



**EMERGING ENTERPRISE  
DEVELOPMENT SUPPORT  
PROGRAMME AND POLICY**



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## **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.

Business development and support (including Enterprise Development) is a key focus area of the Nelson Mandela Bay Metropolitan Municipality's Integrated Development Plan 2012-2016, and is a national priority as expressed in the New Growth Plan. It is essential that the M supports business development not only through selected programmes, but incorporate it into the execution of projects geared towards service delivery to communities.

## 1. DEFINITIONS

**“accredited providers”** means the list of accredited providers of goods and services on the supplier database of the *Municipality*;

**“black people”** is a generic terms which means Africans, Coloureds and Indians;

**“broad-based black economic empowerment”** means the economic empowerment of all *vulnerable black people* including people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

- a) increasing the number of black people that manage, own and control enterprises and productive assets;
- b) facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
- c) human resource and skills development;
- d) achieving equitable representation in all occupational categories and levels in the workforce;
- e) preferential procurement; and
- f) investment in enterprises that are owned or managed by black people;

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

**“emerging enterprise ”** means a micro and very small business as defined in the Schedule of the National Small Businesses Act 102 of 1996;

**“Integrated Development Plan (IDP)”** means a plan aimed at the integrated development and management of a municipal area as provided for in Section 25 of the Local Government: Municipal Systems Act 32 of 2000;

**“Minor contract”** means a contract for the procurement of goods and services up to a transaction value of R4 million in order to achieve a specific socio-economic objective;

**“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, a 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 Enterprise Development Support Programme and Policy of the Nelson Mandela Bay Metropolitan Municipality;

**“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,

**“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.

## 2 PURPOSE

South African government is well aware of the fact that EMEs play a pivotal role in job creation, economic growth and poverty alleviation. The nurturing of these EMEs is a priority for both national and local government, and is highlighted in both the National Growth Plan, as well as the Nelson Mandela Bay Metropolitan Municipality's *Integrated Development Plan*.

The Nelson Mandela Bay Metropolitan Municipality has great potential to increase enterprise development within its area of influence. However, this potential has not been explored to its maximum and insufficient opportunities have been created for *emerging enterprises* particularly for persons from historically disadvantaged groups.

The challenge that is faced by government and the Nelson Mandela Bay Metropolitan Municipality is how to assist and support these 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.

The challenge is also to identify opportunities within our procurement schedule in terms of minor works and ensuring fair and equitable access to markets of these contracts to *emerging enterprises*.

The requirement to support emerging enterprises is entrenched in South African law as follows: In terms of Section 152(1)(c) of the Constitution of the Republic of South Africa, Act 108 of 1996 one of the objects of local government is to promote social and economic development; Local Government is required to give effect to its developmental duties in terms of Section 153 of the Constitution.

Within the context of the duties of developmental government, it is imperative the Nelson Mandela Bay Metropolitan Municipality provides for the development and support of *vulnerable emerging enterprises*.

### 3 LEGISLATIVE BACKGROUND

Section 217 of the Constitution requires that a procurement system must be fair, equitable, transparent, cost-effective and competitive – and these principles govern the procurement regime for awarding any opportunities to fulfil bills of quantities commissioned by the public sector. However, Section 217 allows for the deviation from these principles with the aim to develop previously disadvantaged individuals. The primary tool through which this deviation has historically been implemented is through the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA), which stipulates a preferential points scoring system favouring developmental indicators when evaluating submitted bids, including indicators which deliberately bias contracting to develop economically marginalised and/ or historically disadvantaged suppliers.

Combining the legal logic underpinning the developmental emerging enterprise emerging enterprise/ supplier development mandate with the authority to deviate from supply chain practices on the grounds of impracticality under Section 36 of the regulations governing the application of the Municipal Finance Management Act (MFMA of 2003), provides the legal underpinning to manage developmental contracting as a special, ring-fenced procedure subject to its own specific supply chain protocol. Once authorised by resolution of the full *Council*, such a deviation empowers this instrument to regulate and govern developmental contracting purchased by the Nelson Mandela Bay Municipality under the policy to be executed by community based enterprises, without recourse to, or requirement for, full compliance with the regulations of the MFMA on the part of the entities themselves. This instrument is therefore also considered a standing deviation from MFMA requirements in terms of Section 36 for all procurement procedures executed under the system.

In addition, Section 195 of the Constitution requires that public administration must be development-oriented, and Sections 152 – 153 of the constitution assign local government in particular the specific task of promoting social and economic development within the area of jurisdiction. The programme is plainly calibrated to fulfil said mandate.

## **4 POLICY OBJECTIVES**

4.1 The *Policy* seeks to:-

4.1.1 promote increased participation by and opportunities for *emerging enterprises* in the *Municipality's* Procurement processes;

4.1.2 promote broad-based black economic empowerment in *emerging enterprises*;

4.1.3 identify and assess *minor contract* opportunities within the *Municipality* for the development and support of emerging enterprises;

4.1.4 identify opportunities where *minor contracts* may be awarded to emerging enterprises;

4.1.5 identify and align *minor contracts* with the development and support programmes for emerging enterprises in the *Municipality*;

4.1.6 promote partnerships between the *Municipality* and the private sector in respect of the development and support of emerging enterprises;

4.1.7 promote skills transfer, training and accessibility to the processes of procurement through the implementation of the Emerging Enterprises Development and Support Programme of the *Municipality*; and

4.1.8 promote monitoring and evaluation of the identification and development of emerging enterprises.

## **5 SCOPE OF APPLICATION**

5.1 The *Policy* applies within the geographic boundary of the *Municipality* in as far as the development and support of *emerging enterprises* are concerned.

## **6 EMERGING ENTERPRISE DEVELOPMENT SUPPORT PROGRAMME**

### **6.1 Establishment Emerging Enterprise Development Support Programme for Micro-Enterprises**

6.1.1 The *Municipality* will establish an Enterprise Development Centre to implement the Emerging Enterprise Development Support Programme.

6.1.2 The Emerging Enterprise Development Support Programme will offer, among others initiatives, opportunities for training, mentorship; and project implementation to eligible *emerging enterprises*.

6.1.3. The Emerging Enterprise Development Support Programme will be managed by the Programme Manager who will:

- a) conduct a skills audit (looking at level of skill as well as identifying gaps) of the selected participants;
- b) identify the EMA business support programmes which a micro-enterprise may benefit from in terms of Enterprise development
- c) identify and develop new programmes to meet with the requirements of the skills audit;
- d) identify private or public organisations that will participate in the Emerging Enterprise Development Support Programme ; and
- e) create an enabling environment for micro-enterprises to access Emerging Enterprise Development Support Programme.

### **6.2 Support Initiative: Training**

#### **6.2.1 Scope and nature of training and skills development**

6.2.1.1 The training and skills development of emerging micro-enterprises will include mentorship, contract management, financial/business management and organisational development.

6.2.1.2 The scope of training in terms of the National Qualifications Framework Level must be informed by a skills audit.

6.2.1.3 Training must be conducted by an accredited training provider.

## **6.3 Support Initiative: Mentorship and Technical Support**

### **6.3.1 Scope of Mentorship and Technical Support**

6.3.1.1. Mentorship and technical support will be offered to all the participating emerging micro-enterprises based on the capacity requirements of participating micro-enterprises.

6.3.1.2 The objective of the mentoring programme is to:

- a) Provide Technical, Project Management, Construction and Materials Management Support to all the learner emerging enterprise;
- b) Assist learner *emerging enterprises* with regard to statutory compliance;
- c) Assist *emerging enterprises* with regard to skills transfer (on site);
- d) Facilitate access to training and skills development opportunities for learner *emerging enterprises* and workers;
- e) Assist the learner *emerging enterprises* with the implementation of projects in a cost-effective manner without compromising quality of the finished product or construction standards so that:
  - i. A cadre of emerging enterprises with the requisite knowledge and experience in their trade and with sustainable businesses are developed to undertake works of a similar nature; and
  - ii. Temporary work opportunities, combined with training (where appropriate) or skills development, are provided in accordance with the provisions of the Guidelines for the Implementation of Labour Intensive Projects under the Nelson Mandela Bay Municipality.

6.3.1.3 In order to ascertain that the learner *emerging enterprise* are able to produce a final product that is up to standard or as specified by *Municipality*, it will be guided and mentored in order to:

- a) Have the ability to implement projects in accordance with the standards;
- b) Gain critical and practical skills; and to
- c) Ensure that they are sustainable well into the future.

6.3.1.4 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.

6.3.1.5 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.

6.3.1.6 In the case of Construction Industry, the *Municipality* will take into account the ratio of emerging micro-enterprises. The ideal is 1:5 emerging enterprise (1 mentor to 5 emerging enterprise), but the reality is always dictated by the geographic dynamics in terms of the areas where the projects are located. This implies that if the projects are in close proximity to each other, the ratio could be as high as 1:7 or 1:10 because it becomes easy to interact with the emerging enterprise.

6.3.1.7 The terms of engagement of the Mentors will be determined by the *Municipality*.

## **6.4 Project Identification and Assignment**

6.4.1 Municipal Directorates will:

- a) Identify the Projects that may be executed under the Business Support Programme of the *Municipality*;
- b) Identify the project requirements in terms of opportunities for minor works and designated works; and

- c) Identify the supplier and service provider requirements of the project.
- 6.4.2 The *Municipality* will identify emerging micro-enterprises to participate in the Business Development Programme by calling for eligible organisations to register on the database on an annual basis in the local newspapers as well as the Municipal Noticeboard.
- 6.4.3 The eligibility of the contactors on the Emerging Enterprise Development Support Programme will be determined based on specific criteria (to be determined during the implementation phase) for each type of work. For eg. Construction work contracts in the General building (Tiling, Painting, Plastering, and Bricklaying) and in Fleet (Panel beating) and Electronic services (air-conditioning repairs)
- 6.4.4 The panel of suppliers should also include the procuring of materials and supplies required for the Contract (Paint, bricks, cement, tiles etc.)
- 6.4.5 To be eligible to be part of the CDP, participant needs to sign a commitment to Development programme to ensure that they participate fully on all programmes. Failure to do so will result in them not being afforded rotational opportunities;
- 6.4.6 Identify the requirements of the emerging micro-enterprises by:
- a) 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;
  - b) conducting a diagnostic analysis of emerging enterprises' skills and an audit of the skills required.
- 6.4.7 The Programme Manager will perform a Skills audit on all emerging enterprises who that apply at the outset of the process. This will be mutually agreed to by both the parties and provide internal mentorship, which

improves the micro-enterprises performance in at least three developmental areas which will include but not be limited to:

- a) management and labour skills transfer;
- b) establishment of administrative systems;
- c) establishment of cost control systems;
- d) establishment of contract management systems and plans;
- e) planning, tendering, and programming skills transfer;
- f) business skills transfer with emphasis on entrepreneurial and negotiation skills
- g) technical skills transfer on innovation;
- h) procurement skills transfer;
- i) establish credit rating and history; and
- j) contractual knowledge transfer.

6.4.8 The Programme Manager will implement key interventions which will be determined during the Implementation phase by:

- a) identifying the key support interventions required such as technical skills, soft skills, access to finance;
- b) identifying current support interventions for Micro-enterprises to participate in;
- c) developing new interventions to meet the support requirements of the Micro-enterprise; and identifying and coordinating the interventions of all key institutions involved in the support and capacitating of emerging enterprises.

6.4.9 The Programme Manager will:

- a) identify the emerging enterprises that are fully capacitated to meet the supplier needs of the project;
- b) monitor and evaluate their performance in the projects by both the Directorate and the Programme Managers on a bi-annual basis; and
- c) identify the potential of micro-enterprises to participate in other similar projects

- 6.4.10 Other businesses identified must be aligned with development programmes that meet the enterprise development needs and fall within with their business strategy.
- 6.4.11 The Programme Manager will report to the Executive Director: Economic Development, Trade and Agriculture on a monthly basis in respect of the progress and achievements of the Programme and will submit plans on how to improve the micro-enterprises' performance in the identified development areas.

## **6.5 Monitoring and Evaluation of Performance of Emerging Enterprises**

- 6.5.1 The Programme Manager will:
- a) put in place performance measures to ensure quality performance of the emerging enterprises;
  - b) identify other opportunities, possibly from the private sector, to ensure that emerging enterprises are sustainable and to avoid dependency on government programmes for long periods of time; and
  - c) measure growth of the emerging enterprises in terms of reaching higher levels of skills or turnover (e.g. higher Construction Industry Development Board level rating as is relevant in construction).
- 6.5.2 A detailed Monitoring and Evaluation tool will be developed by Programme Manager.
- 6.5.3 The Executive Director: Economic Development, Tourism and Agriculture will report to *Council* structures on the implementation of the *Policy* on a quarterly basis.
- 6.6 The performance indicators will include the value of contracts awarded to small businesses, women owned business, the number of skills development opportunities, growth of contracts from one Construction Industry Development Board level to the next.

## **7 PROCUREMENT ARRANGEMENTS FOR TRAINING, MENTORSHIP AND PROJECT IMPLEMENTATION**

### **7.1 Construction Plant And Equipment**

7.1.1. In order to break the monopolistic practices of the construction industry with regard to access to plant and equipment, the *Municipality* will facilitate access to plant and equipment, especially for infrastructure projects by creating an enabling environment for *vulnerable* small and emerging plant hire enterprises.

7.1.2 The *Municipality* will identify and invite *vulnerable* small and emerging plant hire enterprises to be part of the Emerging Enterprise Development Support Programme.

7.1.3 Participation on the programme will provide *vulnerable* small and emerging plant hire enterprises the opportunity to contract to learner *emerging enterprises* in respect of construction and related projects.

### **7.2 Competitive Allocation Of Contracts To Participating Emerging Micro-Enterprises**

7.2.1 There are a number of strategies that can be applied with regard to the allocation of procurement opportunities for learner emerging enterprises.

7.2.2 The procurement strategy is also partly informed by the activation of the Potentially Emerging (PE) Status and also the number of projects that will be allocated to participating contracting entities.

7.2.3 Participating emerging enterprises will be required to compete amongst themselves within the respective grading designations to be able to access projects that form part of the Emerging Enterprise Development Support Programme.

### **7.3 Targeted Spending In Support Of Emerging Micro-Enterprise Development**

- 7.3.1 Twenty five (25%) of the monetary value of contracts will be designated to the development of emerging micro-enterprises.
- 7.3.2 The above targeted spending applies to emerging micro-enterprises within the construction industry, with a Construction Industry Development Board grading designation of 1 - 5 that are enrolled to the Emerging Enterprise Development Support Programme of the *Municipality*.
- 7.3.3 The procurement of goods and services by learner emerging micro-enterprises enrolled to the Emerging Enterprise Development Support Programme of the *Municipality* may be made through sub-contracting and/or structured joint venture procurement strategies.

### **7.4 Activation Of The Potentially Emerging (PE) Status Of Emerging Micro-Enterprises In The Construction Industry**

- 7.4.1 The Construction Industry Development Board regulations allow the public bodies / employers who have in place a targeted development programme, to award contracts to emerging enterprise who are registered as Potentially Emerging in one emerging enterprise grading designation higher than their current emerging enterprise grading designation provided that the Employer:
- a) is satisfied that the emerging enterprise has the potential to develop into and qualify for registration in a higher grade;
  - b) ensures that financial, management or other support is provided to that emerging enterprise is able to successfully execute the contract.
- 7.4.2 In terms of the Emerging Enterprise Development Support Programme, the programme must activate the Potentially Emerging Status of all the emerging enterprises participating in the programme. This will also facilitate the upgrading of emerging enterprises, thereby allowing emerging enterprises to

compete at different levels, and simultaneously encourage a competitive spirit of all the participating emerging enterprises, irrespective of the grading designation where they belong to. This will also discourage anti-competitive tendencies within the programme.

## **7.5 Maximum Number Of Projects That An Emerging Enterprise May Be Awarded At A Time**

- 7.5.1 All emerging enterprises enrolled to the Emerging Enterprise Development Support Programme can only be awarded one (1) project at a time. The emerging enterprises will have to produce a Certificate of Completion for any previous work assigned prior to being considered for any new award of tender. The *Municipality* reserves the right to award more than one contract to any grading designation within the targeted *vulnerable* groups to expedite representativeness. The number of projects discussed above also includes awards made through joint ventures or sub-contracting.
- 7.5.2 It must be noted at all times that the Emerging Enterprise Development Support Programme carries a risk for the waived sureties, acceptable workmanship and timeous delivery of the project. It is therefore necessary that a proper financial and technical ability is assessed all the time prior to any award being made to an emerging enterprise participating in the Emerging Enterprise Development Support Programme.
- 7.5.3 Where an emerging enterprise will want to carry out more than two projects at a time, sureties for all projects being carried out at a time would need to be effected.
- 7.5.4 The *Municipality* will reserve the right to withdraw contract management support systems already offered on any other concurrent projects already awarded. The principle is that emerging micro-enterprises must be allowed to focus on the scope of work at hand and be able to undergo the required training and mentorship that is offered to them by the Emerging Enterprise Development Support Programme.

## **7.6 Procurement Strategies For The Emerging Enterprises Enrolled To The Emerging Enterprise Development Support Programme**

### **7.6.1 Unbundling Strategy**

7.6.1.1 In order to encourage lower graded emerging enterprises such as Grades 1-5, 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.

7.6.1.2 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.

### **7.6.2 Construction management strategy**

7.6.2.1 A contracting strategy that will be explored in the Emerging Enterprise Development Support Programme involves the engagement of larger and more experienced emerging enterprise to render construction management services for the programme. This will be critical in ensuring that a number of smaller contactors, say Grades 1 - 5 or a combination of these low grades could be allocated procurement opportunities and be managed and supported by the *main emerging enterprise* to succeed in the programme.

### **7.6.3 Structured Joint Venture strategy**

7.6.3.1 The programme will consider the Structured Joint Ventures as one of the possible contracting strategies that allows for meaningful transfer of skills

between the more experienced, bigger and high graded contracting entities and the small and emerging contracting entities in the programme.

7.6.3.2 In cases where there are bigger projects that would allow for the engagement of two or more contracting entities, there are opportunities for the packaging of structured Joint Ventures. Structured Joint Venture model is a transaction vehicle that allows the public body to combine / mobilise two or more trading entities as a result of their expertise and experience to implement one big project based on their skills and resource base. In this case the Public Body will require the contracting entities to identify a Lead Partner who will liaise and communicate with the Client on an on-going basis during the implementation of the project.

#### **7.6.4 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 programme 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. This approach could assist grades 1 – 5 contracting entities to participate meaningfully in the programme. Subcontracting could take any one form, including:

- (a) **Domestic *sub-emerging enterprise*:** *sub-emerging enterprise* appointed by the *main emerging enterprise* at his discretion;
- (b) **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.

- (c) **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.

### **7.6.5 Participation of Emerging Micro-enterprise in the Emergency Repairs and Maintenance projects of the *Municipality***

7.6.5.1 In accordance with the process for the appointment of emerging enterprise to handle all the emergency scope of work for repairs and maintenance, a certain number of *emerging enterprise* from Grades 1 - 5 must be considered for any emergency scope of works.

7.6.5.2 The size of contracts, scope of work and the complexity of the works in question will inform the grading designation requirement. The participation requirements will be informed by the conditions that are stipulated in the *Policy* for urgent and emergency works. This will improve the emerging enterprise's access to adequate procurement opportunities and also enable them to upgrade their grading designations. The database must be the same database that is created for the Business Development Programme of the *Municipality*, not a parallel database.

### **7.7 Procurement In Respect Of The Emerging Enterprise Development Support Programme**

7.7.1 The Supply Chain Management Policy regulates the Procurement processes of the *Municipality*.

7.7.2 The identification and facilitation of access to contracts with a value of up to

R0.00 – R4 million for the purposes of the *Policy*, have been defined as *minor contracts* and is central to the growth of *emerging enterprises*.

7.7.3 Twenty five percent (25%) of the volume of the contracts are to be sub-contracted for the purpose of this program at NMBM's discretion to emerging enterprises.

7.7.4 The *Policy* will assist in:

- a) identifying work opportunities which are typically provided through direct contracts with the developing emerging enterprises within the Emerging Enterprise Development Support Programme (BDSP);
- b) identifying emerging enterprises who will enter the programme based on predefined criteria and will receive support to enable emerging enterprises to exit the programme on the basis of achieving predefined criteria relating to skills, qualifications, certification, sustainability and quality.
- c) identifying emerging enterprises who are in the various sub- sectors such minor works/designated works
- d) identifying emerging enterprises who have the potential and desire to improve their professional level grading eg. CIDB emerging enterprise grading designation;

7.7.5 The designated project manager must draw up the contract specifications and-

- a) identify the type of minor works required;
- b) the skill level required;
- c) capacity required; and
- d) estimated value of the project.

7.7.6 Emerging enterprises enrolled to the Business Developmental Support Programme must register on the list of accredited providers of the *Municipality* in order to be eligible to compete for tenders.

- 7.7.7 The emerging enterprise will be required to comply with basic business requirements such as business registration, registration with SARS, minimum number of years in business, nature of business; sector; description of the business activity; area of operation; major clients to date; partnerships with private or government; number of employees, turnover, nature of support required, challenges, additional information, Broad Based Black Economic Empowerment scoring; registration with relevant statutory bodies, communication details, proof of authorisations and other such requirements depending on the profession.
- 7.7.8 Supply Chain Management Unit together with Directorates must evaluate and recommend listed providers on the minor-works and sub-contract database.
- 7.7.9 The Supply Chain Management Unit must ensure that the processes in the *Policy* are adhered to, which include but are not limited to obtaining quotations from at least three different providers on a rotational basis.
- 7.7.10 Contracts will be awarded on a rotational basis during this designated period.
- 7.7.11 The period of the contract will be determined in accordance with the nature of the sector/type of work.
- 7.7.12 Where an emerging enterprise fails to achieve the requirements as stipulated by the contract, the programme manager will ensure a more intensive development programme.
- 7.7.13 An emerging enterprise will only be allowed on the Emerging Enterprise Development Support Programme for a period of 12, 24 or 36 months.

## **8. PERFORMANCE REVIEW, PROGRESSION AND EXIT OF EMERGING ENTERPRISE FROM THE PROGRAMME**

### **8.1 Performance Review And Progression Of Emerging Enterprise**

8.1.1 The *Municipality* will ensure that there is a bi-annual / mid-term performance review of all the participating emerging enterprises. This will enable the Programme Manager to assess the performance of emerging enterprises and also enable the *Municipality* to determine the ability of emerging enterprises to absorb more training projects or not. The purpose of the mid-year review sessions will also enable the *Municipality* to measure the achievements of the emerging enterprise in relation to the support being given to them.

8.1.2 The performance results of emerging enterprises will also be linked to the progression of emerging enterprises within the programme, thereby making it possible for them to meet all the requirements for upgrading with the CIDB construction registers. The criteria for the progression of emerging enterprises within the programme will be based on the CIDB re-grading / upgrading criteria. This will minimise some fraud and corruption risks for the programme.

### **8.2 Maximum Number Of Projects That An Emerging Enterprise Can Be Awarded At Any Time**

8.2.1 Grade 1 emerging enterprises can only be awarded 1 project at a time. The emerging enterprises will have to produce a Certificate of Completion for any previous work prior to be considered for any new award of a quotation. The *Municipality* reserves the right to award more than one contract to grade 1 emerging enterprise within the targeted *vulnerable* groups to expedite representivity.

8.2.2 In the evaluation of Grade 1 - 5 emerging enterprises, their performance on the current project/s must be investigated. Where an emerging enterprise is

struggling with a current contract a risk assessment will inform the *Municipality* whether to award further work to that emerging enterprise or not.

8.2.3 The number of projects discussed above also includes awards made through joint ventures. It must be noted at all times that the *Municipality* carries a risk for the waived sureties, acceptable workmanship and timeous delivery of the project. It is therefore necessary that a proper financial and technical ability is assessed all the time prior to any award being made to an emerging enterprise participating in the development programme.

8.2.4 Where an emerging enterprise will want to carry out more than two projects at a time, sureties for all projects being carried out at a time would need to be effected. The *Municipality* will also reserve the right to withdraw contract management support systems already offered on any other concurrent projects already awarded. The principle is that emerging enterprises must be allowed to focus on the scope of work at hand and be able to undergo the required training and mentorship that is offered to them by the *Municipality*.

### **8.3 Exiting Of Emerging Enterprises From The Emerging Enterprise Development Support Programme**

8.3.1 On the basis of the performance of emerging enterprises, it is envisaged that the advancement from one Grade to the next Grade shall be considered when:

- a) Cumulative value of work over a period of one or two years has reached a certain value;
- b) An *emerging enterprise* has successfully applied for re-grading with the Construction Industry Development Board;
- c) Completion of the training programme as per the skills audit results at the entry of each emerging enterprise; and
- d) Failure to secure tender opportunities for a period of three years, whilst in the programme.

- 8.3.2. An emerging enterprise will exist the Emerging Enterprise Development Support Programme after the designated period or threshold value (the total turnover recommended) is reached.
- 8.3.3 In order to assist exiting emerging enterprises with regard to access to procurement opportunities, the *Municipality* will facilitate their participation in other projects through structured Joint Ventures, Sub-Contracting and also through private sector partnerships through their respective Emerging enterprise associations such as SAFCEC, Master Builder South Africa, amongst others.

#### **8.4 Joint Venture Opportunities For Exiting Emerging Enterprises**

- 8.4.1 The *Municipality* will seek to identify opportunities for participation of exiting emerging enterprise through structured joint venture arrangements. This will apply to all the large projects that are awarded through open tender, whereby the NMBM will prescribe the contracting requirements that allow the participation of exiting emerging enterprise with a specific grading designation or Class of Works for prescribed value. This could be limited to twenty five (25%) of the value of work to be handled by the targeted Joint Venture Partners exiting from the programme, for a period of one (1) year from the date of exiting the programme.
- 8.4.2 The joint venture option is a contracting strategy that allows for two or more contracting entities to partner as one entity to access specific procurement opportunities, thus allowing meaningful transfer of skills between the more experienced, bigger and high graded contracting entities and the small and emerging contracting entities in the project.

### **9 ESTABLISHMENT OF EMERGING ENTERPRISE DEVELOPMENT SUPPORT PROGRAMME COMMITTEE**

- 9.1 The City Manager will establish a Business Development Support Committee who will be responsible for:

- a) providing the support necessary for the implementation of the *Policy*;
- b) monitoring and evaluating the Programme and *Policy*;
- c) Make recommendations for review of the Programme and *Policy*.

9.2 The Business Development Support Committee will be constituted as follow:

- a) 1 x representative from the Economic Development, Trade and Agriculture Directorate;
- b) 1 x representative from the Legal Services Sub-directorate within the Office of the Chief Operating Officer;
- c) 1 x representative from Supply Chain Management Unit within the Budget and Treasury Directorate;
- d) 1 x representative within the Infrastructure and Engineering Directorate
- e) 1 x representative from the Electricity and Energy Directorate.

9.3 The members assigned to the Business Development Support Committee will not be appointed to a position below that of Assistant Director.

## **10 POLICY IMPLEMENTATION AND REVIEW**

10.1 The *Policy* will be adopted from the date of its adoption by *Council*.

10.2 It will be called referred to as the Emerging Enterprise Development Support Programme and Policy.

10.3 It will be reviewed every three years or sooner, as required.