

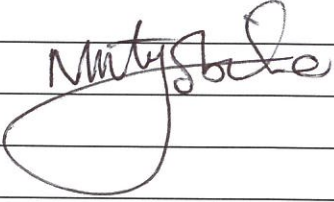




Policy Title	SMME Development Policy	
Policy Version		
<u>Role & Process</u>	<u>Responsible Individual Name and/or Date</u>	<u>Responsibility Accepted Signature</u>
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Policy Custodian	Director Planning Economic Development, Tourism and Agriculture- Mr. N. Mntuyedwa	
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HONOURABLE SPEAKER	Cllr. N. Mtyobile	
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1. DEFINITION OF KEY TERMS AND CONCEPTS

Term	Meaning
'Municipality'	Means Emalahleni Local Municipality established by the Provincial Notice, as published in the Provincial Gazette, Eastern Cape Province, issued in terms of section 12 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
'Council'	Means the council of the municipality as envisaged in section 157(1) of the Constitution and section 18 (3) of the Local Government: Municipal Structures Act No. 117 of 1998;
'Municipal council or council'	Means the Municipal Council of Emalahleni Local Municipality
'Municipal manager'	Means a person appointed by the Council as the head of the municipal administration or that any person appointed to act in that capacity or powers delegated to him/her or the Municipal Manager's designate;
'Incubation Programme'	Means a concerted and deliberate effort to promote the development of sustainable enterprises owned and controlled by Historically Disadvantaged Individuals.

2) PURPOSE

The purpose of SMME Incubation is to clarify the position of Emalahleni Local Municipality regarding incubation as provided for in terms of the Supply Chain Management, Broad Black Base Economic Empowerment Framework, Preferential Procurement Policy and must be read with the provisions of the Municipal Finance Management Act.

3) SCOPE

3.1. This policy covers the following areas which are targeted for incubation:-

- 3.1.1. Construction
- 3.1.2. Supply and Delivery
- 3.1.3. Maintenance

3.2. The policy is applicable to the following sectors:-

- 3.2.1. Tourism and Hospitality
- 3.2.2. Catering
- 3.2.3. Manufacturing



- 3.2.4. ICT / Networking
- 3.2.5. Agriculture
- 3.2.6. Electricity, Gas & Water
- 3.2.7. Retail and Motor Trade Repair Services
- 3.2.8. Wholesale Trade
- 3.2.9. Transport Services
- 3.2.10. Mining and Quarrying
- 3.2.11. Tendering or Supply and Delivery
- 3.2.12. Recycling
- 3.2.13. Construction Sector

4) DEVELOPMENT SPECIFIC GOALS

The municipality in its efforts to promote social and economic development focuses on the following development specific goals:

- 4.1. Disabled
- 4.2. Women
- 4.3. Youth
- 4.4. Military Veterans
- 4.5. Local SMMEs

5) POLICY OBJECTIVES

- 5.1. The strategic goal is of SMME Incubation Policy are:-
 - 5.1.1. Improve the grading status of contractors in targeted categories and grades
 - 5.1.2. Increase the number of black, women, disabled and youth owned companies in targeted categories and grades
 - 5.1.3. Create sustainable contracting enterprises by enabling continuous work through a competitive process
 - 5.1.4. Improve the performance of previously disadvantaged contractors in terms of quality, employment practices, skills development, safety, health, and environment
 - 5.1.5. Improve the business management and technical skills of local SMMEs
 - 5.1.6. Provide a framework and procedure for the efficient and effective management, support and growth and development of small to medium sized construction enterprises and co-operatives to become sustainable companies.
 - 5.1.7. Create an enabling environment which is composed of steady access to work opportunities to ensure sustainability, supply side measures underpinned by an enterprise development programme including: mentorship, training, finance and information and an enabling environment namely: uniform and standard procurement and contract documentation and practices, and prompt payment.
 - 5.1.8. The policy further intends to encourage private sector partnership with government to nurture SMMEs into sustainable small to medium sized



construction enterprises and co-operatives that can provide employment and contribute to economic growth.

6) APPLICABLE LEGISLATION

- 6.1. Constitution of the Republic of South Africa Act No. 108 of 1996
- 6.2. Broad-Based Black Economic Empowerment Act No. 53 of 2003
- 6.3. The Construction Industry Development Board Act No. 38 of 2000
- 6.4. National Framework for Local Economic Development (LED) of 2018-2028
- 6.5. Municipal Finance Management Act, 2001 (Act No. 1 of 2001) (MFMA).
- 6.6. Preferential Procurement Policy Framework Act no. 5 of 2000

7) OPERATIONAL FRAMEWORK FOR THE INCUBATION PROGRAMME

7.1. Contractor Incubation:-

7.1.1. The enabling environment should comprise of two elements. These programmes include Targeted Procurement and the Emerging Contractor Development Programme (ECDP).

7.1.1.1 Steady access to work opportunities achieved through sourcing suppliers on Incubator-designated projects from the Incubator Supplier Register. This will also be achieved to some extent by concentrating development efforts on a level of contracting enterprise that can operate in the sustainable R30 000 to R3 000 000 range market identified. The number of players in the marketplace can be expected to be in line with the number of opportunities.

7.1.1.2 Supply side measures for the support of growing enterprises through a structured mentorship-centered enterprise development programme with improved alignment of institutional support structures.

7.1.1.3. The key elements of the support measures being: -

7.1.1.3.1. Access to work opportunities

7.1.1.3.2. Access to mentorship

7.1.1.3.3. Access to training

7.1.1.3.4. Access to financial support

7.1.1.3.5. Access to support.

7.1.1.3.6. Access to any other development support that would be relevant for contractor development.

7.2. Entry Criteria

7.2.1. To participate in the Incubation, prospective participants should adhere to the following acceptance criteria: -



- 7.2.1.1. Active CIDB Grading 1 – 3.
- 7.2.1.2. Must be eligible to be enrolled with CETA-SETA.
- 7.2.1.3. Must be eligible to register for Value Added Tax (VAT)
- 7.2.1.4. Proof of being a resident in the Emalahleni Local Municipality
- 7.2.1.5. Financial capability and track record (CIDB min criteria for Grade 1).
- 7.2.1.6. Access to skilled staff.
- 7.2.1.7. Preference will be given to locals, blacks, women, youth and the disabled.

7.3. Duration of the Incubation

The duration of the incubation programme will be for 2 years starting from 2022/24 financial year up to 2024/2025 financial year. Thereafter, the service providers will be realised from the programme to afford space for other local SMME's to take part in the programme.

7.4. Requirement of the Programme: Construction

The service provider must demonstrate that they have adequate experience and skills to undertake the required task. All interested applicants are required to submit the following:

7.4.1. Functionality Assessment Criteria

Functional Category and Description	Weight
Locality (Proof to be attached to claim points)	Total- 50
Points will be subject to submission of Valid (not older than three months) original Sworn Affidavit and letter from the ward Councillor confirming locality specific to the ward. <ul style="list-style-type: none"> Emalahleni Local Municipality Chris Hani District Municipality <p>This criterion is designed to stimulate the local economic development as contained in the municipal approved LED Strategy.</p> <p>N.B: Non-submission will result to zero-point scoring.</p>	50 10
Expertise	Total- 15
Detailed Structure and responsibilities of Project Team <ul style="list-style-type: none"> Project Manager / Contract Manager (B-tech in Civil / Building Engineering and 10 years' experience) Site Agent (National Diploma in Civil / Building and 7 years' experience) Site Supervisor (5 years' experience) Health and Safety Officer <p>N.B: (Proof to be attached to claim points- CV and certified qualifications)</p>	10 2 2 1
Plant	Total- 10
<ul style="list-style-type: none"> TLB 	2



<ul style="list-style-type: none"> • Excavator • Watercart / Tanker • Grader • Smooth Roller 	2 2 2 2
N.B: To claim points, submit letter from Plant Hire Company confirming that you will get the plant on appointment	
Methodology	Total- 25
<ul style="list-style-type: none"> • Methodology statement indicating that how each activity is proposed to be carried out • Programme of works clearly defines each activity and duration • Cash flow projections 	5 10 10

Bidders should score 70 points to proceed to the next step

7.5. Requirements of the Programme: Supply and Delivery

The service provider must demonstrate that they have adequate experience and skills to undertake the required task. All interested applicants are required to submit the following:

7.5.1. Functionality Assessment Criteria

Functional Category and Description	Weight
Locality (Proof to be attached to claim points)	Total- 60
Points will be subject to submission of Valid (not older than three months) original Sworn Affidavit and letter from the ward Councillor confirming locality specific to the ward. <ul style="list-style-type: none"> • Emalahleni Local Municipality • Chris Hani District Municipality <p>This criterion is designed to stimulate the local economic development as contained in the municipal approved LED Strategy.</p> <p>N.B: Non-submission will result to zero-point scoring.</p>	60 15
Turnaround Time	Total- 20
<ul style="list-style-type: none"> • Delivery period within 7 days from the date of appointment • Delivery period within 14 days from the date of appointment <p>NB: To score the points bidders should submit delivery schedule with turnaround time</p>	20 15
Methodology	Total- 20
<ul style="list-style-type: none"> • Clear methodology statement • Understanding of the concept 	10 10



NB: To score the points bidders should submit a clear methodology with emphasis on methodology statement and understanding of the Incubation Programme

Bidders should score 70 points to proceed to the next step

7.6. Requirement of the Programme: Maintenance

The service provider must demonstrate that they have adequate experience and skills to undertake the required task. All interested applicants are required to submit the following:

7.6.1. Functionality Assessment Criteria

Functional Category and Description	Weight
Locality (Proof to be attached to claim points)	Total- 60
Points will be subject to submission of Valid (not older than three months) original Sworn Affidavit and letter from the ward Councillor confirming locality specific to the ward. <ul style="list-style-type: none"> Emalahleni Local Municipality Chris Hani District Municipality <p>This criterion is designed to stimulate the local economic development as contained in the municipal approved LED Strategy.</p> <p>N.B: Non-submission will result to zero-point scoring.</p>	60 10
Expertise	Total- 15
Detailed Structure and responsibilities of Project Team <ul style="list-style-type: none"> Project Manager / Contract Manager (B-tech in Civil / Building Engineering / Electrical / Mechanical and 10 years' experience) Site Agent (National Diploma in Civil / Building and 7 years' experience) Site Supervisor (5 years' experience) Health and Safety Officer <p>N.B: (Proof to be attached to claim points- CV and certified qualifications)</p>	10 2 2 1
Methodology	Total- 25
<ul style="list-style-type: none"> Methodology statement indicating that how each activity is proposed to be carried out Programme of works clearly defines each activity and duration Cash flow projections 	5 10 10

Bidders should score 70 points to proceed to the next step

7.7. Results Envisaged

7.7.1. To be considered sustainable, a contracting enterprise must meet the following criteria:



- 7.7.1.1. Is legally established and appropriately registered
- 7.7.1.2. Has a market niche that is not stretched too widely across different types of work
- 7.7.1.3. Understands the various construction processes and has the required networks for contracting
- 7.7.1.4. Has the staff with the necessary technical and managerial skills and knowledge to carry out work
- 7.7.1.5. Has delivered consistently good results; and
- 7.7.1.6. Has a stable and positive cash-flow and a growing assets base.

7.8. Programme of Incubation

7.8.1. The Incubation Programme comprises of three sub-programmes which are:

- 7.8.1.1. Construction
- 7.8.1.2. Supply and Delivery
- 7.8.1.3. Maintenance

7.9. Programme Implementation

- 7.9.1. Issue an advert to invite SMMEs to be part of the SMME Incubation database
- 7.9.2. Only SMMEs that passed the Evaluation and Bid Adjudication stages will be part of the incubation
- 7.9.3. Implementation of the programme will be for a period of 2 years
- 7.9.4. Sourcing suppliers on Incubator-designated projects from the Incubator Supplier Register.
- 7.9.5. Participating SMMEs will be rotated
- 7.9.6. Companies can only participate in one programme, for example if the company is participating in Maintenance Incubation it cannot be allowed to participate in Construction or Supply and Delivery Incubation
- 7.9.7. SMMEs to be encouraged to register for VAT
- 7.9.8. The municipality shall include the fees for mentorship of emerging contractors in the contract of the consultants
- 7.9.9. The consultants shall be responsible for mentoring the emerging contractors through both administrative and technical expertise in construction and maintenance, except supply and delivery
- 7.9.10. The consultants shall develop reports for the evaluation of the performance of contractors in construction and maintenance
- 7.9.11. The companies that will be participating in supply and delivery shall be supported through engagement with Eastern Cape Development Corporation (ECDC) for the signing of cession

7.10. Targeted Commodities or Enterprises

- 7.10.1. Production, supply, and delivery of seedlings



- 7.10.2. Cleaning of toilets
- 7.10.3. Renovation of Community Halls
- 7.10.4. Production or supply and delivery of paving bricks
- 7.10.5. Repairs and maintenance of solar panels
- 7.10.6. Production or supply, and delivery of toilet papers
- 7.10.7. Production or supply, and delivery of protective clothing
- 7.10.8. Construction and maintenance of buildings and roads
- 7.10.9. Paving of grounds
- 7.10.10. Catering

8. ENTERPRISE DEVELOPMENT PROGRAMME

8.1. Support Services

- 8.1.1. The Incubator will provide business support services throughout the entire project cycle, from planning to execution. The services will include but are not limited to:-

8.1.2. Business Administration

- 8.1.2.1. Financial Management
- 8.1.2.2. Technical Support
- 8.1.2.3. HR Management
- 8.1.2.4. Statutory Compliance
- 8.1.2.5. Tender Phase Support
- 8.1.2.6. Construction Phase Support
- 8.1.2.7. Medium-long Term Sustainability

8.1.3. Project Identification

- 8.1.3.1. Identify potential projects through strategic planning and budgeting (SDBIP)
- 8.1.3.2. Categorise the projects by value, risk, priority, complexity, and size
- 8.1.3.3. Consideration for Match to existing contractors,
- 8.1.3.4. Size and value of the contracts (Grading 1-3)
- 8.1.3.5. Complexity (general building and structural civil)
- 8.1.3.6. Temporary (maintenance) projects are likely to be highly desirable for the construction incubation programme.

8.1.4. Access to Work Opportunities

- 8.1.4.1. Work opportunity not guaranteed.
- 8.1.4.2. Municipality to allocate work to enable project-based mentorship and training.
- 8.1.4.3. Ensure contractor sustainability.
- 8.1.4.4. Procurement with the PPPFA and Emalahleni Local Municipality Supply Chain Management Framework.



- 8.1.4.5. Closed tendering (nominated procedure).
- 8.1.4.6. Expression of interest.
- 8.1.4.7. Consolidation of interest and opportunities.
- 8.1.4.8. Inviting suitable participants to bid.

8.2. Access to Mentorship

8.2.1. Mentor Responsibilities:

- 8.2.1.1. Assists the contracting enterprise to assess its level of development and strengths and weaknesses,
- 8.2.1.2. Guides the contracting enterprise through a development programme,
- 8.2.1.3. Provides both technical (project related) and business (enterprise development) support and coaching based on development plans.
- 8.2.1.4. Selects appropriate training
- 8.2.1.5. Facilitate (with Programme Management Team) access to the support mechanisms e.g. technology and institutional support,
- 8.2.1.6. Assesses the contracting enterprise for improvement on a monthly, quarterly, annually and upon exit to the programme.

8.3. Access to Training

- 8.3.1. Contractor assessments provide a framework for determining training requirements:
- 8.3.2. Training is incorporated in the contractor development plans.
- 8.3.3. All training interventions should be within the SAQA (& CETA) framework and guidelines

8.4. Access to Finance

- 8.4.1. Strategy for sustainable access to finance for small to medium sized construction companies to be developed
- 8.4.2. Arrangement with financial institutions to facilitate efficient access to working and asset-based capital (guarantee finance, purchase materials, pay labour).
- 8.4.3. Internal enabling environment guarantees shorter payment intervals.

9. SUPPLY CHAIN MANAGEMENT STRATEGY

9.1 Procurement Strategy:

- 9.1.1 The municipality must make a call for locally based enterprises to be on the Incubation Provider List
- 9.1.2 SCM policy must make a provision for nomination from a pre-qualified Incubator Providers List.



9.1.3 The SCM policy must also allow for direct tendering, sub-contracting, joint ventures, and other forms of tendering in line with applicable legislative prescripts.

9.1.4 The enterprises will be contracted on a rotational system

10. MONITORING AND EVALUATION

10.1 Incorporates contractor, mentor, and project performance.

10.2 Contractor performance: assessments (reports and development plans).

10.3 Mentorship: mentor reports.

10.4 Project: project management reports.

10.5 Monthly, quarterly, annual and exit reports.

10.6 Interpretation of the contractor business results e.g. improvement of the financial bank rating, profitability, CIDB Grading.

10.7 The Director Planning Economic Development, Tourism and Agriculture, other relevant Senior Manager Chief Financial Officer shall monitor compliance to the policy on an ongoing basis.

10.8 Contractors that have been assigned work through the programme, should be monitored to upgrade their CIDB grades and VAT compliance as per the assigned work.

11.EXIT STRATEGY

11.1. At the end of two years, the service provider will exit the program where the sustainability criteria have been met over the last two assessments.

11.2. In brief, for the contractors the exit criteria is:

11.2.1. CIDB grading at the level to which being mentored, i.e. satisfies CIDB criteria for grading one level higher than currently registered.

11.2.2. The afore-mentioned criterion is based on the contractor's potential and capability to profitably deliver projects as required by the clients.

12. POLICY REVIEW

12.1. Policy shall be evaluated and reviewed when necessary to align with national policies, legislative developments, and national circulars.