

# MBHASHE SMME INCUBATION POLICY FOR 2025/2026 FY



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**A. POLICY HISTORY**

<b>Document Title</b>	Policy on Incubation
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<b>Document Description</b>	The policy addresses how Mbhashe Municipality will ensure creation of an environment that enables the growth and development of small to medium sized enterprises and co-operatives to become sustainable enterprises.
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**B. LOCATION OF THE MASTER FINAL VERSION OF THE POLICY**

(AFTER SIGNATURES BY THE MUNICIPAL MANAGER AND THE MAYOR)

To facilitate future access and use the master final version of any Development Planning Policies, the original signed policy will be archived on file in the Corporate Services Directorate, Records Management Section (Registry); an Adobe Acrobat (pdf) copy will be placed on the Mbhashe Municipal website ([www.mbhashemun.gov.za](http://www.mbhashemun.gov.za)).

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## ABBREVIATIONS

### C

CLLR	:	Councillor
CIP	:	Construction Incubation Programme
CIDB	:	Construction Industry Development Board
CETA SETA	:	Construction Education and Training Association

### E

EDCP	:	Emerging Contractor Development Programme
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### H

HR	:	Human Resources
HDE	:	Historically Disadvantaged Enterprise

### L

LED	:	Local Economic Development
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### M

MFMA	:	Municipal Finance Management Act
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### P

PPPFA	:	Preferential Procurement Policy Framework Act
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## **S**

SACEM	:	South African Construction Excellence Model
SCM	:	Supply Chain Management
SDBIP	:	Service Delivery Budget Implementation Plan
SMME	:	Small Medium Micro Enterprise

## **DEFINITION OF TERMS**

"Municipal Manager" means 'Accounting Officer of the Municipality';

"Mayor" means 'Executive Authority of the Municipality';

"Municipality" means 'Local Government institution established in terms of Municipal Structures Act'.

"Incubation program" means a concerted and deliberate effort to promote the development of sustainable enterprises owned and controlled by Historically Disadvantaged Individuals.

## **1. INTRODUCTION**

In terms of Economically Active Population (EAP) Indicator (total no. of people between the age of 15 and 65 who are able to work, willing to work and are actively looking for work), the area of Mphashe was seating at 51 500 in 2020, which of course is 18.57% of its total population. In addition, the area in 2020 had a total of 25 000 unemployed people which translated into an unemployment rate of 50%, which is an increase of 16.1 percentage points. Translating this into reality, there are dominantly Historically Disadvantaged Individuals (HDI's) who are women, persons with disability and youth. Mphashe SMME Incubation policy therefore serves as response to the glaring picture of socio-economic conditions that are confronted by the municipality as most people are unemployed and under-employed. In addition, through three anticipated programmes under incubation, Mphashe Municipality envisages an increased participation of previous historically disadvantaged small to medium sized construction companies and co-operatives into the mainstreams of economy.

## **2. POLICY STATEMENT**

2.1 This policy is intended to clarify the position of Mphashe Municipality regarding incubation as provided for in terms of the Supply Chain Management, Broad Black Base Economic Empowerment Framework, Preferential Procurement Policy and must be read with the provisions of the Municipal Finance Management Act.

## **3. STRATEGIC GOAL AND OBJECTIVES**

3.1 The strategic goal is of Mphashe SMME Incubation Programme are:-

- 3.1.1 Improve the grading status of contractors in targeted categories and grades
- 3.1.2 Increase the number of black, women, disabled and youth owned companies in targeted categories and grades
- 3.1.3 Create sustainable contracting enterprises by enabling continuous work through a competitive process
- 3.1.4 Improve the performance of previously disadvantaged contractors in terms of quality, employment practices, skills development, safety, health and environment
- 3.1.5 Improve the business management and technical skills of local SMMEs

- 3.1.6 Able to resource themselves accordingly, and
- 3.1.7 In possession of the necessary operational and financial framework, management skills, succession plan and ultimately execution capacity to make their vision a reality.
- 3.2 The objectives of this policy is to:
- 3.2.1 The objective of the policy is to provide a framework and procedure for the efficient and effective management, support and growth and development of small to medium sized construction enterprises and co-operatives to become sustainable companies.
- 3.2.2 The Policy also intend Mphashe Municipality to create an enabling environment which is composed of steady access to work opportunities to ensure sustainability, supply side measures underpinned by an enterprise development programme including: mentorship, training, finance and information and an enabling environment namely: uniform and standard procurement and contract documentation and practices, and prompt payment.
- 3.2.3 The policy further intends to encourage private sector partnership with government to nurture SMMEs into sustainable small to medium sized construction enterprises and co-operatives that can provide employment and contribute to economic growth.

#### **4. LEGISLATIVE FRAMEWORK AND OTHER MANDATES**

- 4.1 Constitution of the Republic of South Africa Act No. 108 of 1996
- 4.2 Broad-Based Black Economic Empowerment Act No. 53 of 2003
- 4.3 The Construction Industry Development Board Act No. 38 of 2000
- 4.4 National Framework for Local Economic Development (LED) of 2018-2028
- 4.5 Municipal Finance Management Act, 2001 (Act No. 1 of 2001) (MFMA).
- 4.6 Preferential Procurement Policy Framework Act no. 5 of 2000

#### **5. SCOPE OF APPLICATION**

The policy is applicable to the following sectors:-

- Tourism and Hospitality
- Catering
- Manufacturing
- ICT/Networking
- Agriculture
- Electricity, Gas & Water
- Retail and Motor Trade Repair Services
- Wholesale Trade
- Transport Services
- Mining and Quarrying
- Tendering/Supply and Delivery
- Recycling

#### **6. OPERATIONAL FRAMEWORK FOR THE INCUBATOR PROGRAMME**

##### **6.1 Proposed Contractor Incubation**

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

6.1.1 Steady access to work opportunities achieved through sourcing suppliers on Incubator-designated projects from the Incubator Supplier Register. This will also be achieved to some extent by concentrating development efforts on a level of contracting enterprise that can operate in a sustainable range market identified. The number of players in the marketplace can be expected to be in line with the number of opportunities. Moreover, for Supply and Delivery Incubation Category, mark-up is capped at 30%. Thus, participating enterprises can add a range of mark-up from a range of 5% to 30%, depending on the economy of scale (market value) of items being procured.

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

The key elements of the support measures being:-

6.1.2.1 Access to work opportunities,

6.1.2.2 Access to mentorship,

6.1.2.3 Access to training,

6.1.2.4 Access to financial support,

6.1.2.5 Access to support.

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

## **6.2 Entry Criteria**

To participate in the CIP, prospective participants should adhere to the following acceptance criteria:-

6.2.1 Active CIDB Grading 1 – 3.

6.2.2 Must be eligible to be enrolled with CETA-SETA.

6.2.3 Proof of being a resident in the Mbashe Local Municipality.

6.2.4 Financial capability and track record (CIDB min criteria for Grade 1).

6.2.5 Access to skilled staff.

6.2.6 Preference will be given to locals, blacks, women, youth and the disabled.

## **6.3 Results Envisaged**

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

6.3.1 is legally established and appropriately registered;

6.3.2 has a market niche that is not stretched too widely across different types of work;

- 6.3.3 understands the various construction processes and has the required networks for contracting;
- 6.3.4 has the staff with the necessary technical and managerial skills and knowledge to carry out work;
- 6.3.5 has delivered consistently good results; and
- 6.3.6 has a stable and positive cash-flow and a growing assets base.

#### **6.4 Programmes of Incubation**

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

- Construction – targeting 22 local SMME's
- Supply and Delivery – targeting 13 local SMME's
- Maintenance – targeting 4 local SMME's

### **7. TARGETED COMMODITIES OR ENTERPRISES**

- 7.1 Production, supply and delivery of seedlings
- 7.2 Cleaning of toilets
- 7.3 Renovation of Community Halls
- 7.4 Production, supply and delivery of paving bricks
- 7.5 Repairs and maintenance of solar panels
- 7.6 Production, supply and delivery of toilet papers
- 7.7 Construction and maintenance of buildings
- 7.8 Paving of grounds
- 7.8 Catering

### **8. ENTERPRISE DEVELOPMENT PROGRAMME**

#### **8.1 Support Services**

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

- 8.1.1 Business Administration,
- 8.1.2 Financial Management,
- 8.1.3 Technical Support,
- 8.1.4 HR Management,
- 8.1.5 Statutory Compliance,
- 8.1.6 Tender Phase Support,
- 8.1.7 Construction Phase Support,
- 8.1.8 Medium-long Term Sustainability

#### **8.2 Project Identification**

- 8.2.1 Identify potential projects through strategic planning and budgeting (SDBIP).
- 8.2.2 Categorise the projects by value, risk, priority, complexity and size.
- 8.2.3 Consideration for Match to existing contractors,
- 8.2.4 Size and value of the contracts (Grading 1-3),
- 8.2.5 Mbhashe Municipality priority,
- 8.2.6 Complexity (general building and structural civil).
- 8.2.7 Temporary (maintenance) projects are likely to be highly desirable for the construction incubation programme.

### **8.3 Access to Work Opportunities**

- 8.3.1 Work opportunity not guaranteed.
- 8.3.2 Mbhashe Municipality to allocate work to CIP to enable project-based mentorship and training.
- 8.3.3 Ensure contractor sustainability.
- 8.3.4 Procurement with the PPPFA and Mbhashe Municipality Supply Chain Management Framework.
- 8.3.5 Closed tendering (nominated procedure).
- 8.3.6 Expression of interest.
- 8.3.7 Consolidation of interest and opportunities.
- 8.3.8 Inviting suitable participants to bid.

### **8.4 Access to Mentorship**

#### **Mentor Responsibilities:**

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

## **8.5 Access to Training**

Contractor assessments provide a framework for determining training requirements:

- 8.5.1 Training is incorporated in the contractor development plans.
- 8.5.2 All training interventions should be within the SAQA (& CETA) framework and guidelines

## **8.6 Access to Finance**

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

## **9. SUPPLY CHAIN MANAGEMENT STRATEGY**

### **9.1 Procurement Strategy:**

- 9.1.1 The municipality must make a call for locally based enterprises to be on the Incubation Provider List
- 9.1.2 SCM policy must make a provision for nomination from a pre-qualified Incubator Providers List.
- 9.1.3 The SCM policy must also allow for direct tendering, sub-contracting, joint ventures and other forms of tendering in line with applicable legislative prescripts.
- 9.1.4 The enterprises will be contracted on a rotational system

## **10. MONITORING AND EVALUATION**

- 10.1 Incorporates contractor, mentor and project performance.
- 10.2 Contractor performance: SACEM assessments (reports and development plans).
- 10.3 Mentorship: mentor reports.
- 10.4 Project: project management reports.
- 10.5 Monthly, quarterly, annual and exit reports.
- 10.6 Interpretation of the contractor business results e.g. improvement of the financial bank rating, profitability, CIDB Grading.
- 10.7 The Senior Manager: Development Planning, other relevant Senior Manager Chief Financial Officer shall monitor compliance to the policy on an ongoing basis.
- 10.8 Contractors that have been assigned work through the programme, should be monitored to upgrade their CIDB grades and VAT compliance as per the assigned work.
- 10.9 Benefiting twice on Incubation Programme is totally not permissible. Thus, if a local SMME has been a participant in any of the three categories of incubation – which are Supply & Delivery, Maintenance and Construction, they must not re-apply to participate in any of the

incubation categories when their appointment contract expires. It is only permissible to re-apply for consideration to SMME's that are participants on Construction Category – strictly those who will be upgrading from CIDB Grade (1 & 2) to CIDB Grade (3 & 5).

## **11. EXIT STRATEGY**

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

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

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

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

## **12. IMPLEMENTATION**

12.1 The municipality shall strive to find the incubator as a partner to the programme.

12.2 The municipality must also budget for the implementation of the programme through mentorship.

## **13. POLICY REVIEW**

13.1 The Senior Manager: Development Planning shall evaluate and review policy when necessary to align with national policies, legislative developments and national SMME circulars.

## **14. CONCLUSION**

14.1 The Incubator will function as an administrative head office for the beneficiaries and in addition to supporting enterprises in their business endeavors, will target work opportunities for enterprises by identifying appropriate contracts under procurements by primarily departments within the Mphashe Municipality as stipulated in (7) above.

14.2 It is anticipated that the Incubator will function as a comprehensive Resource Centre for associated contractors.

14.3 The resources available will range from the skills provided by staff and consultants, to administration back-up, legal and technical information and of course, access to projects.

14.4 The vision of the Incubator as a one-stop resource centre for contractors is one that needs to be pursued by all stakeholders.