

MBHASHE LOCAL MUNICIPALITY



POLICY ON CONTRACTOR INCUBATION

A. POLICY HISTORY

Document Title	Policy on Contractor Incubation					
Document Author	Development Planning Department					
Document Owner	Development Planning, Infrastructure Services and Supply Chain Management					
Document Description	The policy addresses how Mbhashe Municipality will ensure creation of an environment that enables the growth and development of small to medium sized construction enterprises to become sustainable construction enterprises.					
Final Version	Volume 1: 2016					
Number of Pages	12					
Approval Status by the Municipal Manager	Full Approval		Partial Approval		Conditional Approval	

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).

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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
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HDE : Historically Disadvantaged Enterprise

L

LED : Local Economic Development

M

MFMA : Municipal Finance Management Act

P

PPPFA : Preferential Procurement Policy Framework Act

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'.

1. INTRODUCTION

- 1.1 Having seen the need for the assistance of the local enterprises; the Mbhashe Local Municipality has for the past years been assisting various forms of small and medium enterprises.
- 1.2 Mbhashe Municipality has even set specific targets through the municipal SCM policy to help upgrade the local enterprises.
- 1.3 Having seen that the above attempts did not yield positive results; the Mbhashe Local Municipality is now embarking on the development and implementation of an Incubator Programme to promote the development of sustainable contracting enterprises owned and controlled by Historically Disadvantaged Individuals.
- 1.4 These programmes include, Targeted Procurement and the Emerging Contractor Development Programme (ECDP).
- 1.5 Through these anticipated programmes, Mbhashe Municipality envisages an increased participation of previous historically disadvantaged small to medium sized construction companies into the mainstreams of economy.

2. POLICY STATEMENT

- 2.1 This policy is intended to clarify the position of Mbhashe 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 to support the businesses until they are:-
 - 3.1.1 Capacitated to undertake a greater volume and level of construction works,
 - 3.1.2 Capable of articulating their own vision for the future of their company,
 - 3.1.3 Able to resource themselves accordingly, and
 - 3.1.4 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

to become sustainable construction companies.

- 3.2.2 The Policy also intend Mbhashe 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 that can provide employment and contribute to economic growth.

4. LEGISLATIVE FRAMEWORK AND OTHER MANDATES

- 4.1 Municipal Finance Management Act, 2001 (Act No. 1 of 2001) (MFMA).
- 4.2 Preferential Procurement Policy Framework Act no. 5 of 2000

5. SCOPE OF APPLICATION

- 5.1 The policy is applicable to all emerging, small to medium sized construction companies, Grade 1-3.

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 the sustainable R30 000 to R1.5 million range market identified. The number of players in the market place can be expected to be in line with the number of opportunities.
- 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 Mbhashe 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.

7. ENTERPRISE DEVELOPMENT PROGRAMME

7.1 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:-

- 7.1.1 Business Administration,
- 7.1.2 Financial Management,
- 7.1.3 Technical Support,
- 7.1.4 HR Management,
- 7.1.5 Statutory Compliance,
- 7.1.6 Tender Phase Support,
- 7.1.7 Construction Phase Support,
- 7.1.8 Medium-long Term Sustainability

7.2 Project Identification

- 7.2.1 Identify potential projects through strategic planning and budgeting (SDBIP).
- 7.2.2 Categorise the projects by value, risk, priority, complexity and size.
- 7.2.3 Consideration for Match to existing contractors,
- 7.2.4 Size and value of the contracts (Grading 1-3),
- 7.2.5 Mbhashe Municipality priority,
- 7.2.6 Complexity (general building and structural civil).
- 7.2.7 Temporary (maintenance) projects are likely to be highly desirable for the construction incubation programme.

7.3 Access to Work Opportunities

- 7.3.1 Work opportunity not guaranteed.
- 7.3.2 Mbhashe Municipality to allocate work to CIP to enable project-based mentorship and training.
- 7.3.3 Ensure contractor sustainability.

- 7.3.4 Procurement with the PPPFA and Mphashe Municipality Supply Chain Management Framework.
- 7.3.5 Closed tendering (nominated procedure).
- 7.3.6 Expression of interest.
- 7.3.7 Consolidation of interest and opportunities.
- 7.3.8 Inviting suitable participants to bid.

7.4 Access to Mentorship

Mentor Responsibilities:

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

7.5 Access to Training

Contractor assessments provide a framework for determining training requirements:

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

7.6 Access to Finance

- 7.6.1 Strategy for sustainable access to finance for small to medium sized construction companies to be developed,
- 7.6.2 Arrangement with financial institutions to facilitate efficient access to working and asset based capital (guarantee finance, purchase materials, pay labour).

7.6.3 Internal enabling environment (Mbhashe Municipality guarantees shorter payment intervals).

8. SUPPLY CHAIN MANAGEMENT STRATEGY

8.1 Procurement Strategy:

8.1.1 The SCM policy must make a provision for nomination from a pre-qualified Contractor Incubator Providers (CIP) List.

8.1.2 The SCM policy must also allow for direct tendering, sub-contracting, joint ventures and other forms of tendering (CIDB prescripts).

9. MONITORING AND EVALUATION

9.1 Incorporates contractor, mentor and project performance.

9.2 Contractor performance: SACEM assessments (reports and development plans).

9.3 Mentorship: mentor reports.

9.4 Project: project management reports.

9.5 Monthly, quarterly, annual and exit reports.

9.6 Interpretation of the contractor business results e.g. improvement of the financial bank rating, profitability, CIDB Grading.

9.7 The Senior Manager: Development Planning, Senior Manager: Infrastructure Services and Chief Financial Officer shall monitor compliance to the policy on an ongoing basis.

10. EXIT STRATEGY

10.1 At the end of three years, the contractor will exit the CIP at the level where the sustainability criteria have been met over the last three assessments.

10.2 In brief, the contractor 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.

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


11. POLICY REVIEW

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

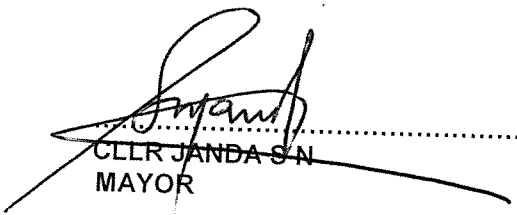
12. CONCLUSION

- 12.1 The Incubator will function as an administrative head office for the beneficiaries and in addition to supporting contractors in their business endeavors, will target work opportunities for contractors by identifying appropriate contracts under procurements by primarily departments within the Mbhashe Municipality.
- 12.2 These will typically include roads, drainage, township services, community halls, dipping tanks, shearing sheds, clinics and recreation facilities, as well as mechanical and electrical engineering projects.
- 12.3 It is anticipated that the Incubator will function as a comprehensive Resource Centre for associated contractors.
- 12.4 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.
- 12.5 The vision of the Incubator as a one-stop resource centre for contractors is one that needs to be pursued by all stakeholders.

APPROVED BY THE COUNCIL AND SIGNED BY:-


NAKO M
ACTING MUNICIPAL MANAGER

07/08/2017
DATE


CLLR JANDA S N
MAYOR

07/08/2017
DATE