total revenue of between R5-million and R35-million qualifies as a QSE, while those with a turnover of R5-million and below per annum qualifies as an EME. These enterprises have long complained about the administrative burden imposed on them by BBBEE for very little return.

That has changed.

Abdullah points out that in the generic questionnaire for corporates, there is a question relating to the percentage of spend the organisation directs at EMEs and QSEs. The final procurement score is weighted according to the response.

"On generic scorecard, procurement account for 20% of the organisation's total score. Three percent of that is directed at spend with EMEs and QSEs. In other words, you have to direct some of your spend to these organisations if you want to boost your overall procurement score as much as possible.

"It's interesting to note that any EME qualifies for inclusion in this calculation – not just black-owned enterprises. In other words, white-owned EME can now also benefit from BEE," he says.

Of course, Abdullah continues, additional weighting is applied to black-owned and black engendered enterprise, which contributes to a significant 5% weighting under preferential procurement on the generic scorecard.

Abdullah believes the emphasis on the SMME sector in the new Codes stems from the acknowledgement that this is where most job creation will occur. It's been estimated that 80% of private sector job creation has come from SMMEs over the last five years.

'By exempting these EMEs now, while encouraging large corporates to direct some of their spend towards them, will effectively kill two birds with one stone. It will help these SMMEs to grow, and thus provide more employment; and once they have grown sufficiently to cross the R5-million or R35-million threshold, they will have to comply with the general BBBEE requirements – or find their growth stunted.

"Of course, EMEs and QSEs don't have to wait to cross the turnover threshold before doing something about their own BBBEE scorecard rating. EMEs can obtain a higher than level four rating – making them a more attractive supplier to large corporates – by entering into the spirit of BBBEE and taking steps towards fulfilling the requirements of the seven pillars. And QSEs, of course, still have to meet at least four of the pillars requirements and the better they do this, the higher they will be rated by their customers," he concludes.

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