SMMEs/COOPERATIVES SUPPORT & FUNDING POLICY FOR 2026/27 FY

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1. INTRODUCTION

The Constitution of the Republic of South Africa Act No. 108 of 1996 clearly articulates that the municipality through its LED, have a constitutional obligation to promote social and economic development within its jurisdiction. Concurrently, the White Paper on Local Government of 1998 mandates the municipality to take active steps in ensuring creation of enabling and conducive environment for socio-economic development to take place. SMME and Cooperatives Funding policy serves as response to a developmental challenge of lack of funding that is faced by SMME's and Cooperatives to recapitalize their businesses that have been adversely affected by emergence of Covid-19 pandemic. The fund in line the demographics of the area, is more geared towards support of more marginalized groups – the youth, women and disabled people, who have commercially oriented businesses in the area of Mbhashe and have a potential to help the fund to transcend its fight against the triple challenges which are poverty, unemployment and inequality that society at large is facing.

2. LED FUND

The fund is aimed at financing the actual implementation of the projects not business plan preparation or feasibility studies. Project beneficiaries have to submit application for funding attaching.

Application letter from the project, letter from ward councillor, business plan, company profile and ID copies of beneficiaries of the project. Additional documents such as title deed or proof of ownership or approval letter from the owner of the land to be used, a cooperatives certificate, banking details and tax clearance certificate are also required, however should tax clearance certificate, cooperative certificate and proof of banking details be not available that will not prevent the project from receiving assistance.

To address the matter above the municipal officials should ensure that assistance is granted in order for project to access above mentioned documents. Should the project lack the above mentioned documents except for tax clearance, cooperative certificate and banking details, this will minimise the opportunities for funding of the project. The document provide solid grounds to gear the group or project to be a formal and recognised entity or structure

and also indicate the determination and drive of the project. It is therefore the responsibility of the municipality to ensure that projects that are lacking any of the above documents are encouraged and orientated on the relevant processes to be followed in order to obtain the documents prior allocation of funding.

The fund will finance projects that appear in the IDP and are supported by the ward councillor and the community at large. The projects will be eligible for municipal support for 3 consecutive years that will be determined by the performance of the project. The time frame is categorised as follows.

- First Year - Municipality assist with funding and provide regular support to projects
- Second Year - Monitoring of project performance. This will determine further financial assistance from the municipality
- Third Year - Assistance with project evaluation. Based on performance project will be referred to other funding agencies for support and continuity, this is exit year for municipality.

During the three years relationship between the municipality and the project, the municipality reserve the right to repossess all material or equipment purchased for the project should the project cease to operate. The municipality will have consultations with the project prior repossessing the material or equipment. The repossessed material or equipment will therefore be given to the identified project with similar activities and which has a need for such material or equipment. The main focus will be on projects that meet both developmental and technical criteria. The beneficiaries may be subjected to legal action from Mbhashe Municipality if they sell the assigned tools of trade. Only tools of trade will be provided to SMMEs and cooperatives. Perishable goods, building and fencing materials will not be supported.

3. DEVELOPMENT CRITERIA

The project should be in a position to create jobs, short and long term

The project through its business plan must demonstrate sustainability

The project must target the disadvantaged

It must also demonstrate availability of market for its products through its business plan

It must also show linkages to IDP, PGDP and NSDP

4. TECHNICAL CRITERIA

The project must have a credible business plan showing clear cash flow projection, clear budget breakdown with clear targets.

There must be a clear operations and maintenance plans

There must be clear reporting systems between the project and the municipality

There must be clear assessment report of the project prior approval of the budget by the council

There must be a council resolution allocating the budget

5. DUE DILIGENCE

Once the application is received by the municipality, a one day visit will be undertaken by the LED officials to do need analysis which involves the following:

- Verify authenticity of the application
- Investigate whether the project really needs the support from the municipality
- Investigate whether the project is in line with the mandate of the municipality and its funding criteria
- Solicit information about the existence of the project
- Understand the history of the project if it was already an existing project
- Assess available assets of the project, structures and leadership in the project
- Identify challenges to be addressed and provide support and referrals for assistance were possible

6. TARGETED BENEFICIARIES

The fund is more geared towards support of businesses that are owned and managed Historically Disadvantaged Individuals (HDI's) and that have been adversely affected by

emergence of Covid-19 pandemic. Businesses that are supported need to demonstrate potential in terms of contribution in alleviating and ameliorating the triple challenges which are poverty, joblessness and inequality. More importantly, the business must create sustainable employment opportunities. The policy is pro-poor in terms of its approach towards:

- Women
- Youth
- Disabled

7. EXPECTED OUTCOMES

Short- and long-term jobs

Training and human resource development

Inter and intra-sectoral linkages

Rural development

Women development

Cooperative development

8. ROLES OF THE MUNICIPALITY

The municipality should enter into an agreement with project beneficiaries

Ensure sound financial management of the fund

Undertake periodic site visits

Provide technical assistance to the projects

Monitor and evaluate the financial and technical progress of the projects using key performance and the monthly progress reports

9. ROLE OF ENTERPRISE DEVELOPMENT

- Facilitate formalisation of cooperatives and SMME's
- Facilitate CSD registration
- Inspection of documents

10. ROLES OF THE PROJECT

- To submit quarterly progress reports to the municipality
- To ensure that funds are used for the intended actions
- To ensure that all beneficiaries fully participate in the activities of the project

11. ROLE OF THE LED UNIT

- The LED unit is the implementing agent of the LED budget and is directly accountable for the LED budget.
- Monitors all LED funded projects.
- Ensure effective, efficient and clean management of the funding.
- Manage the performance of service providers and the payment of fees.
- Attends project meetings when invited.
- Submit quarterly reports to the LED Standing Committee.

12. METHOD OF PAYMENT

- All payments will made directly to the service providers after they have delivered to the site and proof of delivery and invoice have been submitted.
- The payment will not be done directly to the project but the municipality will contract service providers to provide materials required by the project as per the business plan.
- The sourcing of material or live stock should be done in line/communication with the project members and LED official pioneering the activity. This will avoid sourcing of irrelevant material for project.

13. USAGE OF PROCURED TOOLS OT TRADE /EQUIPMENT

The municipality through this policy reserves the right to repossess all the tools of trade or equipment that it has been bought to support a particular SMME or Cooperative upon misuse, underuse or the items remain dormant. Subsequently, the municipality will re-allocate the items to another eligible entity from Mbhashe.

14. CONCLUSION

The requirements in this policy are required for purposes of compliance and accountability by the municipality to the national and provincial governments and the auditor general.