


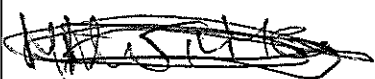
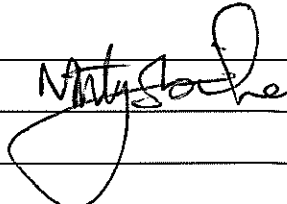
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Policy Version		
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1. DEFINITION OF KEY TERMS AND CONCEPTS

Terms	Definition
SMMEs	Small Medium and Micro enterprises and as defined according to the scheme in the National Business Act (102 of 1996). This definition or categorization focuses on the size of business according to the following criteria: number of employees; assets; turnover; and the sector or industry where the business operates.
Formal Businesses	Businesses that are organised and with employers who have fixed terms of employment
Informal Businesses	Unregulated businesses, usually run by people unemployed in the formal sector of the economy.
Survivalist Enterprises	A type of business that is not considered to have a potential to generate income and to provide employment. The business exists such to help the owner survive or escape sleeping with an empty stomach.
Small Enterprises	Fewer than 50 employees. Enterprises are generally more established than the very small class, with more complex business practices. They have often outgrown direct supervision by the entrepreneur and developed a secondary coordinating mechanism.
Medium Enterprises	Maximum of 100 employees, except in mining, electricity, manufacturing, and construction, where the upper limit is 200. Enterprises are still owner-managed and controlled, but have more complex structure, often an additional management layer and division of labour.
Micro Enterprises	Annual turnover is less than the VAT registration limit (then R150 000); no more than 5 paid employees. These generally lack formality in terms of registration for tax, labour law, premises, or accounting procedures (e.g. minibus taxis, spaza shops, home industry). The category subsumes the survivalist group of enterprises, which generate income less than the poverty line, have no paid employees and minimal asset value.
Enterprise	A separate and distinct business entity, and must be managed by its owner/s.
Entrepreneur	Someone who engages in entrepreneurial activities.
Sole Proprietor	A sole proprietorship is a business that is owned and operated by a natural person (individual) and it is not a legal entity i.e. man-in-a-van type of occupation such as a plumber or electrician.
Close corporation (regulated under	A company is a legal entity made up of an association of persons, be they natural, legal, or a mixture of both, for carrying on a commercial or industrial enterprise.



companies act of 2008)	
Partnership	A partnership is the relationship existing between two or more persons who join to carry on a trade or business such as lawyers, accountants, and doctors.
Franchise	Franchises are licensing arrangements whereby an individual or group can buy the right to trade and produce under a well-known brand name in a given locality.
Primary Cooperative	A co-operative made up of a group of five or more individual members and your purpose is to provide services and employment for one another and promote community development.
Secondary Cooperative	Secondary co-operatives are formed when two or more primary co-operatives come together because they are involved in similar activities and want to promote their services in the sector in which they are active.
Tertiary Cooperative	Tertiary co-operatives are formed by secondary co-operatives which come together to promote the interests of their members to government bodies, the private sector and other stakeholders
Subcontracting	Subcontracting is the practice of assigning or outsourcing part of obligations and tasks under a contract to a party known as a subcontractor. Subcontracting is especially prevalent in areas where complex projects are the norm, such as construction.
Subcontracting as a condition of tender	If feasible to subcontract for a contract above R30 million, an organ of state must apply subcontracting to advance designated groups. If an organ of state applies subcontracting as contemplated, the organ of state must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract.
Business Forum	The public medium used for businesses related development initiatives in which anyone can participate in general business discussion, advice and assistance.
Incubation	A unique and flexible combination of business development processes, infrastructure and people designed to nurture new and small businesses by assisting them through the early stages of their development, when they are most vulnerable.
Infrastructure	The word "infrastructure" is less than a hundred years old and is not precisely defined, but usually refers to physical structures and facilities (such as roads, bridges, reservoirs, pipelines and power stations) that are needed for the functioning of a society and its economic



	production activities. Here we tend to focus (though not exclusively) on fixed assets, in network industries (such as water, roads, rail, electricity and telecommunications), and public provisioning (ECIP, 2016).
Economic infrastructure	Refers to infrastructure supporting economic production activities (such as ports, roads, irrigation dams etc.).

2. PURPOSE

The purpose of this policy is to provide guidance on development of SMMEs in pursuit of fulfilling the legislative requirements as set in the Constitution of the Republic of South Africa that local government should promote social and economic development. SMMEs form part of LED priority areas that the municipality should respond to, through creating conducive environment by removing red tape and in response to Broad Based Black Economic Empowerment (BBBEE) Act, 2013 (Act 46 of 2013), which puts an emphasis on the empowerment of black people to be part of the mainstream economy. The policy seeks to achieved objectives associated with the following legislation and policy frameworks:

- 2.1. Constitution of the Republic of South Africa, Act No. 108 of 1996
- 2.2. The Municipal Finance Management Act
- 2.3. Co-operatives Act
- 2.4. National Small Business Act.
- 2.5. National Local Economic Development Policy Guidelines
- 2.6. National Spatial Development
- 2.7. The skills Development Act
- 2.8. National Informal Business Upliftment Strategy (NIBUS)
- 2.9. Eastern Cape Provincial Growth and Development Plan
- 2.10. National Framework for Local Economic Development
- 2.11. White Paper on Local Government of 1998
- 2.12. Chris Hani District Municipality Regional Economic Development 2019-2024
- 2.13. Emalahleni Local Economic Development Strategy

3. SCOPE

This policy applies to any form of business, either formal or informal with focus on the pertinent support and relations with business forums.

4. POLICY OBJECTIVES

41. The policy deals with the objectives and principles to be met in the implementation and is aimed at attaining sustainable development of SMMEs.
42. Creation of economic opportunities and a conducive environment to enhance sound, effective and viable economic initiatives and activities aimed at



increasing the local economy through support of Small, Medium, Macro Entrepreneurs and co- operative for creation of sustainable jobs

5. RESPONSIBILITY

The LED Office is responsible for establishing the needs of SMMEs in the municipality and devise mechanisms to surmount challenges facing the development of SMMEs

6. BUSINESS SUPPORT PROCESS

The process to be followed in supporting SMMEs is as follows:

- 6.1. **Call for proposals** – Advertising on the notice board and website.
- 6.2. **Selection Committee** to be formed by municipal officials and external LED Stakeholders who will be invited based on relevance on the SMMEs. The committee will still proceed its selection process even if the external stakeholders fail to honour the invitation.
- 6.3. **Shortlisting** to be done by the selection committee.
- 6.4. **Physical Verification** by PEDTA Standing Committee and LED officials from the Local Municipality
- 6.5. **Recommendations to the Council for approval**
- 6.6. Approval by the Council
- 6.7. Once approved, **Service Level Agreement's** to be entered into between **ELM and the respective Enterprise (s)**
- 6.8. Constant **monitoring and reporting** by relevant project managers

7. FUNDING FOR FORMAL BUSINESSES

Development funding can be categorized as appropriate and inappropriate. The paragraphs below set out the distinguishing factors between the two categories:

7.1. Appropriate Development Funding

Business /Projects with significant development impact:

- 7.1.1. Job creation /retention: funding must create direct new jobs and/or retain existing ones. All the jobs created directly because of the funding must fall within the boundaries of the municipality.
- 7.1.2. Empowerment: funding must directly promote Broad Based Black Economic Empowerment as envisaged in the Broad Based Black Economic Empowerment Act.
- 7.1.3. Value addition: funding must also assist in the process through which a product goes until it reaches the end-user (consumer), and which is divided into value adding stages.



7.1.4. Businesses / projects must fall within the boundaries of Emalahleni to be eligible for funding by the municipality.

7.1.5. Funding is granted for establishing new viable businesses/ projects, expansion of existing ones and business rescue operations

7.1.6. All appropriate development funding must however reflect profitability and sustainable commercial viability as determined by the established Selection Committee.

7.1.7. Funding must be determined by the Selection Committee based on project viability.

7.2. Inappropriate opportunities, which the municipality will not fund

7.2.1. Funding where there are no direct jobs created or saved because of the grant.

7.2.2. Funding to purchase property or pay rent. In the case of rent there could be compelling grounds (looked upon by the Selection Committee) that warrant considering paying rentals to rescue viable and profitable businesses that are in trouble. These can be considered on a case-to-case basis.

7.2.3. Businesses or enterprises belonging to any government official, Councilor, Ward Committees, staff member.

7.2.4. Any development funding which might be displeasing (not approved by the community) to the community directly affected by such funding.

7.2.5. Any funding to purchase vehicles.

7.3. Requirements of Grant Funding Applicants

The applicants must be a South African that is 18 years and older in possession of the following requirements:

7.3.1. Business Registration Certificate

7.3.2. Valid Tax Clearance Certificate

7.3.3. Certified ID copies of applicant(s)

7.3.4. Bank Account Confirmation

7.3.5. Business plan (proposal)

7.3.6. Signed application letter.

7.3.7. Business licence



7.4. Categories of selection criteria

Scores	1 poor	2 Fair	3 Average	4 Good	5 Excellent
○ Is the applicant legally registered?					
○ How does the project contribute to local growth and development priorities?					
○ To what extent does the LED project address local needs?					
○ To what extent are local resources used, developed, and enhanced by the project?					
Total					

7.4.1. Relevance

7.4.2. Technical and operational capacity

Scores	1 Poor	2 Fair	3 Average	4 Good	5 Excellent
○ Does the applicant have adequate skills (sectoral) capacity or expertise relevant to the LED Project?					
○ Does the applicant have operational project planning capacity?					
○ Does the applicant have overall operational management competencies to implement and administer the LED projects?					
○ Does the applicant have sufficient competent staff, tools, equipment, and equipment to execute the project?					
Total					

7.4.3. Financial Capacity

Scores	1 Poor	2 Fair	3 Average	4 Good	5 Excellent
7. Does the applicant have a cash flow plan (expenditure and revenue) for LED project?					
8. Is the cash flow plan realistic and in line with the LED project cycle completion?					
9. Does the applicant have financial competency to fulfill LED project?					
10. Does the applicant have technical ability to handle budgets for the LED Project?					



Total					
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7.4.4. Sustainability

Scores	1 Poor	2 Fair	3 Average	4 Good	5 Excellent
○ Are the proposed activities appropriate to the local needs, LED project objectives, results and/or outcomes?					
○ Do the proposed activities have an element of diversification and growth opportunities?					
○ Did the applicant conduct the feasibility study to inform the LED project proposal?					
○ Are the expected results of the action activities likely to produce desired results or outcomes as anticipated?					
○ Does the applicant support use of available local resources for sustainability?					
○ Does the project/applicant have buy-in from the target communities and local government structure i.e. Ward Councilor or Ward Committees? (Proof to be provided)					
Total					

7.4.5. Leadership and Management

Scores	1 Poor	2 Fair	3 Average	4 Good	5 Excellent
○ Does the applicant have sufficient and relevant project leadership experience?					
○ What are the arrangements in place to oversee the smooth running of the project?					
Total					

7.5. Summary Score

Criteria	Total Possible	Total actual
○ Relevancy	20	
○ Technical and operational capacity	20	
○ Financial capacity	20	
○ Sustainability	30	
○ Leadership and management	10	
Total		



8. FUNDING FOR INFORMAL BUSINESSES

The informal businesses fall within the bracket of being categorized as emerging, for example the informal businesses (spazashops, mechanics, Tshisanyama, clothing, leather and textile hawkers, fruit and vegetable hawkers, hairdressers, salons, beauty therapists, make-up artists, nail technicians, massage therapists, butcheries, and confectionaries. The informal business applying for funding will be requested to bring the following documents:

- 8.1. Filled Consent Form
- 8.2. Signed Application Letter
- 8.3. Certified copy of Identity Document (ID)
- 8.4. Original Proof of Address
- 8.5. Municipal Business Licence

The inform businesses will be encourage give consent on the following and the answer will not determine outcome of the application:

- 8.6. Consent to CIPC Registration
- 8.7. Consent to SARS Registration
- 8.8. Consent to take part in other non-financial support services or trainings that may be offered as part of this programme
- 8.9. Consent to register with UIF (if there are any employees)

9. MONITORING AND EVALUATION

- 9.1. The funded businesses shall be subjected to regular monitoring and evaluation by LED Officials
- 9.2. The beneficiaries will be requested to submit quarterly progress report to the municipality

10. FUNDING CONTROL

An identified SMME receives support financially for the period of three years consecutively. This is to ensure the SMME is left in a good state for its sustainability. The municipality continues to support SMME even after completing financial cycle and the support provided is administratively. The aim of this kind of support is to oversight the operations, identify challenges and assist in mitigating those challenges with the aid of LED stakeholders. The funding will be controlled in the following ways:

- 10.1. No money will be transferred to any business, instead businesses will be required to submit list of items to be purchased to the municipality for the purpose of procurement processes.



- 10.2. The municipality reserves right to take back items procured for a business in the case of misuse or unsolved fights

11. OTHER FUNDING SOURCES

- 11.1. The municipality will seek funding on behalf of businesses
- 11.2. Establishment of partnerships with both public and private sector
- 11.3. Assist businesses to apply for district and sector departments funding

12. PUBLIC SECTOR PROCUREMENT

Intensification of the beneficiation of Emalahleni emerging businesses from government projects through subcontracting. The SCM policies to be influenced to cater for various businesses like cooperatives and local manufacturers. The bid documents to have a condition for subcontracting. The objectives to be achieved through public sector procurement are as follows:

- 12.1. Promote broad based black economic empowerment.
- 12.2. Promote local employment (temporary and permanent) through the delivery of the works.
- 12.3. Develop small enterprise capacity to undertake the portions of the work as subcontractors and the maintenance of the completed works.
- 12.4. Retain as much of the project expenditure within the Emalahleni Local Municipality

12.5. Challenges of the programme

12.5.1. The criteria of selecting Local SMME'S proved to be very improper and had caused the municipality not to achieve the objectives as desired. One of the gaps was absence of the criteria for the selection of the SMME's.

12.5.2. The rates that were imposed to the subcontractors were very low as such SMME's could not make money after the completion of the assigned job.

12.5.3. There was no proper monitoring plan in place, and it has been found that contractors who have a responsibility to mentor these SMME's are failing to administer this role.

12.5.4. There should have been a provision to assist the SMME's on payment of material and working capital in a form of organising financial sessions.

12.5.5. It was also established that the majority of local SMME's lacked practical experience in civil works as such a need for practical training was identified.

12.6. Approach to address shortfalls



- 12.6.1. The municipality should align the set criteria to the applicable regulations of procurement.
- 12.6.2. Provisional sums for main contractors should be based on local market related rates.
- 12.6.3. Apart from the services that are rendered by the consultant, additionally there should be an allowance for mentoring within the appointment to ensure that secondary objectives are met.
- 12.6.4. The SMME's may be assisted by way of organising financial backing.
- 12.6.5. Training is imperative for SMME development.
- 12.6.6. To curb the challenge of under-pricing, an analysis should be made between lowest bidder and the market related rates, further interaction should be undertaken when necessary.

12.7. Operational Framework

The key components of operational framework for development of Emerging Contractors are as follows:

- 12.7.1. Subcontracting initiative will be conducted in line with legislative prescripts such as Preferential Policy Framework Policy Act Regulation of 2017, however, subcontracting will not be on 30% basis because municipal MIG projects have a budget that fall far lesser than R30 million that is prescribed as per regulations.
- 12.7.2. The municipality shall treat subcontracting as the negotiated arrangement as the municipal budget is below the prescribed percentage in terms of the Preferential Policy Framework Policy Act Regulation of 2017
- 12.7.3. Subcontracting shall be on feasibility basis as the Preferential Policy Framework Policy Act Regulation of 2017 states that a certain amount of work shall be subcontracted if feasible
- 12.7.4. Subcontracting opportunities will also be identified in the projects implemented by sector departments.
- 12.7.5. The Emalahleni Local Municipality shall develop a database and consider all the contractors within the municipality; however appointment will not be limited to the database as long as the emerging companies are local the municipal area of jurisdiction.
- 12.7.6. LED for the purpose of fostering subcontracting, will work with internal stakeholders such as Supply Chain (SCM) and Project Management Unit (PMU) to ensure that subcontracting is stipulated as a mandatory condition in relevant projects.
- 12.7.7. To enhancing bidding skills and competitiveness of Emerging Contractors, subcontracting will be conducted through the normal bidding process whereby local SMME's will bid on the advert that will be issued by the main contractor.



- 12.7.8. For each package order issued to the Contractor, subcontractors shall compete amongst themselves for the appointment of selected works by the main contractor.
- 12.7.9. The appointment of sub-contractors shall be in consultation with the Municipal LED Office for vetting prior the appointment
- 12.7.10. All bids invitation and tender documents shall conform to legislative framework act and the main contractor shall work collaboratively with Municipal LED unit in configuring all the bid documentation.
- 12.7.11. LED to forge strategic working partnerships with development partners in the sectors such as Construction Industry Development Board (CIDB), National Homebuilder Registration Council (NHBR) and Construction Education and Training Authority (CETA) for the purposing of incubating and skills development within the sector.
- 12.7.12. LED for the purpose of ensuring quality workmanship on site by subcontractors will work Infrastructure for provision on internal technicians to mentor and monitor the work done by SMME's on site.

13. DEVELOPMENT FORUMS

- 13.1. Emalahleni considers itself as being responsible for providing support to all SMMEs and development initiatives, whether from organized groups or individuals and encourages that businesses work with the municipality through organized groups or structures.
- 13.2. The forum shall be encouraged to develop its own constitution to guide its own operations
- 13.3. The forum shall act as a consultative or advisory group to the municipality. It will consider and advise on economic development strategy and initiatives, regulatory functions (e.g. planning, licensing, health & safety) and other matters impacting on the business community.
- 13.4. The forum shall assist in constant updating of the database of different businesses that exist in the municipal area
- 13.5. The forum shall represent to the municipality the views of the local business community on a range of issues, including matters of central government policy (e.g. grants, transport infrastructure and business support) and the activities of local service providers and support agencies.
- 13.6. The forum shall raise issues with appropriate public bodies, and it may wish to lobby funding on behalf of the local business community.
- 13.7. The forum shall be responsible for setting its own agendas, organising open meetings of the Business Forum, and coordinating all activities in partnership with the municipality.
- 13.8. The wider business community and the public can become directly involved in the Business Forum through open meetings. These will provide an opportunity to inform local businesspeople through invited speakers, to



provide for feedback and discussion on issues, and for networking between businesses.

- 13.9. Each meeting will also provide an opportunity for local businesspeople to express opinions on other relevant matters, and to suggest issues for consideration at future meetings.
- 13.10. The Business Forum Structure shall be treated as an autonomous structure with its own processes for the election of their Executive Committee and the municipality may be invited as the guest to observe the election process, however this does not mean a Business Forum Structure cannot be elected in the absence of the municipality
- 13.11. In the case where the Business Forum Structure is elected in the absence of the municipality, the elected Business Forum Structure shall be requested to submit copy of minutes and attendance register to prove that there was an election meeting