



edtea

Department :
Economic Development, Tourism and
Environmental Affairs
PROVINCE OF KWAZULU-NATAL

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TO	MR SIHLE ZIKALALA, MPL MEC FOR ECONOMIC DEVELOPMENT TOURISM & ENVIRONMENTAL AFFAIRS
FROM	MR SIZA SIBANDE ACTING HEAD OF DEPARTMENT
SUBJECT	OPERATION VULA FUND POLICY, LAUNCH AND PROVINCIAL DISTRICT WORKSHOPS
DATE	02 MAY 2019

1. PURPOSE

- 1.1 The purpose of this submission is to request the Honourable MEC to:
 - 1.1.1 Endorse the Operation Vula Fund Policy;
 - 1.1.2 Approve the launch of the Operation Vula Fund;
 - 1.1.3 Note the development of a website for the Operation Vula programme, including the Fund and
 - 1.1.4 Approve the hosting of district workshops on the Operation Vula Fund

2. DISCUSSION AND BACKGROUND

- 2.1 Operation Vula is a programme that seeks to promote the localization of the provincial economy by exploiting government's buying power through the empowerment of small businesses and co-operatives owned by previously disadvantaged individuals. The programme was conceptualized as an intervention towards radical economic transformation of the economy of the province.
- 2.2 The implementation of the programme was approved by the executive council in October 2018. The key focus areas of the programme are the radical agrarian socio-economic transformation programme (RASET), black industrialist programme, rural and township revitalisation and the bulk buying programme.

- 2.3 Informal and small businesses are cited as a key pillar of the South African economy sustaining a large number of jobs. The survival rate of small businesses is reported to be significantly low. This is attributed by a number of factors, ranging from barriers of entry into the market, lack of appropriate business and financial management skills, access to markets etc. In addressing the sustainability of small business, over and above providing a market through operation vula, the Department's objective is to provide a holistic solution to small businesses through funding mechanisms, mentorship and training.
- 2.4 The operation vula fund policy aims to ensure that adequate support is provided to SMMEs and Cooperatives. Funding support is aimed at achieving radical economic transformation with funding availed to the historically disadvantaged groups within the provincial economy who are able to come up with sustainable and profitable initiatives which create jobs.
- 2.5 The operation vula fund policy was presented to the executive council, after consultations with the Honourable MEC and the KZN provincial treasury. The implementation of the policy will be through a transparent, competitive process in keeping with the principles of the Public Finance Management Act.
- 2.6 The funding support to be provided through the fund ranges from R1 up to R5 million. The Fund targets small/ micro enterprises, co-operatives and start-ups, amongst other organisations. It is critical that the roll-out of the policy is undertaken through an effective communication and marketing plan. This approach will include advertorial campaigns through mainstream media (print, on-line, radio, social media etc). A media launch of the Fund is planned for early May 2019. The Department will host district workshops, in consultation with district municipalities and other key stakeholders, as information sharing sessions for the Fund and the operation vula programme. The workshops are targeted at previously disadvantaged entrepreneurs operating within the districts.
- 2.7 The communication strategy for the programme and the Fund includes the development of a website which will serve as a repository for information and data related to operation vula and its interventions. The objective is to ultimately automate the application process for the funding which will positively contribute to the efficiency of the Fund and provide a platform for data mining.

3. ORGANIZATIONAL AND PERSONNEL IMPLICATIONS

3.1 The Department has adopted an intergrated approach to the implementation of departmental programmes. Operation vula is in this regard embedded throughout the departmental programmes. Deputy Director Generals Mr Mkhize and Mr Mfusi will lead the implementation of the communications and media strategy and implementation plan supported by allocated members of the executive management team.

3.2 Workshops are planned, within the month of May, in the following districts:

- eThekwini Metro
- Umgungundlovu
- King Cetshwayo
- Umkhanyakude
- Amajuba
- Umzinyathi
- Zululand
- Ugu
- Harry Gwala
- Uthukela and
- Ilembe Districts

3.3 The Honourable MEC is requested to preside over the launch of the Fund which the Department is coordinating with the office of the MEC.

4. LABOUR RELATIONS IMPLICATIONS

There are no labour relations implications envisaged in the implementation of this programme.

5. FINANCIAL IMPLICATIONS

The total estimated costs for the above-mentioned activities are R1,225 million as follows:

- Operation Vula Fund Media Launch: R100 000
- Media campaign: R500 000
- Development and hosting of website: Not more than R350 000 (TBC)
- District Workshops (at R25 000 each): R275 000

6. OTHER DEPARTMENTS / BODIES CONSULTED

KZN Provincial Treasury, Provincial Executive Council.

7. LEGAL IMPLICATIONS / COMPLIANCE

Compliance with the Public Finance Management Act and applicable supply chain management policy prescripts in the procurement of the required goods and services.

8. COMMUNICATION IMPLICATIONS

The Fund and operation vula interventions will be communicated widely through the media and district workshops as outlined in this submission.

9. RECOMMENDATIONS

It is recommended that the Honourable MEC:

- 9.1.1 Endorse the Operation Vula Fund Policy;
- 9.1.2 Approve the launch of the Operation Vula Fund;
- 9.1.3 Note the development of a website for the Operation Vula programme, including the Fund; and
- 9.1.4 Approve the hosting of district workshops on the Operation Vula Fund.



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MR SIZA SIBANDE
ACTING HEAD OF DEPARTMENT
ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

DATE: 02/05/2019

APPROVED / ~~NOT APPROVED~~



.....

MR SIHLE SIKALALA, MPL
MEC FOR ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

DATE: 06/05/2019

.....



edtea

Department :

Economic Development, Tourism and
Environmental Affairs

PROVINCE OF KWAZULU-NATAL

Department of Economic Development, Tourism and Environmental Affairs:

OPERATION VULA FUND POLICY GUIDELINES

Approved

Signed: 

Date: 06/05/2019

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Chapter 1

1. Submission of Funding Applications to EDTEA

1.1 Applications are to be submitted through the Funding Adjudication Panel Secretariat within EDTEA. The Secretariat will then be responsible for compliance vetting and onward submission to the Funding Adjudication Panel for evaluation.

1.2 Issues acknowledgment of receipts (compliance checklist)signed by the applicant

1.3 Only funding applications submitted through the Secretariat will be discussed by the Funding Adjudication Panel. The Panel will not entertain funding applications not received through the Secretariat.

2. Funding Window Guidelines

2.1 There shall be two (2) funding windows within each EDTEA financial year. Each funding window is to be open for three (3) months annually. The first funding window shall run from the 1st of April to the 30th of June annually, while the second funding window shall run from the 1st of November to the 31st of January. Any proposals received after deadline date, will not be considered within that particular funding window, but they will be included in the next call for proposals. EDTEA reserves the right to increase or decrease the number of funding window periods.

3. Funding Tiers

The tiered approach to funding will be implemented to ensure that a competitive process takes cognisance of the amount of funding required by the applicant. Hence through this process, applicants with similar funding needs will compete against each other in accordance with the tiers set out below. The four tiers are categorised as follows:

Funding Tier	Funding Range
Tier 1	0 - R100,000.00

Tier 2	>R100,000.00 - R500,000.00
Tier 3	>R500,000.00 - R2,000,000.00
Tier 4	>R2,000,000.00 - R5,000,000.00

- In the first round of sorting, applicants will be grouped according to Category, and then in the second round these same applicants will be further sub-grouped according to their Funding Tier. As such, companies falling within both the same Category and Funding Tier will compete against each other for funding.

4. Funding Cap Guidelines

Any funding awarded under the EDTEA funding scheme must not exceed, Five Million Rands (R5 000,000.00) per application. This cap may be periodically reviewed through approval from the Accounting Officer.

5. Notification of funding opportunities

Calls for proposals will be made announced through a specially created website hosted by DTP. Decisions made by EDTEA in respect of this should be regarded as final.

6. Application and Funding Process Flow

The application and funding process flow will be as follows:

- Notification of funding opportunities made through the press and on the DTP website.
- Funding window opens, applications are received and then window closes.
- Complete applications are received by Secretariat and screened for eligibility and compliance.
- Applications are forwarded to the Due Diligence team to conduct the due diligence on applications screened for compliance by Secretariat.
- Screened applications from the Due Diligence team are forwarded to the Funding Adjudication Panel for evaluation.
- Eligible applications are assessed by Funding Adjudication Panel against impact criteria.

- Funding Adjudication Panel recommendations forwarded to HOD for approval.
- Within two (2) weeks from date of approval of funding allocations, successful applicants shall be notified of the outcome. Names of approved applicants are listed on the special site hosted by DTP. Respective Funding Agreements for approved proposals are drafted and signed.
- Funding is disbursed.
- Implementation, business support and monitoring undertaken.
- Evaluation and reporting undertaken.

Chapter 2

7. Funding Exclusions

The following are not eligible for funding under this policy:

- Pre-feasibility and feasibility;
- Training initiatives except where training is an ancillary component of the application;
- Research, except action oriented research;
- Proposals from companies not registered in South Africa;
- Proposals from non-South African citizens;
- Persons or companies who have not satisfactorily discharged the contractual obligations on a previously funded project;
- Proposals not accompanied by required documentation;
- Applications which have received grant funding from other government departments, donors or Public entities for the same proposal;
- Applications on initiatives classified as socially undesirable or illegal;
- Initiatives falling outside the mandate of EDTEA;
- Applications for loans – these will be referred to the relevant authorities such as iThala;
- Proposals that seek to perpetuate a particular party political agenda,
- Proposals from businesses owned or operated by government employees;
- Proposals from Family Trusts; and
- Proposals for projects/initiatives located outside KZN.

8. Eligibility Criteria

8.1 Eligibility Compliance

8.1.1 Only applications submitted in line with the requirements for the funding call will be considered for evaluation.

8.1.2 Where an application is submitted on behalf of another organisation, the application must be accompanied a document clarifying the nature of the relationship between the two entities and power of attorney received from the ceding organisation.

8.2 Eligible Applicants

The applicant must:

- be directly responsible for the preparation and management of the project,
- demonstrate stable and sufficient financial resources to ensure continuity of their organisation throughout the project and, if necessary, to play a part in financing it;
- be able to demonstrate their capacity to manage activities corresponding with the size of the project for which the fund is requested.
- act as the lead organisation and, if selected, be the contracting party and referred to as the beneficiary.

8.3 Ineligible Applicants

8.3.1 *Potential applicants may not participate in this funding process or be awarded funds if:*

- a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) they have been convicted of an offence concerning professional conduct by a judgement which has the force of *res judicata* (i.e., against which no appeal is possible);
- c) they are guilty of grave professional misconduct proven by any means which EDTEA can justify;
- d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes;
- e) they have been the subject of a judgement, have a judgement pending, which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity;
- f) they have been declared to be in serious breach of contract for failure to comply with their contractual obligations in connection with a procurement

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procedure or other fund award managed by EDTEA or any public or private entities.

8.3.2 *Applicants are also excluded from participation in consideration of applications for funding or the award of funds if at the time of the application, they:*

- i. are subject to a conflict of interests;
- ii. are guilty of misrepresentation in supplying the information required or fail to supply this information;
- iii. have attempted to obtain confidential information or influence the Funding Adjudication Panel or the Department during the evaluation process of current or previous funding applications.
- iv. are appointed as long-term contractors within the national, provincial or local spheres of government in South Africa as defined by DPSA.
- v. have been found guilty in terms of Section 218 of the Companies Act, which disqualifies anybody who was jailed for theft, fraud, forgery or perjury, from being a company director, unless a high court sets aside the disqualification.
- vi. In the cases referred to in points (i), (iii), and (iv) above, the exclusion applies for a period of two years from the time when the infringement is established. In the cases referred to in points (ii) and (v), the exclusion applies for a period of four years from the date of notification of the judgement.

NOTE: Applicants must supply with their applications a sworn statement that they do not fall into any of the ineligible categories.

8.4 Partners' Eligibility

Where applicants' partners participate in designing and implementing the project, the partners share in the responsibilities of undertaking the project. Hence, partners and applicants have equal responsibility and duty to EDTEA and they must, therefore, satisfy the same eligibility criteria as applicants.

8.5 Principles of Good Partnership Practice

All partners must be fully conscious of their obligations in accordance with the Memorandum of Agreement or Funding Agreement and understand what their respective obligations under the contract will be if the fund is awarded. Partners should authorise the lead applicant to sign the contract with EDTEA and represent them in all dealings with EDTEA in the context of the project's implementation.

Proposals for substantial changes to the project (e.g. activities, partners, etc.) should be agreed by the partners before being submitted to EDTEA. Where no such agreement can be reached, the applicant must indicate this when submitting changes for approval to EDTEA.

9. Accompanying Documentation

The following documentation should accompany the application:

- Feasibility study where applicable,
- Business plan,
- Company registration documentation/ copy partnership agreement/ cooperative constitution/ articles or memorandum of association (where applicable).
- Shareholder's certificate showing full details of shareholders.
- Certified national identity copies of all shareholders and directors.
- Certified copy of BBBEE certificate.
- Annual Audited financial statements for larger firms,
- Curriculum vitae of key experts.

Chapter 3

10. Funding Adjudication Panel Composition

- The Funding Adjudication Panel must be representative of all EDTEA components;
- It must have a chairperson and alternate chairperson;
- EDTEA staff invited to be members of the Funding Adjudication Panel must be at a Middle Management Scheme (MMS) and upward level; and
- Non EDTEA employees and/or technical experts may be invited to be part of the panel on an advisory basis;

11. Guiding Principles of the Funding Adjudication Panel

The Funding Adjudication Panel will adhere to the following guiding principles:

- The Funding Adjudication Panel is primarily an advisory body aimed at improved and efficient selection of funding requests,
- The mandate of the Funding Adjudication Panel will be guided by relevant economic policies and the Department's strategic goal,
- The Funding Adjudication Panel will continuously track and conduct trend analysis of funding requests in order to advise the Department accordingly.

12. Funding Adjudication Panel Operations

12.1 Chairing of Meetings

The appointed Chair of the Funding Adjudication Panel will chair the meetings of the panel. In the absence of the Chairperson, the Alternate Chair will assume the responsibility of chairing the meeting.

12.2 Secretariat

The EDTEA Supply Chain Management Directorate will be the Secretariat for the Funding Adjudication Panel. The Secretariat will circulate the notice of the

meeting together with other relevant documents such as minutes of the previous meeting; agenda for the forthcoming meeting and vetted proposals three days prior to the meeting. The Secretariat will also communicate recommendations of the Funding Adjudication Panel to the Office of the HOD and administer responses to all entities that have requested funding.

12.3 Due Diligence Team

A team of external experts will be appointed by EDTEA to undertake due diligence. The Due Diligence team will be independent and made up of internal and external members. Internal members will be appointed from internal EDTEA staff by the Head of Department, while external members will be appointed through the normal EDTEA supply chain processes. The due diligence team will conduct due diligence and screening on all submitted applications. Only applications screened and approved for compliance by Secretariat will be forwarded for due diligence to the due diligence team and only applications approved by the due diligence team will be forwarded for adjudication to the Funding Adjudication Panel.

12.4 Reporting

The Funding Adjudication Panel will report directly to the HOD.

13. Funding Adjudication Panel Meetings

13.1 Convening of Meetings

The Evaluation Meetings of the Funding Adjudication Panel will be held within one (1) month after the closing date for the submission of funding applications. Ad-hoc meetings can also be convened at the Secretariat's request. The notice of the meeting will be issued to members three days prior to the meeting by the Secretariat.

13.2 Attendance

Attendance of Funding adjudication meetings is compulsory. Where non-attendance cannot be prevented, a written apology must be forwarded to the Secretariat which will be recorded during the meeting.

13.3 Quorum

The quorum for any meeting of the panel shall be fifty percent plus one of the members of the panel.

13.4 Decision Making

Decisions will be undertaken on the basis of consensus by Panel members. In the unlikely event that consensus cannot be reached a voting process will be initiated. Each member of the Panel is entitled to one vote. To ensure that a fair and democratic process is followed decisions shall be based on a simple majority of members present. The Panel will endorse the major decision after the voting exercise. Decisions taken by the Panel will be forwarded to the HOD as recommendations.

The Panel will decide on each matter as follows:

- Supporting the matter
- Declining to support the matter
- Supporting the matter with conditions

13.5 Resolutions

Reasons for each resolution/decision are to be duly noted and submitted to the HOD as part of the recommendations.

13.6 Declaration of conflict of interest

All members in attendance must express themselves on declaration of interest and conflict of interest before the commencement of the Panel meeting or before discussing each matter. Any member of the Panel who shall fail to disclose an interest and it is discovered that on a particular issue/s he or she was conflicted, such member will automatically lose the membership of the Panel and a disciplinary action will be instituted.

14. Funding Adjudication Panel Exclusions

The Funding Adjudication Panel will **NOT**:

- Replace or duplicate the work of Departmental bid committees, i.e. Bid Specification Committee, Bid Evaluation Committee and Bid Award Committee,
- Be involved in processing funding requests through supply chain management processes,
- Be responsible for correcting or amending funding requests from stakeholders,
- Request revisions on initial funding applications.

Chapter 4

15. Evaluation Process

The following consideration shall serve as guidelines in evaluating applications:

- Benefit to the economy;
- Viability, innovation and originality;
- Cost effectiveness and sustainability;
- Defined time frames – Gant chart;
- Clear, careful and detailed planning & budgets;
- Quality of delivery of services;
- Specific outcomes in terms of deliverables to assist EDTEA in the monitoring, evaluation and reporting on the funded projects.

16. Assessment Criteria

16.1 Assessment Framework

Each application for funding is to be assessed in line with the Operation Vula Fund Policy Assessment Framework (Annexure 1). In conjunction with this Funding Policy Assessment Framework, the following is to be considered:

- Commercial viability of the business case being presented.
- The business must comply with all relevant laws and regulations.
- BBBEE compliance and black involvement at the managerial and board levels.
- Minimum percentage of black ownership or interest of 50.1% is a requirement.
- The business must create sustainable jobs.
- Geographic location of the business is also important with the focus on rural or economically depressed areas encouraged.
- Meaningful black women and youth participation is viewed more favourably.
- Empowering of the disabled is viewed more favourably.
- Rural and community development projects must have meaningful participation by communities.
- Possibility of co-funding is encouraged in larger projects.

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16.2 Costing within applications

To be eligible for funding, costing within the application must:

- be aligned with the budget items as listed,
- be necessary for carrying out the project, and comply with the principles of sound financial management, in particular, value for money and cost-effectiveness;
- be incurred by the project during the implementation period (as contained in the contract).
- be recorded in the project's accounts, be identifiable and verifiable, and be backed by relevant originals of supporting documents.

Chapter 5

17. Funding Agreement Guidelines

EDTEA must enter into Funding Agreements with the approved applicants after a funding allocation has been approved in terms of this policy. Funding Agreements concluded must inter alia, make provision for and include the following matters:

- Contain a detailed description of the nature and extent of the economic development and job creation outputs;
- Include the business plan as an integral part of the agreement;
- Reflect clear and measurable service-specific targets, results, outputs, outcomes, and specific types of supporting documentation required, reporting performance (as applicable) expected by EDTEA with specific reference to its alignment to EDTEA's APP;
- Include financial arrangements, specifically intervals and methods of payment and certification of invoices.
- Must indicate the method and frequency of monitoring and reporting arrangements;
- Clear definitions of circumstances causing suspension, cancellation and reduction of funding;
- Applicable penalties for non-compliance with the Funding Agreement.
- EDTEA shall determine the term of the Funding Agreement with the applicant having regard to inter alia the circumstances prevailing at the time of the allocation of funding and the nature of the project or service provided.
- Applicants are not permitted to alter the terms and/or conditions of the Funding Agreement without the express written consent of the Accounting Officer.
- Funded organisations may not subcontract the service for which it is funded to implement by EDTEA to any other organisation without written permission from the Accounting Officer.

18. Confidentiality and Intellectual Property Rights

The following guidelines apply with regard to confidentiality and intellectual property:

- EDTEA and the beneficiary together with its agents, employees, members and directors, shall treat all information that they gain access to as a result of communications between EDTEA and the beneficiary relating to the funding (e.g. application and reports), whether paper or electronic, and which information is not otherwise public knowledge as confidential.
- Confidential information may only be disclosed to any person outside the immediate working environment of EDTEA or the beneficiary with the prior written permission of the other. Any information required by the public sector - including public officials - or government agencies or organs, e.g. SARS or CIPRO, in terms of the reporting duties of EDTEA may be reported by EDTEA without such consent.
- EDTEA may publish information on approvals or rejections. Information may include, inter alia, the name of the beneficiary, the name and location of the project, and the amount and period of approval.
- Where either EDTEA or the beneficiary receives a court order or a subpoena requiring disclosure of confidential information, it must notify the other in writing within seven (7) days. Where the court order or subpoena gives shorter notice than twenty (20) days, written notice must be given as soon as is reasonably possible. The reason for the written notification is so that EDTEA or the beneficiary may seek a protective order or waive the provision of this clause in writing.
- EDTEA or the beneficiary must take reasonable care to ensure that only the exact information required by the court order or subpoena, is disclosed.
- These guidelines shall apply even after the relationship between EDTEA and the beneficiary has ceased.
- These guidelines do not apply to litigation and/or arbitration proceedings between EDTEA and the beneficiary.

19. Operational support

Where recommended by the EDTEA Funding Adjudication Panel, operational support will be provided in the form of training, mentoring services, diagnostic support and business improvement guidance etc.

20. Amendments and Policy Implementation Guidelines

The Accounting Officer may issue policy implementation guidelines from time to time to ensure improved implementation of this policy.

21. Communication

The policy and subsequent amendments will be made available on the EDTEA website and may be communicated through various platforms as provided for in the EDTEA or KwaZulu-Natal Government communications policy.

Chapter 6

22. Recommendations

- The funding policy should evolve towards having specified funding schemes that are designated for specific purposes or sectors.
- EDTEA should provide mentoring and incubation for the projects supported.
- A dedicated unit to deal with applications can be established in the future whose sole purpose will be to handle funding related matters and serve as the funding Secretariat.
- Special Adjudication Committee for events to be established to conduct adjudications on events proposals, and a fund that is designated for events should also be established.



edtea

Department :

Economic Development, Tourism and
Environmental Affairs

PROVINCE OF KWAZULU-NATAL

Department of Economic Development, Tourism and Environmental Affairs:

OPERATION VULA FUND POLICY


Approved

Signed:.....
Date: <u>06/05/2019</u>

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Acronyms

APP	Annual Performance Plan
CD	Chief Director
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Properties Commission
DDG	Deputy Director General
IDP	Integrated Development Plan
EDTEA	Department of Economic Development, Tourism and Environmental Affairs
HOD	Head of Department
KPIs	Key Performance Indicators
KZN	KwaZulu-Natal
LED	Local Economic Development
MANCO	Management Committee
MEC	Member of the Executive Council
MMS	Middle Management Scheme
MPAT	Management Performance Assessment Tool
MTEF	Mid-term Expenditure Framework
NDP	National Development Plan
PGDP	Provincial Growth Development Plan
PGDS	Provincial Growth Development Strategy
PRAG	Practical Guide for procurement and grants for European Union
PSC	Public Service Commission
SCM	Supply Chain Management
SLA	Service Level Agreement
SMMES	Small, Medium and Micro Enterprises
SMS	Senior Management Scheme
SOW	Scope of Work
TOR	Terms of Reference

Legislative Framework

The applications and implementation of the policy complies with the following legislation and policies:

- i. Basic Conditions of Employment Act 75 of 1997
- ii. Contract Management Framework, National Treasury, August 2010
- iii. Contract Management Guide, National Treasury, August 2010
- iv. Companies Act of 2008
- v. Constitution 108 of 1996
- vi. EDTEA Strategic Plan, (2014-2020)
- vii. Employment Equity Act 55 of 1998
- viii. KZN Provincial Contract Management Policy Framework – August 2016
- ix. KZN Provincial Contract Management Procedure Manual – August 2016
- x. Medium-Term Expenditure Framework, 2017
- xi. National Development Plan 2035
- xii. Non- Profit Organisations Act, 71 OF 1997;
- xiii. Provincial Growth and Development Plan 2011, as revised, November 2016
- xiv. Public Finance Management Act 1 of 1999 and the National and Provincial Treasury Regulations promulgated in terms of this Act.
- xv. Preferential Procurement Policy Framework Act, No 5 of 2000
- xvi. Public Service Act of 1994
- xvii. Section 30 of the Income Tax Act, 58 of 1962;
- xviii. The Municipal Finance Management Act; and the National and Provincial Treasury Regulations promulgated in terms of this Act.
- xix. Treasury Practice Note 11 of 2008/2009 Labour Relations Act 66 of 1995
- xx. Trust Property Control Act, 57 of 1988;
- xxi. Any other relevant policy and legislation.

Definitions

- a) Accounting Officer of EDTEA refers to the Head of the Department of Economic Development, Tourism and Environmental Affairs.
- b) "Annual Performance Plan or APP" means the plan that provides annual performance indicators for the programmes of EDTEA.
- c) "Business Plan" means the detailed plan of the manner in which an applicant intends to implement the project.
- d) "Executive Authority" means the Member of the Executive Council responsible for the Economic Development, Tourism and Environmental Affairs.
- e) "Evaluation" means a systematic and objective examination of a project to determine its efficiency, effectiveness, outputs, impacts, sustainability and relevance in terms of its objectives.
- f) "Funding Agreement/Contract" means the written contract between EDTEA and the funded organisation concluded and signed prior to the provision and transfer of a funding allocation.
- g) "MEC" means the Member of the Executive Council responsible for Economic Development, Tourism and Environmental Affairs. The MEC is also the Executive Authority of EDTEA.
- h) "Monitoring and Evaluation" means the continuous or periodic surveillance of the physical implementation of a project during and after the life-cycle of such project to ensure that inputs, outputs and outcomes are achieved in accordance with the plan.
- i) "Multi-disciplinary team" is a team consisting of various professionals that are required to ensure effective implementation of specific initiatives.
- j) "Panel" refers to the Funding Adjudication Panel within EDTEA.
- k) "Project" means a planned activity or sets of activities designed to achieve certain specific objectives within a given budget and within a specified period of time.
- l) "Secretariat" means the Unit appointed to provide secretariat services to the Funding Adjudication Panel.

Chapter 1

1. Introduction

The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs has a mandate to promote and oversee sustainable socio-economic development in the province of KwaZulu-Natal through the formulation of economic policies, facilitation of economic empowerment programmes and the implementation of effective provincial development strategies. Furthermore, the Department leads the implementation of strategic initiatives directed at promoting development and growth in various sectors of the economy.

To provide a framework for grant funding to initiatives that promote the mandate of the Department such as those targeting manufacturing, SMME development, localisation, tourism, economic infrastructure development and job creation, the Provincial Government has resolved that the procurement policy must empower the historically disadvantaged, Africans in particular, within the ethos of a developmental State, pro-inclusive economic growth and non-racialism. To demonstrate the Provincial Government resolve to deepen radical economic transformation six commodities/sectors have been identified and approved by the KZN Executive Council as a potential for targeted procurement, and these are: infrastructure development, agricultural produce, bakery, uniforms, furniture, and toilet papers.

Each financial year, EDTEA spends a considerable amount of money on various service delivery initiatives guided by constitutional imperatives which broadly states that when an organ of state in the national, provincial or local spheres of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. A substantial number of projects and initiatives grant funded by the Department fail to meet these requirements and this was compounded by the absence of a clear departmental framework that guides project selection leading to application of subjective approaches that are often prone to malpractices.

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In order to comply with the prescripts, EDTEA has designed a competitive funding policy aimed at channelling grants unlocking innovative and unique solutions to sustainable economic development. The objective of this funding policy is to provide a clear framework that can be applied to all departmental funding mechanisms that will enable allocation of funds that would best support the mandate of the department. The proposed funding policy would, enable the department to diversify platforms at its disposal in the pursuit of service level delivery in the province.

This policy will serve as the overarching framework that guides the creation of specific funds by the various EDTEA programmes. Therefore, the funding policy will in the long term pave way for the establishment of sector based provincial funding schemes. It also aims to ensure that adequate support is provided to SMMEs and Cooperatives. Funding support will also be aimed at achieving radical economic transformation with funding availed to the historically disadvantaged groups within the provincial economy who are able to come up with sustainable and profitable initiatives which create jobs.

2. Problem Statement

Various KZN provincial departments including EDTEA and units within the department have contradictory funding instruments. For example, some units refer SMMEs and Cooperatives looking for funding support to iThala whereas other units provide grants to such entities. The province currently does not have a policy, strategy and approach of selecting and funding projects outside of supply chain management demand driven initiatives such as Gijima KZN. As a result, there is an arbitrary selection and funding of projects which can potential lead to irregular expenditure. Moreover, it is not a hidden fact that the department is often confronted with genuine unsolicited proposals, which the normal procurement processes cannot manage, thus, it becomes compelling to have a process under which the department can consider them in a manner that is both efficient and effective for prospective bidders and the department. This has often led to some project promoters developing a sense of entitlement even to the extent of vociferously protesting when funding for their project is reduced or threatened with being stopped.

The Operation Vula funding policy is, therefore, developed as a response to mitigate the above challenges. It is envisaged that the policy will eventually evolve from being a proclivity of EDTEA to a provincial document that standardises the funding approach for all initiatives funded with public funds across KZN.

2.1 Operation Vula Fund Policy Objectives

The core objective of the Operation Vula Fund policy is to outline a clear framework and procedure of inviting, selecting and assessing applications for funding in the department.

The specific objectives of this funding policy are as follows:

- 2.1.1 To provide a framework for grant funding to initiatives that promote the mandate of the Department such as those targeting manufacturing, SMME development, localisation, tourism, economic infrastructure development and job creation;
- 2.1.2 To provide a framework for leveraging funding from the private and public sectors in support of broad economic development in the province;
- 2.1.3 To support the implementation of radical economic transformation objectives geared towards attaining inclusive and sustainable economic growth;
- 2.1.4 To support the promotion of innovation among local entrepreneurs;
- 2.1.5 To support and promote growth and competitiveness of priority sectors in KZN as enshrined in the Provincial Growth and Development Strategy (PGDS); and
- 2.1.6 To promote industry clusters in order to reposition the province into higher value-added segments of supply chains while increasing equitable participation within these value chains

3. Purpose

3.1 The purpose of this funding policy is to ensure that the allocation of funding is managed in a manner that promotes accountability, equity, efficiency,

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competitiveness and value for money. This policy sets out the roles and responsibilities of EDTEA in the delivery and management of economic development funding. It will allow for a competitive process which includes the scoring sheet guideline and application form to be used by the Funding Adjudication Panel in assessing and rating projects. Such evaluation framework will ensure that resources are allocated to those strategic projects or initiatives that directly deliver outcomes that are aligned to the EDTEA strategic goals and objectives.

3.2 This includes but is not limited to initiatives within the department's priority sectors as well as initiatives which promote innovation, value addition and beneficiation. These sectors include but are not limited to manufacturing, agro-processing; renewable energy; tourism; clothing and textiles; wood and wood products; arts, crafts, cultural and creative industries; information and communications technology; maritime; transport and logistics. The policy will also promote a fair spread of projects in the province and support economic development initiatives which are part of municipal IDP/LED plans and national and provincial strategies

Chapter 2

4. Guiding principles

EDTEA will allocate the annual funding through a budget vote. Allocated funding will be on the basis of the following core principles:

- *Accountability and Transparency:* Public funds allocated for economic development and job creation will be utilized for its intended purpose in such a manner that it can be accounted for to the public and competent statutory bodies.
- *Appropriate prioritisation:* funds will be prioritised on the basis of service needs. This will be based on a needs assessment conducted by EDTEA using the best available data.
- *Capacity building:* where appropriate, capacity building and support will be provided to SMMEs in order to develop local capacity, especially in non-metro areas, rural areas and other historically disadvantaged areas.
- *Efficiency and cost effectiveness:* A focus on results that meet the prioritised needs of citizens as reflected in EDTEA's Strategic Plan, while making the best possible use of resources, and rewarding initiatives that perform well.
- *Equity:* The distribution of resources based on needs and priorities as determined by the mandates and medium term objectives as defined in the EDTEA APP and strategic plan. Recipients shall be given equitable access to bid for funding for economic development and job creation by adequate notification of funding availability through print media adverts and, in respect to currently funded organisations; departmental circulars and through a fair process of assessment and allocation of funding on the basis of these core principles.

5. Funding Modalities

5.1. Grant Funding

A project or initiative will be awarded funding in the form of a grant for some or all of its financial needs, depending on the specifications referred to in the submitted business plan and funding request. A grant is an award of funds from the government that does not need to be repaid by the receiving parties, does not accrue interest (unlike a loan) and has strict guidelines for application. The receiving business is obligated to spend the funds in a manner specified by the department or according to the conditions that are agreed on the funding contract/ agreement. In other instances the grants are referred to as incentives.

5.2 Organisation Categories and Minimum Contributions

Funded organisations are to be categorised as follows:

Category	Organisation	Employees	Turnover	Assets	Required (%) Minimum Applicant Contribution
Category 1	Medium Enterprise	51 – 200	>R13mil – R51 mil	>R5mil –R19 mil.	20%
Category 2	Small and Micro-Enterprises, Cooperatives, Start-ups	0 – 50	≤R13 mil	≤R5 mil.	10%
Category 3	Public Sector, Non-Profit Organisations and Social Enterprises	N/A	N/A	N/A	Nil
Category 4	Partnership Funding/ Joint Ventures	N/A	N/A	N/A	40%

- Start-ups refer to companies that are newly launched and do not have any prior operating history.

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- Public sector refers to all government owned organisations including government departments, municipalities, and public entities.
- Social enterprises will be classified as those that operate with the objective of improving; social wellbeing for communities, environmental sustainability and economic performance.
- Non-Profit Organisations are as defined by the Non- Profit Organisations Act, 71 of 1997.
- Partnerships and joint ventures are those that will be jointly implemented by the department and social partners.

5.3 Partnership Projects/ Joint Ventures

Partnership projects/ joint ventures are initiatives where the department and other organisation(s) put together resources (financial or non-financial) to achieve a particular goal that is mutually beneficial. Such initiatives are based on a common vision and interest. The two parties' share resources and deliver the service in a cost-effective manner. Where funding is involved, a funding agreement is then entered to. The funding agreement will set out obligations and responsibilities of the partners. The partners involved can collaborate with each other in order to achieve integrated outcomes. Partnership projects/ joint ventures can within this policy be between EDTEA and other social partners such as public institutions, private sector and civil society organizations.

6. Submission of funding applications

Applications are to be submitted through the Funding Adjudication Panel Secretariat within EDTEA.

6.1. Eligible Geographic Areas

The geographic area pertaining to the application must be clearly defined but need not necessarily correspond to a provincial administrative area e.g. district or local municipality. Hence, projects that are located in KwaZulu-Natal, and specifically promote the interest of KwaZulu-Natal province will be supported.

6.2. Organisations Eligible to Apply For Funding

- Business enterprises,
- Legally established Non-Governmental Organizations (NGO's) or Non-Profit Organisations (NPOs), and Community Based Organisations (CBO's),
- Co-operatives,
- Informal Enterprises,
- Government Organisations,
- Trusts, excluding Family Trusts.

All applicants including partner organisations must be registered with the CIPC at the time of applying for funds.

6.3. Empowerment

The policy shall promote empowerment of historically disadvantaged groups - blacks in general and Africans in particular, within the ethos of a developmental state, pro-inclusive economic growth. Geographical representation will be informed by demographics statistics including vulnerable groups such as women, people living with disability, military veterans.

7. Funding Limits

To ensure that limited resources reach as many people as possible the policy provides grant funding limits that will be reviewed annually. The initial phase for the Operation Vula Fund will be capped at R5 million. A pre-determined budget to implement this policy will be ring-fenced through the annual EDTEA budgeting processes.

Chapter 3

8. Roles and Responsibilities within EDTEA

8.1. MEC/Executive Authority for EDTEA

- Provides strategic direction to EDTEA;
- Provides overall policy directives; and
- Approves the overall Departmental budget and present budget speech.

8.2. HOD/Accounting Officer of EDTEA

- Approval of final funding allocations as recommended by the Funding Adjudication Panel;
- Signing of Funding Agreements on behalf of EDTEA;
- Approval of Funding Policy and the periodic amendments;
- Approval of various sector based funds and accompanying guidelines; and
- Appointing of the Funding Adjudication Panel including its Chairperson.

8.3. Chief Financial Officer

- Provides quarterly expenditure reports on funding payments versus committed allocations;
- Ensure compliance with all applicable financial statutory requirements;
- Signing of Funding Agreements within the CFO's delegations; and
- To approve funding payments.

8.4. Project Managers/Teams

- Technical advisory services to applicants;
- Provision of technical advice to applicants; and
- Managing of successful projects, as required, working with project promoters and multi-disciplinary Project Steering Committees which will be established.

8.5. EDTEA Monitoring and Evaluation Unit

- Development and implementation of a comprehensive monitoring and evaluation framework to monitor all funded initiatives;
- Conducting outcome and impact assessments of funded initiatives;
- Provide trend analysis of funded initiatives; and
- Gather market intelligence on funding needs and priorities.

8.6. Funding Adjudication Panel

A Funding Adjudication Panel is to be established to achieve the following specific objectives:

- To advise and guide the Head of Department on matters pertaining to funding applications emanating from external project promoters;
- To assess and evaluate requests for funding and to establish the proposed value and benefit to the Department and the provincial economy;
- To recommend the rejection or acceptance of funding requests to the HOD; and
- Draft the terms of reference for the Funding Adjudication Panel;

8.7. Funding Adjudication Panel Secretariat/EDTEA Supply Chain Management Unit

Funding Adjudication Panel Secretariat is to be appointed from the EDTEA SCM Unit. The Funding Adjudication Panel Secretariat will be responsible for the following:

- overall administration of the funding applications,
- provides secretarial services to the Funding Adjudication Panel.

Chapter 4

9. Monitoring, Evaluation and Reporting

- 9.1. EDTEA must monitor the actual performance of funding recipients in accordance with Provincial and National Treasury requirements to ensure that the desired outputs are in conformity with such Treasury requirements.
- 9.2. EDTEA shall set performance targets in the Funding Agreements to be concluded with funding recipients, such targets will be aligned with the planned outputs in the APP of EDTEA.
- 9.3. The performance monitoring of funding recipients shall be undertaken on a quarterly basis and a portfolio of evidence including a quarterly report and supporting documentation shall be provided.
- 9.4. EDTEA shall conduct regular visits to the project sites of the funded initiatives.
- 9.5. Funding recipients must implement adequate systems to collect and verify data and evidence for the services provided. If necessary, EDTEA must assist the funding recipients with establishing these systems to ensure compliance.
- 9.6. EDTEA must clearly specify the corresponding penalties for continuous failure to submit relevant quarterly reports pertaining to the funded initiative.
- 9.7. Funding recipients must participate in the performance evaluation process of EDTEA in accordance with prior and mutually agreed terms as stipulated in the Funding Agreements.
- 9.8. Funding recipients shall be obliged to implement the required corrective measures emanating from such evaluations and as directed by EDTEA in accordance with prior and mutually agreed terms as stipulated in the Funding Agreements.
- 9.9. Impact assessments are to be conducted on funded initiatives through the EDTEA Monitoring and Evaluation Unit to establish effectiveness and outcome of the funded initiatives.

10. General Terms and Conditions

- 10.1.** No waiver/indulgence/relaxation of whatever nature on any of the provisions of the funding policy by EDTEA shall be valid or enforceable against EDTEA unless such waiver, indulgence or relaxation is in writing and is approved by the EDTEA Accounting Officer.
- 10.2.** The beneficiary is required to sign a funding contract with EDTEA outlining the terms of funding.
- 10.3.** EDTEA reserves the right to amend its funding terms and conditions for purposes of risk mitigation.

11. Ownership of Assets

- 11.1.** Where assets are procured for the beneficiary, details regarding the ownership of the assets should be submitted to EDTEA.
- 11.2.** EDTEA reserves the right to repossess assets from beneficiaries in the event that they are not being utilised or utilised for the purpose outlined within the funding agreement.