
SITA SMME and Enterprise Development Policy

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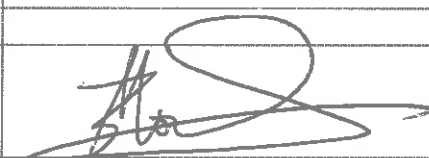
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1. APPROVAL OF POLICY

The Board resolves in terms of section 10(1) of the Amended Broad-Based Black Economic Empowerment (B-BBEE) Act, Act 53 of 2003, to adopt the policy set out hereunder as the Supply Chain Management SMME and Enterprise Development Policy of the State Information Technology Agency SOC Ltd. The date specified below is the effective date.

Document Title	Supply Chain Management Policy of the State Information Technology Agency (SOC) Limited	
		<u>17.08.2016</u>
Recommended by:	Ms Jabulile Tihako Chief Procurement Officer (Acting)	Date:
		<u>19/08/2016</u>
Recommendation Supported by:	Dr Setumo Mohapi Chief Executive Officer	Date:
		<u>28-09-2016</u>
Approved by the Board of Directors of SITA	Date: 28 July 2016	
Effective date	01 September 2016	
Next revision date	31 March 2018	

2. DEFINITIONS

Word	Description
Broad-Based Black Economic Empowerment (B-BBEE)	Shall mean a deliberate, biased, proactive integrated strategy aimed at substantially increasing Black groups participation at all levels of the economy thereby, equitably developing and transferring skills for the creation of commercial wealth.
Black People	Shall mean categories of persons who were disadvantaged by unfair discrimination on the basis of race and gender and were legally denied the right to vote prior to 27 April 1994. "Black people, Black persons" or blacks shall be a generic term which means the following: Africans; Coloureds; Indians; Black Women; and Black Designated Groups Including naturalised Black South Africans who became "citizens" before 27 April 1994.
B-BBEE controlled company	means a juristic person, having shareholding or similar members interest in which black participants enjoy a right to Exercisable Voting Rights that is at least 51% or more of the total such rights measured using the Flow Through-Principle.
B-BBEE owned company	means juristic person, having shareholding or similar members interest that is B-BBEE controlled, in which black participants enjoy a right to Economic interest that is at least 51% or more of the total such rights measured using the Flow Through Principle.
B-BBEE Procurement Recognition level	means the percentage B-BBEE Procurement Recognition Levels as determined (a) for Enterprises that are neither Qualifying Small Enterprises nor Exempted Micro-Enterprises, using statement 000: (b) for Qualifying Small Enterprises. using statement 000: and (c) for Exempted Micro-Enterprises, the applicable deemed B-BBEE Recognition under statement 000, of B-BBEE Codes of 2013.
Black Designated Groups	(a) means unemployed black people not attending and not required by law to attend an educational institution and not awaiting admission to an educational institution; (b) Black people who are youth as defined in the National Youth Commission Act of 1996; (c) Black people who are persons with disabilities as defined in the Code of Good Practise on employment of people with disabilities issued under the Employment Equity Act; (d) Black people living in rural and under-developed areas; (e) Black military veterans who qualify to be called a military veteran in terms of the Military Veterans Act 18 of 2011.
Black SMME	It is an inclusive term for both Black QSE's and Black EME's.

Economic Interest	means a claim against an Entity representing a return on ownership of the Entity similar in nature to a dividend right, measured using the Flow Through and, where applicable the Modified Through Principles, of B-BBEE Codes of 2013.
Empowering Supplier	An Empowering Supplier within a context of B-BBEE is a B-BBEE compliant entity, which is a good citizen South African entity, comply with all regulatory requirements of the country and should meet at least THREE if it is a large enterprise or ONE if it is a QSE of the following criteria: <ul style="list-style-type: none"> a) At least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local suppliers in SA, for service industry labour cost are included but capped at 15%. b) Job Creation - 50% of jobs created are for Black people provided that the number of Black employees since the immediate prior verified B-BBEE measurement is maintained. c) At least 25% transformation of raw material/beneficiation which include local manufacturing, production and/or assembly, and/or packaging. d) Skills transfer – at least spend 12 days per annum of productivity/resources deployed in assisting Black EMEs and QSEs beneficiaries to increase their operation or financial capacity.
Equity Equivalent contribution	means an equity equivalent contribution made by a Multinational under an Equity Equivalent Programme, according to B-BBEE Codes of 2013.
Equity Equivalent Programme	means a public programme or scheme of any government department provincial or local government in the Republic of South Africa or any other programme approved by the Minister of Trade & Industry as an Equity Equivalent Programme.
Equivalency Percentage	Means a percentage ownership performance for all the indicators in the Associated Enterprise's Ownership Scorecard arising from a Qualifying Transaction included in the Ownership Scorecard of the beneficiary entity.
Exempted Black Micro Enterprises	Shall mean an Enterprise that is 51% or more effectively owned by Black People/Person with an annual turnover of R10 million or less.
Exercisable voting rights	means a voting right of a Participant that is not subject to any limit.
Localisation	shall mean the manufacturing of goods/services and components and/or assembly thereof in the country;
Local content	A portion of the tender which is not included in the imported content, provided that local manufacturing takes place within the borders of the country;
Military Veterans	means any South African citizen who (a) rendered military service to any of the military

	<p>organisations, statutory and non-statutory, which were involved on all sides of South Africa's Liberation War from 1960 to 1994;</p> <p>(b) served in the Union Defence Force before 1961; or</p> <p>(c) became a member of the new South African National Defence Force after 1994, and has completed his or her military training and no longer performs military service, and has not been dishonourably discharged from that military organisation or force: Provided that this definition does not exclude any person referred to in paragraph (a), (b) or (c) who could not complete his or her military training due to an injury sustained during military training or a disease contracted or associated with military training.</p>
51% Black Owned	<p>means an Entity in which:</p> <p>(a) black people hold at least 51% of the exercisable voting rights as determined under Code series 100 as per the DTI B-BBEE Codes of Good Practice 2013.</p> <p>(b) black people hold at least 51% of the economic interest as determined under Code series 100 as per the DTI B-BBEE Codes of Good Practice of 2013; and</p> <p>(c) has earned all the points for the Net Value under statement 100 as per the DTI B-BBEE of 2013.</p>
30% Black Women Owned	<p>means an Entity in which:</p> <p>(a) black women hold 30% or more of the exercisable voting rights as determined under Code series 100 as per the DTI B-BBEE of 2013;</p> <p>(c) black women hold 30% or more of the economic interest as determined under Code series 100 as per the DTI B-BBEE Codes of 2013 and</p> <p>(d) has earned all the points for Net Value under statement 100 as per the DTI B-BBEE Codes of 2013;</p>
Qualifying Enterprise and Supplier Development Contributions	<p>Means a collective term describing Enterprise Development and Supplier Development contributions targeting EME's and QSE's which are at least 51% Black owned or at least 30% Black women owned, black youth in rural, and underdeveloped areas in statement 400 of the DTI Codes of 2013.</p>
Qualifying Small Enterprise	<p>Means a qualifying Small Entity that qualifies for measurement under small entity scorecard with and a turnover of between R10m and R50m.</p>
Set Asides	<p>Set-Asides are special conditions, which give preference in the procuring of goods and services from Black Owned Companies either in part or in whole to participate exclusively among themselves.</p>
Superior Contributor to B-BBEE	<p>is a Level One to Level Three Contributor to B-BBEE based on the B-BBEE Status of the measured entity.</p>
Supplier	<p>means any supplier or service provider to a measured Entity if any portion of the supply or service provision falls within the definition of total Measured Procurement spend.</p>
Recognition level	<p>A recognition level is derived from the cumulative score derived from compliance with all five pillars of B-BBEE Codes of the DTI 2013.</p>
Unincorporated Joint Venture	<p>means a joint venture between two or more measured Entities effected by agreement without incorporation.</p>
Voting Right	<p>means a voting right attaching to an Equity Instrument</p>

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	owned by or held for a participant measured using the Flow through Principle or the Control Principle.
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2.1 ABBREVIATIONS

B-BBEE	Broad-Based Black Economic Empowerment
BO	Black Owned
BWO	Black Women Owned
BYO	Black Youth Owned
EME	Exempted Micro Enterprise
ICT	Information and Communication Technology
PP	Preferential Procurement
QSE	Qualifying Small Enterprise
SANAS	South African National Accreditation System
SMME	Small Micro and Medium Enterprises

3. INTRODUCTION

This policy is drafted to achieve the objectives of the SITA Act, PPPFA, BEE Act (2003) and other sections of legislations that are geared towards Economic Transformation in our country. Together with the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice which outlines key objectives to be implemented by Organs of State and those who are economically active directly or indirectly to achieve this.

This SMME and Enterprise Development Policy shall be implemented within the spirit of the DTI B-BBEE Codes of Good Business Practice and in line with its stated Objectives as outlined in clause 3.3 of this document.

The B-BBEE Codes are divided into five elements of which three are categorised as Priority. The elements are as follows:

Ownership – Priority
Management Control
Skills Development – Priority
Enterprise and Supplier Development – Priority
Socio-Economic Development

This SMME and Enterprise Development Policy will encompass Black Owned QSE/EME Companies from previously disadvantaged communities in South Africa and Generic Black Owned Companies with sophisticated financial, technical and managerial capacity.

3.1 POLICY PURPOSE

The purpose of this document is to set forth the policy of SITA with regards to SMME Development and Preferential Procurement (Enterprise and Supplier Development).

This policy shall form the basis for a programme for the advancement of the Previously Disadvantaged Communities/Persons including Black Owned Qualifying Small Enterprises (QSE's), Black Owned Exempted Micro Enterprises (EME's), Black Women Owned Entities and Generic Black Owned Entities.

This policy shall be read in conjunction with SITA's Procurement Policy, and the DTI B-BBEE Codes of Good Practice.

3.2 THE BEE ACT OF 2003 OBJECTIVES

The following are the objectives of the BEE Act (2003):

- 3.2.1. Promote economic transformation in order to enable meaningful participation of black people in the economy;
- 3.2.2. Achieve a substantial change in the racial composition of ownership and management structures and the skilled occupations of existing and new enterprises;
- 3.2.3. Increase the extent to which communities, workers, cooperates and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training;
- 3.2.4. Increase the extent to which black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training;
- 3.2.5. Promote investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity;

- 3.2.6. Empower rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
- 3.2.7. Promote access to finance for black economic empowerment.

3.3. SITA SMME's POLICY OBJECTIVES

Unless corrective actions are taken to increase the effective participation of the majority of South Africans in the economy, social stability and prosperity in the economy as well as human development will be severely undermined to the detriment of all South Africans.

In order to address the above SITA SMME's and Enterprise Development Policy shall seek to achieve the following:

- 3.3.1. Advance economic transformation in the Information and Communication Technology ("ICT") sector;
- 3.3.2. Promote economic equality through preferential procurement ("B-BBEE") procurement policies and support its objectives;
- 3.3.3. Promote the achievement of economic participation by black women in the Information and Communication Technology ("ICT") environment;
- 3.3.4. Create opportunities in the ICT sector for local manufacturing of traditionally imported goods through development of Black QSE/EMEs suppliers in the ICT environment;
- 3.3.5. Facilitate skills transfer most importantly of core businesses and operations;
- 3.3.6. Increase the capacity of SITA's Black owned QSE/EMEs suppliers to meet not only SITA's requirements, but other entities in the ICT sector's demand. Leading QSE/EMEs to be self-sustainable;
- 3.3.7. Create an environment where all SITA role players (internal & external) can make proposal of possible Enterprise Development initiatives as well as financial support where it is necessary;
- 3.3.8. Facilitate or encourage partnerships between Black Owned Entities and other Suppliers;
- 3.3.9. Promote and support the objectives of the Black Economic Empowerment (BEE) Act, 2003.

SMME's continues to provide a best platform and option to create and sustain local job opportunities. Supplier Development becomes a logical and viable way to the current fire fighting approach endemic in our economy.

4. REFERENCE DOCUMENTS

4.1 DOCUMENTS

- a) BEE Act 2003
- b) DTI B-BBEE Codes of Good Practice
- c) PPPFA
- d) SITA SCM Policy

5. ADVANCEMENT OF BLACK SMME's

5.1 ENTERPRISE AND SUPPLIER DEVELOPMENT

Enterprise Development is monetary or non-monetary, recoverable or non-recoverable contributions initiated and implemented by SITA in favour of a beneficiary entity (Black SMME) with the specific objective of assisting or accelerating the development, sustainability and ultimate financial and operational independence of the Black SMME. This is commonly accomplished through the expansion of those beneficiaries' financial and/or operational capacity.

The B-BBEE policy framework has made Enterprise and Supplier Development a mandatory and a priority element and therefore should be seen as a business imperative and not as a matter of compliance only.

Supply Chain Management (SCM) and SITA Lines of Business (LOB's) are best placed and suited to bring the above economic transformation in ICT, through one of the identified elements in the B-BBEE Codes which is Enterprise and Supplier Development and Localisation.

5.2 SUPPLIER DEVELOPMENT STRATEGIC INTERVENTIONS:

- 5.2.1 SITA shall seek to identify Black QSE/EME's and individuals with entrepreneurial abilities with the objective of developing and nurturing them to become independent and sustainable business operations.
- 5.2.2 SITA shall internally explore means and ways of developing institutional infrastructure support for SMME Development in the relevant technologies that will support SITA business. This shall not be limited to external incubation partnership only but SITA providing space for such to take place.
- 5.2.3 SITA shall provide mentoring to Black SMME's in areas such as technology and business management. SITA shall further conduct Business information sharing forums such as SMME Supplier Day to ensure the success of Black SMME's in SITA opportunities.
- 5.2.4 SITA shall endeavour to form partnerships in particular with some of the strategic Original Equipment Manufacturers (OEM's). The objective being to grow and develop black QSE/EME's in specific technologies that are being offered by the OEM's. SITA shall prefer to work with resellers that are 100% Black owned and controlled and OEM's shall engage in programmes that fast track development of Black owned SMME's to highest required certification levels they offer.
- 5.2.5 For OEM's who do not have Black Owned and Controlled South African Agencies SITA will deal with the Fulfillment Agent that is Black Owned and controlled by South Africans.
- 5.2.6 ROTATION OF FULFILLMENT AGENCIES: Partner models of OEM's must be reviewed annually by SITA through an RFB process. OEM's to work with SITA shall ensure that the rotation process is introduced regularly to ensure growth and sustainability of the industry.
- 5.2.7 SITA shall also endeavour to form collaboration with other SOC's to combine efforts for the development of SMMEs in the ICT environment.
- 5.2.8 SITA shall develop a Commitment Plan document targeted at Large suppliers for them to commit on the broader elements of Transformation that will impact on Skills Development, Employment Equity, Job Creation, SMME Development, Military Veterans and Youth Entrepreneurial Development. Suppliers with no Black Ownership shall be encouraged to commit to Black Ownership within their entities. The above mentioned Plan shall be known as a Socio-Economic Commitment Plan and shall be one of the Pre-Conditions for contracting with SITA.
- 5.2.9 The workforce assigned to SITA Projects shall reflect SITA's employment equity aspirations.
- 5.2.10 Suppliers shall be measured against the committed targets that they would have agreed to deliver on for the purposes of monitoring and evaluating Economic Transformation.

- 5.2.11 SITA shall use competitive bidding process to source for products and services currently defined as Sole Source in order to allow new entrants an opportunity to participate in the ICT mainstream.
- 5.2.12 It will be a special condition in a tender that all the Transversal developed and distributed by SITA, fifty percent (50%) portion of professional services work available will be targeted for Black SMME's. Black SMME's shall be trained to achieve certain levels of competency in order to support those Transversal by both SITA Training and other established organisations such as OEMs.
- 5.2.13 All SITA tenders above R5 million will have a minimum of twenty percent (20%) weighting allocated to B-BBEE as part of Non-Mandatories. A questionnaire will be developed to address elements of the twenty percent Non-Mandatory requirements.
- 5.2.14 All SITA Commodity Sourcing Strategies will have Supplier Development and Localisation objectives/deliverables.
- 5.2.15 Specifications where feasible will be developed according to functionality and not be Brand or product specific in order to foster ICT competition.
- 5.2.16 SITA Specifications shall have a Mandatory requirement for Supplier Development and Localisation.

6. PREFERENTIAL PROCUREMENT AND LOCALISATION

Preferential Procurement is a Government Affirmative action policy that encourages Government Departments and SOE's to buy goods and services from previously disadvantaged individuals or businesses.

SITA shall prefer to do business with entities that meet the definition of an "Empowering Supplier" as defined in the B-BEE Codes with ownership by Black people, which for purposes of this SCM SMME Policy, without limiting the generality thereof, includes Black women, Black Youth, Black Military Veterans, Black Disabled and Black People living in rural areas.

6.1 PREFERENTIAL PROCUREMENT INTERVENTIONS

- 6.1.1 SITA shall implement a seven (7) days early payment after receipt of invoice for Black Owned SMME's in order to facilitate their cash flow challenges.
- 6.1.2 Where feasible certain tenders shall be in preference for Black Women Owned companies.
- 6.1.3 SITA shall also enforce a principle of at least 30% or more of the awarded business/contracts to large suppliers to be subcontracted in the value chain for SMME Development.
- 6.1.4 SITA shall consult with the DTI on the designated areas/industries in order to enforce locally manufactured products/services. Furthermore where an industry or product has been designated SITA shall be compelled to procure such products/services from the Local Industries (Example Electrical Cabling & Furniture).
- 6.1.5 SITA shall create opportunities for the well-developed Black QSE/EME's to become suppliers upon their development.

6.1.6 SITA shall disaggregate contracts where appropriate into smaller components, for instance per region/province or material/service type to enable Black Suppliers to participate in SITA business.

6.1.7 SITA shall proactively create opportunities in the adjudication process resulting in increasing the proportion of business being awarded to Black Owned companies.

6.2 SPECIFIC GOALS or OBJECTIVES

SITA will implement specific goals in its tenders, which give preference in the procuring of goods and services from Black Owned Companies either in part or in whole to participate exclusively among themselves, with the objective of future competitiveness.

On an annual basis SITA shall set aside a certain percentage of total discretionary spend from core ICT Products and Services including ICT Professional Services.

6.3 CATEGORIES OF BENEFICIARIES AND SELECTION

When sourcing and selecting suppliers for purposes of competitive enquiries/tenders and awarding of orders/contracts, SITA has a preference to procure in accordance with the following categories of beneficiary for supplier selection, which must be applied when determining the sourcing mechanism, finalising tender lists for competitive tenders and enquiries, and when determining criteria for evaluation:

- (i) Black Women Owned
- (ii) Black Youth Owned
- (iii) Black Owned
- (iv) People with Disabilities
- (v) Black Military Veterans

6.4 LOCALISATION

Localisation shall not be limited to upgrades and manufacture of goods and services by local manufacturers only however shall also include procurement of goods and services through distribution by local suppliers.

Bids or tenders in respect of services, works or goods that have been designated for local production and content, must contain a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.

SITA may, as appropriate, include as a specific tendering condition, that in addition to DTI designated sectors, certain SITA designated locally produced services, works or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, shall be considered. Such designations shall be in line with specific National Treasury and DTI directives.

As a part of its annual strategic planning process and outcomes, SITA shall set targets for supplier development and localisation and shall monitor and enforce achievement of targets as a part of SCM performance.

7 SKILLS DEVELOPMENT

Skills Development is described as an effort to improve productivity in the workplace and competitiveness of business. Skills Development may take a form of intended and focussed training and education with the aim of entrepreneurial business growth. The B-BBEE codes have identified Skills Development as one of the priority elements for companies wishing to do business with the State.

SITA shall proactively support the Government's objectives of developing technical skills in particular the ICT skills through initiatives it believes will drive the country's economy. This shall be done in conjunction with the OEM's and the other Centres of Excellence within the ICT environment.

Skills that will be developed shall be ICT skills that would enable the Black SMME's or Black Individuals beneficiaries to be readily deployed either in SITA, OEM or any enterprises that is interested in such skill. ICT provides a platform for an economy to unlock new economic opportunities for growth and development.

Skills Development has the potential to improve the quality of life of workers and opportunities for self-employment and job creation.

8 SOCIO ECONOMIC EXECUTIVE COMMITTEE (SEECOM)

SITA shall establish a Socio Economic Executive Committee (SEECOM) which its purpose shall be to identify opportunities and support initiatives that are in support of SITA's Economic Transformation and long term sustainability of black suppliers. This will be done through identifying and bringing to fruition opportunities that reside both within SITA's operational and capital budget.

The above mentioned Committee shall also include Demand Planning in advising on the demand and spend patterns of SITA to identify ICT opportunities that can be ring fenced for Black SMMEs and Black Women ICT companies.

8.1 SEECOM COMMITTEE REPRESENTATION

Representation on the SEE Committee shall be confined to SITA Operational Divisions and will be determined by the operational areas that present best opportunities for Black spend as determined by SITA's envisaged Operational and Capital expenditure.

8.2 SEECOM COMMITTEE CHARTER

A charter that governs the activities of the SEE Committee shall be signed by the Chief Executive Officer as a mandate for SEE Committee to carry out duties as outlined in the charter document. The charter shall be subject to change periodically and will be in support of SITA's Enterprise Development Policy.

9 POLICY REQUIREMENTS

In order to successfully implement this Policy SITA must create an enabling environment to support and champion this policy for it to be its success.

The Adjudication Committees shall be expected to support and drive the initiatives for SMME Development within their respective Committees. This shall involve proactively creating opportunities in the adjudication process resulting in increasing proportion of business being awarded to Black Owned companies.

The policy must be communicated as a directive to all stakeholders within SITA.

The CEO of SITA shall be the Sponsor of this policy.

