



**EMERGING MICRO ENTERPRISE  
DEVELOPMENT SUPPORT POLICY  
(VERSION 2.1)**



## POLICY HISTORY

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## TABLE OF CONTENTS

PREAMBLE.....	1
1. DEFINITIONS .....	2
2. PURPOSE .....	4
3. LEGISLATIVE BACKGROUND .....	5
4. POLICY OBJECTIVES .....	7
5. SCOPE OF APPLICATION.....	7
6. EMERGING MICRO ENTERPRISE DEVELOPMENT SUPPORT PROGRAMME .....	8
7. PROCUREMENT ARRANGEMENTS FOR TRAINING, MENTORSHIP AND PROJECT IMPLEMENTATION .....	13
8. PERFORMANCE REVIEW, PROGRESSION AND EXIT OF EMERGING ENTERPRISE FROM THE PROGRAMME .....	21
9. ESTABLISHMENT OF EMERGING ENTERPRISE DEVELOPMENT SUPPORT PROGRAMME COMMITTEE .....	24
10. POLICY IMPLEMENTATION AND REVIEW .....	25
ANNEXURE A: STANDARD OPERATING PROCEDURE EMERGING MICRO ENTERPRISE DEVELOPMENT SUPPORT POLICY.....	0

## 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 *Municipality* 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 term that refers to Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent; or who became citizens of the Republic of South Africa by naturalisation before 27 April 1994 or on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date;

**“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;

**“Cooperative”** means a cooperative registered in terms of section 7 of the Cooperative Act, 2005 (Act No. 14 of 2005);

**“designated group”** means, as defined in the Broad-Based Black Economic Empowerment

- (a) Black people;
- (c) Women;
- (d) People with disability; 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;

**“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;

**“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;

**“the Policy”** means this Emerging Micro Enterprise Development Support Policy Version 2 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;

**“specific goals”** mean specific goals as contemplated in section 2(1)(d) of the Preferential Procurement Policy Framework Act 5 of 2000, which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994. NMBM targeted groups include:

- a) Black people
- b) Women
- c) Youth
- d) Persons with disabilities
- e) Co-operatives
- f) Military Veterans
- g) Business Enterprises within the locality of NMBM or the Eastern Cape

**“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;

**“Township”** means an urban living area that anytime from the late 19<sup>th</sup> Century until April 1994 was reserved for black people, including areas developed for disadvantaged individuals post 27 April 2017;

**“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 54 of 2008.

## **2. PURPOSE**

2.1 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*.

- 2.2 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.
- 2.3 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.
- 2.4 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.
- 2.5 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.
- 2.6 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**

- 3.1 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.

3.2 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.

3.3 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 This policy applies to all contracts *awarded* by NMBM with a contract value equal to or above R7,5 million for the construction sector and equal to or above R5 million for other sectors such as services sector.
- 5.2 To promote the development of emerging enterprises owned by those targeted for *Specific Goals*, the following threshold will be considered for subcontracting where feasible, for projects with a contract value equal to or above R7.5 million for the construction sector, and equal to or above R5 million for other sectors, such as services sector.

5.3 A bidder awarded a contract may enter into a subcontracting arrangement only with the approval of the NMBM.

5.4 A bidder awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have 50% or more points in respect of *Specific Goals* identified for the bid.

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

### **6.1 Establishment of Emerging Micro Enterprise Development Support Programme for Emerging 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 Micro Enterprise Development Support Programme will offer, among others initiatives, opportunities for training, mentorship; and project implementation to eligible *emerging micro enterprises*.

6.1.3 The Emerging Micro 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 EME business support programmes which an *emerging 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 Micro Enterprise Development Support Programme; and
- e) create an enabling environment for emerging micro-enterprises to access Emerging Micro 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 will 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 emerging micro-enterprises based on the capacity requirements of participating emerging 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 learner 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.

- 6.3.1.3 In order to ascertain that the learner *emerging micro enterprises* 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 Emerging Micro Enterprise Development 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 invite the *Emerging Micro Enterprises* 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.

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

6.4.4 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.

6.4.5 Skills audit will be performed by the designated official 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.

6.4.6 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 emerging micro-enterprises to participate in;
- c) developing new interventions to meet the support requirements of the emerging micro-enterprise; and identifying and coordinating the interventions of all key institutions involved in the support and capacitating of emerging enterprises

6.4.7 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 emerging micro-enterprises to participate in other similar projects.

6.4.8 Other businesses identified must be aligned with development programmes that meet the enterprise development needs and fall within their business strategy.

6.4.9 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 emerging 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 micro enterprises*;
- b) identify other opportunities, possibly from the private sector, to ensure that *emerging micro enterprises* are sustainable and to avoid dependency on government programmes for long periods of time; and
- c) measure growth of the *emerging micro 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 the 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.

6.5.4 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 Competitive Allocation of Contracts to Emerging Micro- Enterprises**

7.1.1 To promote the development of emerging enterprises, subcontracting will be considered for projects with a contract value equal to or above R7.5 million

for the construction sector, and equal to or above R5 million for other sectors, such as the services sector.

7.1.2 A bidder awarded a contract may enter into a subcontracting arrangement only with the approval of the NMBM.

7.1.3 A bidder awarded a contract may not subcontract more than 25% of the value of the operational aspects of such contract (i.e. the total minus the cost of capital outlay involved) to any other enterprise that does not have 50% or more points in respect of Specific Goals identified for the bid. In accordance with the NMBM SCM Policy, and SCM Regulations.

7.1.4 Where sub-contracting is feasible, NMBM will state subcontracting requirements in the invitation to tender and tender documents.

7.1.5 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.

7.1.6 Participating *emerging micro 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 Micro Enterprise Development Support Programme.

## 7.2 **Activation of the Potentially Emerging (PE) Status of Emerging Micro-Enterprises in the Construction Industry**

7.2.1 The Construction Industry Development Board regulations allow the public bodies / employers who have in place a targeted development programme, to award contracts to *emerging micro enterprises* 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 micro 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.

7.2.2 In terms of the Emerging Micro 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.

### 7.3 **Maximum Number of Projects that an Emerging Micro Enterprise May be Awarded at a Time**

7.3.1 All *emerging micro enterprises* enrolled to the Emerging Enterprise Development Support Programme can only be awarded one (1) project at a time. The *emerging micro 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.

7.3.2 It must be noted at all times that the Emerging Micro 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 micro enterprise* participating in the Emerging Enterprise Development Support Programme.

7.3.3 Where an *emerging micro 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.

7.3.4 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.

#### 7.4 **Procurement Strategies**

##### 7.4.1 **Unbundling Strategy**

7.4.1.1 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.

7.4.1.2 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.

##### 7.4.2 **Construction Management Strategy**

7.4.2.1 The construction management strategy applies to *emerging micro enterprises* within the construction industry, with a Construction Industry Development Board grading designation of 1 - 4 that are enrolled to the

Emerging Micro Enterprise Development Support Programme of the *Municipality*.

7.4.2.2 NMBM will utilise Infrastructure and Construction procurement to promote *emerging micro enterprises* in accordance with the provisions of the *Broad-Based Black Economic Empowerment Act* and, where appropriate, to promote:

- a) work opportunities for target groups; and
- b) national development goals, such as those identified by the
- c) Presidential Infrastructure Coordinating Commission.

7.4.2.3 Specific goals for preferential procurement will be included in contracts in accordance with the Preferential Procurement Regulations issued in terms of the NMBM SCM policy. Requirements shall be evaluated in tenders through declarations made by tenderers and shall be included in the scope of work associated with the contract.

7.4.2.4 Permitted targeted procurement procedures. The targeted procurement procedures that may be used to promote social and economic objectives shall include one or more of the following:

- a) the granting of preferences;
- b) accelerated rotations on electronic databases, where appropriate;
- c) financial incentives for the attainment of key performance indicators in the performance of the contract; and
- d) the creation of contractual obligations to engage target groups in the performance of the contract by establishing requirements for the tendering of subcontracts in terms of a specified procedure, or establishing obligations to attain contract participation goals in accordance with the relevant provisions of SANS 10845.

7.4.2.5 A contracting strategy that will be explored in the Emerging Micro 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 contractors, say Grades 1 - 4 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.

#### **7.4.3 Structured Joint Venture Strategy**

7.4.3.1 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.

7.4.3.2 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.

#### **7.5 Sub-Contracting Opportunities**

7.5.1 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 – 3 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) 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 in Respect of the Emerging Enterprise Development Support Programme

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

7.6.2 Up to 25% of the contract value may be subcontracted to another enterprise that has 50% or more points in respect of Specific Goals than the main contractor, in accordance with the SCM policy of the NMBM and SCM Regulations.

7.6.3 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 e.g., CIDB emerging enterprise grading designation.

- 7.6.4 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.
- 7.6.5 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.
- 7.6.6 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.
- 7.6.7 Supply Chain Management Unit together with Directorates must evaluate and recommend listed providers on the minor-works and sub-contract database.
- 7.6.8 The period of the contract will be determined in accordance with the nature of the sector/type of work.
- 7.6.9 Where an emerging enterprise fails to achieve the requirements as stipulated by the contract, the programme manager will ensure a more intensive development programme.

7.6.10 An emerging enterprise will only be allowed on the Emerging Enterprise Development Support Programme for a maximum period of 36 months (3 years) in line with the small business incubation programme.

## **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 micro 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 micro 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 - 3 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 micro enterprises*, it is envisaged that the advancement from one Grade / level to the next Grade / level shall be considered when:

- a) Cumulative value of work over a period of one or three years has reached a certain value;
- b) In case of a construction sector, an emerging enterprise has successfully applied for re-grading with the Construction Industry Development

Board. In case of other sectors, an emerging enterprise has successfully applied for a relevant sector upgrade programme.

- c) Completion of the training programme as per the skills audit results at the entry of each emerging enterprise.

8.3.2 In the case of the construction sector, an *emerging micro enterprise* will exit the Emerging Enterprise Development Support Programme after the designated period of 3 years or if the threshold value of R7, 5 million of contracts allocated is reached, whichever comes first.

8.3.3 In order to assist exiting emerging enterprises with regard to access to procurement opportunities after completion of the programme, 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. All these contractors will form part of the NMBM.

8.3.4 An *emerging micro enterprise* will be disqualified on following conditions:

- a) Non- attendance of training session planned for development
- b) Non-compliant to regulatory issues
- c) Fraudulent submission of information
- d) Non- compliance and conviction in relation to South African law.

#### 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 that 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 implemented from the 1<sup>st</sup> day of the month following its adoption by *Council*.
- 10.2 It will be referred to as the Emerging Enterprise Development Support Programme and Policy Version 2.1.
- 10.3 This policy will supersede any other prior emerging enterprise development support programme and policies adopted by Council.
- 10.4 Where this policy is in conflict with the NMBM SCM Policy and SCM Regulations, the NMBM SCM Policy and SCM Regulations will prevail.
- 10.5 This policy will undergo review in accordance with the review provisions of the NMBM SCM Policy.

# **ANNEXURE A: STANDARD OPERATING PROCEDURE EMERGING MICRO ENTERPRISE DEVELOPMENT SUPPORT POLICY**

## **1. Introduction**

The Emerging Micro Enterprise Support Programme aims to ensure that the economy is structured and transformed to enable the meaningful participation of the majority of its citizens and to further create capacity within the broader economic landscape at all levels through skills development, employment equity, socio economic development, preferential procurement, enterprise development, especially small and medium enterprises, promoting the entry of black entrepreneurs into the mainstream of economic activity, and the advancement of co-operatives.

B-BBEE needs to be implemented in an effective and sustainable manner in order to unleash and harness the full potential of *black people* and to foster the objectives of a pro-employment developmental growth path.

The Nelson Mandela Bay municipality has prioritised entrepreneurship and the advancement of *emerging micro enterprises* as the catalyst to achieving economic growth and development. The NMBM runs an EME support programme to assist small businesses to build capacity and competence for the work and this is done through competitive bidding by *emerging micro enterprises*.

This developmental program is based on the following social principles:

- i. Broad Based Black Economic Empowerment Act (Act No 53 of 2003)
- ii. Participation of Local *emerging micro enterprises* as prescribed in the Government Gazette No: 10684 of 20 January 2017 (Section9(2)).

## **2. Emerging Micro Enterprise Development Policy objectives**

- 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 Emerging Enterprises Development and Support Programme of the Municipality; and
- h) promote monitoring and evaluation of the identification and development of emerging enterprises.

### **3. Emerging micro Enterprise Standard operating procedure's objectives:**

The principal objective of the standard operating procedure is to provide, promote and implement, theoretical guidelines, governing processes and procedures within the supply chain management and also for the following:

- a) Procuring goods or services;
- b) Selecting EME's to provide assistance in the provision of municipal services in conduction with NMBM Supply Chain Policy
- c) Alleviating poverty, by making it possible for poor people to generate income to meet basic needs;
- d) Reducing poverty through employment creation;
- e) Redistribution of wealth, income and opportunities

### **4. 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 term 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;

**“Cooperative”** means a cooperative registered in terms of section 7 of the Cooperative Act, 2005 (Act No. 14 of 2005);

**“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;

**“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;

**“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;

**“Township”** means an urban living area that anytime from the late 19<sup>th</sup> Century until April 1994 was reserved for *black people*, including areas developed for disadvantaged individuals post 27 April 2017

**“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).

## 5. Abbreviations

Abbreviations	Explanation
BBBEE	Broad- based Black Economic Empowerment
CSD	Central Supplier Database
EEDSP	Emerging Enterprise Development Support Program
EME	<i>Emerging Micro Enterprise</i> (which includes all different categories as listed on the Preferential Procurement Policy Framework Gazetted No 10684 of 20 January 2017.)
NMBM	Nelson Mandela Bay Municipality
SCM	Supply Chain Management

## 6. Compliance

Every contract entered into by the *Municipality* will be entered into pursuant to or in connection with the *Municipality's* functions and will comply with:

Act	Applicability	What it does in respect SCM
Constitution of the RSA, 1996 (Act No: 108 of 1996)		Provides procurement objectives and establishes govt's policy for preferencing
Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)		Establishes a manner in which preferential procurement policies are to be implemented
Local Govt Municipal Finance management Act, 2003 (Act No. 56 of 2003)	<i>Municipality</i> and Municipal entities	Establishes a detailed regulatory framework for Supply Chain Management
Local Govt. Municipal Systems Act, 2000 (Act No. 32 of 2000; and Broad-Based Black Economic	Local Sphere of Govt.	Establishes a framework for the establishment of service delivery agreements involving competitive bidding processes

<b>Act</b>	<b>Applicability</b>	<b>What it does in respect SCM</b>
Empowerment Act, 2003 (Act No. 53 of 2003)		
Construction Industry Development Board Act. 2000 (Act 38 of 2000)	All organs of state involved in procurement relating to the construction industry	Establishes a means by which a Board can promote and implement policies aimed at procurement reform, standardisation and uniformity in procurement documentation, practice and procedures within the framework of the procurement policy with govt. Establishes a national register of contractors (and if so required, consultants and suppliers) to manage the public sector procurement risk.
Broad-Based Black Economic Empowerment Act, 2003 (Act . No. 53 of 2003)	Procurement provisions apply to all organs of state	Establishes a code of good practice to inform the a) development of qualification criteria for the issuing of licences or concessions, the sale of state owned enterprises and for entering into partnerships with the private sector; and b) development and implementation of a preferential procurement policy
Auditor- General Act (Act 12 of 1995)	All organs of state	One of the functions of the AG is to reasonably satisfy himself or herself that satisfactory management measures have been taken to ensure that resources are procured economically and utilised efficiently and effectively. The AG has wide powers to investigate and is obligated to report his findings either to Parliament or a provincial legislative, as relevant.
Promotion of Equality and Unfair Discrimination Act (Act 4 of 2000)	The state and all persons	The Act prohibits the state or any person from discriminating unfairly from any person and in particular on the grounds of race such as the denial of access to opportunities, including access to

<b>Act</b>	<b>Applicability</b>	<b>What it does in respect SCM</b>
		services or contractual opportunities for rendering services, or failing to take steps to reasonably accommodate the needs of such persons
Emerging Enterprise Development Support Policy	All directorates within the NMBM	Policy that seeks to address the development of <i>emerging micro enterprises</i> in the Nelson Mandela Bay Municipality
NMBM SCM Infrastructure Procurement and Delivery Management Policy	All directorates within the NMBM	
NMBM SCM Policy	All directorates within the NMBM	

## **7. Emerging Micro Enterprise Database**

7.1 All EME's must register on the Central Supplier Database (CSD) serves as a single source of key supplier information for organs of state as from 1 April 2016. The CSD provides a consolidated, accurate, up to date, complete and verified supplier information to procuring organs of state.

7.2 The NMBM will conduct businesses with EME's listed on the CSD and that are complying in respect of the Emerging Enterprise Development Support Programme and Policy.

## **8. Roles and Responsibilities**

- a) The Project Managers from each Directorate will be responsible for identifying projects that will be included in the EEDSP.
- b) The Project Manager will identify the number of EME's required to fulfil the 25% subcontracting allocation for each project, where feasible. This will be guided by the value of the contract (as reflected on Section 2(a) and the assignment of work to be done.
- c) The EDTA Directorate will be responsible for developing capacity building

programmes for EME's and responsible for monitoring the targets and indicators for EME's.

- d) The EDTA Directorate will be responsible for developing mentorship programmes.
- e) The EDTA will establish an Enterprise Development Centre for support of the EME's for empowerment and participation of EME's which will include:
  - i. Skills development (Technical Skills)
  - ii. Entrepreneurial Skills (business, financial and tendering management)
  - iii. Mentoring and Incubation: All EME's will be mentored for the duration of the programme as explained in the Emerging Micro Enterprise Development Support Policy Section 6.3.1. Emerging Micro enterprises will be incubated, both residentially and virtually for a period of 3 years while they are in the programme.
  - iv. Monitoring and evaluation of the programmes
  - v. Performance review and progression of EME's
- f) The SCM will provide the names of EME's from the CSD & NMBM database to the Project Managers as and when required.
- g) The EDTA Directorate will be responsible for facilitating access to finance for EME's from the National and Provincial departments, financial institutions, including financing agents like SEFA / NURCHA, and other stakeholders.
- h) The Supply Chain Management Sub Directorate will maintain a database.

## **9. Allocation of Work**

### **9.1 Targeted Tendering**

Tenders will be awarded in terms of the *Emerging Micro Enterprise Development Support Policy and Regulation Gazette No 10684 of the 20 January 2017; Section 9(2) f* which takes into consideration an EME or QSE which is owned by at least 51% *black people* living in rural or underdeveloped or townships.

9.2 Work will be allocated as follows:

- i. 50% of the value of all work on qualifying projects will be assigned to EME's residing in the area in which the work will be performed, or the project is centred. This is in line with PPPFA 2000: Preferential Procurement Regulation, 2017 Section 4(1) and
- ii. 50% of the of the remaining value of work assigned to EME's on qualifying projects to be assigned to EME 's of to the broader NMBM.

No	Description	Directorate
Step 1	Identification of work packages for the EESDP <ol style="list-style-type: none"> <li>i. The work packages must support the developmental programmes</li> <li>ii. The work packages must be in line with the NMBM SCM &amp; EESDP.</li> <li>iii. They should take cognisance of progression of EME's especially in cases of construction sector (Grade 1 – Grade 3)</li> </ol>	All Directorates
Step 2	Allocation of EME's to the Project <ol style="list-style-type: none"> <li>i. Project Manager will request names of EME 's from the CSD &amp; NMBM database according to Section 9(2) f of Regulation Gazette No 10684 of 20 January 2017. No 40553</li> <li>ii. SCM will provide the Directorate with the required amount of EME's plus an additional 50%</li> <li>iii. Consideration of EME's will be done by their date of registration in the CSD.</li> </ol>	All Directorates
Step 3	The Principal Contractor will procure these services the allocated group of EME's for the project under the supervision of the Project Managers and /or the appointed agent.	All Directorates
Step 4	Appointed and non-appointed EME's will be sent to the EDTA for database update and mentorship intervention and developmental programme.	Directorate Project Managers
Step 5	<i>Monitoring</i> and Evaluation	EESDP Committee