

# R12bn in funding for BEE untapped

## ■ SA is its losing entrepreneurs, report finds

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THERE is a potential R12 billion available for the funding of black entrepreneurs through the enterprise development component of broad-based black economic empowerment (BEE), but confusion means it has not been effective.

This is according to the State of Entrepreneurship in South Africa, a report compiled by Endeavour SA and the Gordon Institute of Business Science and sponsored by FNB.

The report says that the total entrepreneurial activity (TEA) in South Africa, measured by the proportion of the economically active population aged between 25 and 64 who are entrepreneurs, dropped from 7.8 percent in 2008 to just over 5 percent last year.

This compares with a TEA of 11.5 percent in India and 10.8 percent in the US.

In South Africa there are higher proportions of white and Indian entrepreneurs and lower percentages of black and coloured entrepreneurs.

Marcel Klaassen, the chief executive of Biznetwork, a division of FNB Commercial that supports entrepreneurs, said

that people expected big business and the government to solve problems. But many solutions such as job creation, supply chain issues and even education can be solved by small businesses and entrepreneurs.

One avenue of funding is the broad-based BEE code, which stipulates that as part of enterprise development, local corporates should spend 3 percent of their annual profits to support black-owned enterprises.

"There is a potential R12bn in funding available for black businesses. Enterprise development has great potential to increase job creation and bring more black entrepreneurs into the economy," the report says.

Enterprise development is seen more as a social exercise than a commercial one. If this continues, it will have the "grave unintended consequence of making entrepreneurs over-dependant on corporate hand outs", the report says.

Brigitte Brun, the chief operating officer of BEE verification agency AQRate KZN, said previously no-one had understood what enterprise development was, so it lagged other aspects of BEE. More recently companies had realised enter-

prise development was a "low hanging fruit" and something they might already be doing.

Brun said enterprise development could include mentoring, discounts for services or shorter payment terms.

"Anything that assists a black business to become sustainable," she said, adding that "it is probably the most exciting element of the scorecard".

Brun said that enterprise development should be used by corporates as a means to deal with its own strategic business issues. For example, a company that loads ships at the Durban port needed to transport staff between ships, so it helped to establish a small black business to fulfil this service for it.

The report suggests that for enterprise development funding to be more effective, greater emphasis should be given to enterprise development in the broad-based BEE scorecard.

Enterprise development and preferential procurement currently constitute 35 percent of the scorecard. The report suggests that if enterprise development is allocated higher points it will make the desire to invest in this area more attractive.