

**SMME DEVELOPMENT
SUPPORT PROGRAMME
AND POLICY**

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DEFINITIONS

“Affirmative Procurement” means a procurement policy that uses procurement to target companies owned by previously disadvantaged individuals to enable their participation in the provision of goods and services.

“Black people” :The alignment of the PPPFA to B-BBEE saw the replacement of the term HDI (Historically Disadvantaged Individuals) with Black People as defined in the B-BBEE Act; and therefore, White Women and White Males with disabilities are NOT included in the Black People definition.

“Black Economic Empowerment” means the practice, laws and regulations employed by the state and organs of the state to enhance business opportunities for enterprises that are predominately owned or operated by the previously disadvantaged individuals.

“Broad-Based Black Economic Empowerment (BBBEE)” means the economic empowerment of all Black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies.

“BBBEE is defined as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa, and brings about significant increases in the number of black people that manage, own and control the country’s economy as well as significant decreases in income inequalities”.

“Council” refers to the Council of the Nelson Mandela Bay Metropolitan Municipality;

“Designated group” means-

- a) black designated groups;
- b) black people;
- c) women;
- d) people with disabilities; or
- e) small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996).

“Emerging Micro Enterprise” means a micro and very small business as defined in the Schedule of the National Small Businesses Act 102 of 1996;

“Functionality” means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender document.

“Monitoring” means a process that involves measuring and tracking progress according to the planned outputs / outcomes including resources, activities, quality, costs, timeframes, and so forth;

“Municipality” means the Nelson Mandela Bay Metropolitan Municipality, Category A Municipality established in terms of Part 2 of Schedule 1 of Notice 85 in the Eastern Cape Provincial Gazette No. 654 on 27 September 2000 promulgated in terms of Section 12(1) of the Local Government: Municipal Structures Act 117 of 1998, for the municipal area described in such Notice;

“Policy” means the Emerging Micro Enterprise Development Support Policy of the Nelson Mandela Bay Metropolitan Municipality;

“QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad- Based Black Economic Empowerment Act;

“Sub-emerging enterprise” means a person or trading entity being contracted by a *main emerging enterprise* or employer to carry out work or deliver services, labour or materials as part of a larger project;

“Supply Chain Management Policy” means the adopted Nelson Mandela Bay Municipality Supply Chain Management Policy;

“SMME” means a supplier or entrepreneur with an annual turnover of R 25 million or less and with black ownership, risk and control of not less than 50% is termed small Black supplier (SBS).

“Vulnerable” means groups within society that face higher risks of social exclusion and poverty, including but not limited to the disabled; children; women; the elderly; blacks (i.e. Africans, Coloureds and Asians); orphans; and the homeless;

“Youth” the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act N0 54 of 2008

1 PREAMBLE

The empowerment of people is critical to achieving poverty eradication, full and productive employment and social integration. Policies and strategies to promote empowerment will advance those objectives, while measures to further social development also reinforce and advance the empowerment of people. The term empowerment has generally been employed to refer to enhancing the capabilities and functioning of marginalised and disadvantaged social groups, including people living in poverty, persons with disabilities, indigenous peoples, youth and older persons, in order that these groups may fully participate in the social, political, economic and cultural life and to exercise greater choice and control over their own well-being.

Entrepreneurship is vitally important to the economic and social development of South Africa. Through innovation, entrepreneurs create new, competitive markets and businesses which lead to job creation and have a multiplying effect on the economy. Entrepreneurship empowers citizens and is required for any emerging markets to move forward and successfully integrate into the global economy.

Enterprise development has been embodied in various business models around the world, including various components of integrated business support services. This includes access to skills, access to markets, micro-finance, venture capital, private equity, and commercial lending. These models are effective when driven by businesses with appropriate skills, experience and dedicated capacity.

It is essential that the municipality supports business development not only through selected programmes, but incorporate it into the execution of projects geared towards service delivery to communities.

The policy recognises the unique role performed by the SMME sector in the creation of employment, contribution to economic growth and the provision of sustainable livelihoods. The municipality also recognises the national policy and legislative framework in which SMMEs are defined, promoted and monitored. Thus, the definition in the National Small Business Act 1996 defines a "small business" as a separate and distinct business entity, including cooperative enterprises, non-governmental organization, managed by one owner or more which, including its branches and subsidiaries, if any, is predominately carried on in any sector or subsector of the economy.

In line with the B-BBEE Amendment Act 2015 and the B-BBEE Act the categories of enterprises are defined as:

Category of SMME	Description
Exempted Enterprises	Are enterprises that make an Annual Turnover that is between R 0.00 to less than R 10 000 000;
Qualifying small enterprises	Are enterprises that have an Annual Turnover that is between R 10 000 000 and less than R 50 000 000;
Large enterprises	Are enterprises that have an Annual Turnover that is R 50 000 000 and more.

2. PROBLEM STATEMENT

In order for Sundays River Valley Municipality to have a sound economic growth, there is a need to develop and sustain businesses. One in eighteen South Africans can be considered to be a small business entrepreneur, according to the Department of Trade and Industry (DTI, 1995). These SMMEs contribute about 40% of the country's GDP, and most of these SMMEs are micro businesses that employ over half the workforce in the private sector. Success of these small businesses should then be of utmost importance to the stakeholders, governments and communities in which these small businesses operate.

Main challenges facing SMMEs within the Sundays River Valley, amongst others, are:

- Culture - entrepreneurship is not encouraged as a career: the emphasis is on seeking employment rather than creating own employment.
- Skills - lack of knowledge, experience, business and entrepreneurial skills, deficiency of schooling and tertiary education.
- Support - lack of government and private sector support for new enterprises and high administrative costs.
- Access to finance - Even though finance is available, it is difficult to access.

3. PURPOSE OF THE POLICY

- To assist and support the emerging enterprises in order to give entrepreneurs every chance of success, and in so doing reduce emerging enterprise failures, increase economic growth and reduce unemployment and poverty.
- To identify opportunities within our procurement schedule in terms of minor works and ensuring fair and equitable access to markets of the contracts to emerging enterprises.
- To provide for the development and support of vulnerable emerging enterprises

4. APPLICATION AND SCOPE

This *Policy* applies to all contracts awarded by SRVM and its entity/s at a value of R6,5 million for the construction sector and R4 million for other sectors such as services sector.

5. LEGISLATIVE FRAMEWORK

- 1.1. The Constitutional (Act 108 of 1996)
- 1.2. The White Paper on Local Government (1998)
- 1.3. Broad-Based Black Economic Empowerment (Act No 53 of 2003)
- 1.4. Preferential Procurement Policy Framework (Act No 5 of 2000)
- 1.5. Preferential Procurement Regulations, 2017
- 1.6. National Small Business (Act 102 of 1996)
- 1.7. Skills Development (Act 97 of 1998)
- 1.8. Construction Industry Development Board Register of Emerging Enterprise (Act 38 of 2000)

6. POLICY PRINCIPLES

The *Policy* seeks to: -

- a. Promote increased participation by and opportunities for emerging enterprises in the Municipality's Procurement processes;
- b. Promote *broad-based black economic empowerment* in emerging enterprises;
- c. Identify and assess minor contract opportunities within the *Municipality* for the development and support of emerging enterprises;
- d. Identify opportunities where minor contracts may be awarded to emerging enterprises;
- e. Identify and align minor contracts with the development and support programmes for emerging enterprises in the *Municipality*;
- f. Promote partnerships between the *Municipality* and the private sector in respect of the development and support of emerging enterprises;
- g. Promote skills transfer, training and accessibility to the processes of procurement through the implementation of the SMME Development programme of the *Municipality*; and
- h. Promote *monitoring* and evaluation of the identification and development of emerging enterprises.

7. POLICY CONTENT

7.1. POTENTIAL SECTORS TARGETED BY THE POLICY

- Construction
- Agriculture
- Tourism
- Manufacturing
- Catering
- Waste Management, Cleaning and Recycling
- Textile, leather & Clothing
- Safety and Security

7.2. SMME DEVELOPMENT TARGETS

SMME participation in the municipal economy is a priority of the Sundays River Valley Municipality. This shall be achieved through an SMME Economic Empowerment Programme. The programme shall have the following components:

7.2.1. The municipality shall set aside a percentage for certain jobs created by the municipality, other sector agencies and private sector, more especially those doing business with the municipality, for unemployed local youth and women owned businesses in the area.

7.2.2. Facilitate the participation of local SMMEs in business opportunities created by the municipality and within the municipality.

7.2.3. Avail suitable land for urban agriculture, industrial and commercial development in the municipality to local SMMEs where possible.

7.2.4. Facilitate access to training and skills development opportunities for learner emerging enterprises and workers (in construction industry).

7.2.5. Facilitate a mentorship programme that will provide Technical, Project Management, Construction and Materials Management Support to all the learner emerging enterprise.

7.2.6. The success of mentorship support will be determined by the ability of emerging enterprises to handle projects with limited or no support, and also their ability to compete with other businesses in the open market. After their participation in the development programme, it is envisaged that these emerging micro-enterprises will be able to stand, operate on their own, and have a better feel of the business environment.

7.2.7. The *Municipality* reserves the right to assign mentors based on its institutional capacity and the extent and depth of the developmental requirements of participating emerging micro-enterprises.

7.3. PROJECT IDENTIFICATION AND ASSIGNMENT

7.3.1. Municipal Directorates will:

- Identify the Projects that may be executed under the Emerging Micro Enterprise Development Business Support Programme of the Municipality;
- Identify the project requirements in terms of opportunities for minor works and designated works;
- Identify the supplier and service provider requirements of the project.

7.3.2. The Municipality will invite the Emerging micro Enterprise to register to the central database and this will be determined based on specific criteria (to be determined during the implementation phase) for each type of work.

7.3.3. To be eligible to be part of the developmental programme, participant needs to sign a commitment to ensure that they participate fully on all programmes.

7.3.4. Identify the requirements of the emerging micro-enterprises by:

- identifying local emerging enterprises and suppliers which comply with the basic legislative requirements and meet the requirements by advertising opportunity in local newspapers and using existing databases;
- conducting a diagnostic analysis of emerging enterprises' skills and an audit of the skills required.

7.4. UNBUNDLING STRATEGY

7.4.1. In order to encourage lower graded emerging enterprises such as Grades 1- 4, where economically feasible and practically viable, contracts will be broken down into smaller manageable contracts. This will allow the designated emerging micro- enterprise enterprises to have full and meaningful participation in the implementation of projects, thereby allowing them to upgrade to higher Construction Industry Development Board grading designations within a very short space of time.

7.4.2. Caution must be exercised with regard to the Management implications of such a decision, whereby too many small projects could invite management intensive practices and also possible cost implications due to higher Preliminaries and General for each and every small emerging enterprise participating in such projects.

7.5. SUB-CONTRACTING OPPORTUNITIES

This involves a person or trading entity being contracted by a main emerging enterprise or employer to carry out work or deliver services, labour or materials as part of a larger project. In cases where the higher graded emerging enterprise are afforded opportunities to implement larger projects, it will be advisable for the municipality to enforce the sub-contracting models that will allow the small and medium-sized contracting entities to access work at levels that are within their capability in terms of the CIDB grading designations.

Subcontracting could take any one form, including:

- Domestic *sub-emerging enterprise*: *sub-emerging enterprise* appointed by the main emerging enterprise at his discretion;
- Nominated *sub-emerging enterprise*: a *sub-emerging enterprise* nominated by the employer which the emerging enterprise is obliged to appoint as a *sub-emerging enterprise* (the nominated *sub-emerging Enterprise*) has to be registered with the Construction Industry Development Board, in accordance with the Construction Industry Development Board Register of Emerging Enterprise Act 38 of 2000;
- Selected *sub-emerging enterprise*: a *sub-emerging enterprise* selected by the emerging enterprise in consultation with the employer in terms of the requirements of the contract (the selected *sub-emerging enterprise* has to be registered with the Construction Industry Development Board, in accordance with the Construction Industry Development Board Register of Emerging Enterprise Act 38 of 2000.

7.6. PROCUREMENT METHODS TO BE USED BY SUNDAYS RIVER VALLEY MUNICIPALITY

The municipality will implement the Preferential Procurement Regulations of 2017 as attached “Annexure A”

7.7. FRONTING

In order to effectively deal with the scourge of Fronting, verification agencies, and/or procurement officers and relevant decision makers are encouraged to obtain a signed declaration from the clients or entities that they verify or provide business opportunities to, which states that the client or entity understands and accepts that the verification agency, procurement officer or relevant decision maker may report Fronting practices to **the dti**. Intentional misrepresentation by measured entities may constitute fraudulent practices, public officials and verification agencies are to report such cases to **the dti**

The black people identified by an enterprise as its shareholders, executives or management are unaware or uncertain of their role within an enterprise;
The black people identified by an enterprise as its shareholders, executives or management have roles of responsibility that differ significantly from those of their non-black peers;
The black people who serve in executive or management positions in an enterprise are paid significantly lower than the market norm, unless all executives or management of an enterprise are paid at a similar level;
There is no significant indication of active participation by black people identified as top management at strategic decision-making level;
An enterprise only conducts peripheral functions and does not perform the core functions reasonably expected of other, similar, enterprises;
An enterprise relies on a third-party to conduct most core functions normally conducted by enterprises similar to it;
An enterprise cannot operate independently without a third-party, because of contractual obligations or the lack of technical or operational competence;
The enterprise displays evidence of circumvention or attempted circumvention;

An enterprise buys goods or services at a significantly different rate than the market from a related person or shareholder;
An enterprise obtains loans, not linked to the good faith share purchases or enterprise development initiatives, from a related person at an excessive rate; and
An enterprise shares all premises and infrastructure with a related person, or with a shareholder with no B-BBEE status or a third-party operating in the same industry where the cost of such premises and infrastructure is disproportionate to market-related costs.

7.8. CENTRAL SUPPLIER DATABASE

As a general rule, all suppliers, Service Providers and Contractors who want to do business with the municipality should ensure that they are registered under the central supplier database.

7.9. SMME WITH OUTSTANDING DEBT

SMMEs who are found to be owing the municipality may not be allowed to conduct any business with the municipality until their debt is paid off or payment arrangement is made.

7.10. PAYMENT TO SMMES

In line with government policy, all SMMEs should be paid within 30 days of receipt of approved invoice and all other payments thereof. The municipality is not liable for non-payment of sub-contractors and labourers by the main contractor.

7.11. DELIVERY OF SUPPLY

SMME shall be expected to deliver goods and services as determined by the agreement, failing which, orders will be cancelled at no expense to council. Whilst Council encourages empowerment of local SMMEs, it will not compromise the quality of service.

- Municipality shall declare certain commodities for the purpose of sourcing them from the previously disadvantaged groups and SMME's.
- Municipality will act strictly under supply chain processes and not allow SMME representatives to select contractors outside the tender processes.
- The rotation of contractors is the responsibility of the municipality in consideration of SMMEs development programme.
- Municipality shall monitor the quarterly expenditure on local SMME and supply by local SMMEs.

7.12. SERVICE LEVEL AGREEMENT

Selected SMME's shall be obliged to enter into a service level agreement with the municipality.

7.13. ROLE OF STAKEHOLDERS

- The Project Managers from each Directorate will be responsible for identifying projects that will be included in the Enterprise Development Support programme.
- The Project Managers will identify the number of EME's required to fulfil the 30% value allocation for each project. This will be guided by the value of the contract and the assignment of work to be done.

- The Office of the Manager (SMME Development) will be responsible for developing capacity building programmes for EME's and responsible for monitoring the targets and indicators for EME's.
- The Office of the Municipal Manager (SMME Development) will be responsible for developing Development Support programme including mentorship programmes for empowerment and participation of EME's . The SCM will provide the names of EME's from the CSD & SRVM database to the Project Managers as and when required.
- The Office of the Municipal Manager (SMME Development) will be responsible for facilitating access to finance for EME's from the National and Provincial departments, financial institutions, including financing agents like SEFA, SEDA, ECDC and other stakeholders.
- The Supply Chain Management Sub Directorate will maintain a database.
- SMMEs – assist in reviewing of the policy
- Institutions that are supporting SMME Development – assist in reviewing of the policy
- Council – approve the policy

7.14. CONSULTATION WITH STAKHOLDERS

- Internal Directorates (Infrastructure, Planning and Development; Supply Chain Management, etc)
- Council
- SMMEs
- Sector Departments and other Institutions that supporting SMME development (ECDC, SEDA, DTI, SEFA etc)

7.15. AWARENESS OF THE POLICY

Once the policy is approved by the Council, it will be communicated to all stakeholders as listed on figure 9.

7.16. MONITORING AND EVALUATION

All departments that are directly affected by this policy will provide half yearly reports on:

- The extent of participation of local SMMEs in their SMME development programme.
- The effectiveness and usefulness of the programmes in respect of employment creation, skills transfer and budgets spent on local SMMEs.
- The extent to which fruitless and irregular expenditure is eliminated.
- Reduction and or absence of SMME protests and work stoppages.

7.17. DISPUTE RESOLUTION MECHANISM

All disputes that may arise during the implementation of this policy should be sent to the office of the municipal manager in writing.

7.18. APPROVAL OF THE POLICY


The policy will be approved by council after thorough consultation with all relevant stakeholders.

7.19. REVIEW OF THE POLICY

The policy will be reviewed every three years or sooner, as required.


7.20. VERSION CONTROL

SMME POLICY	
Policy number	SMME 01
Policy status	Draft
Policy author	SMME Practitioner
Version	No.1
Date of approval	08 July 2022



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S H R J N E
MAYOR

08 JULY 2022



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