

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**“3767. Mr R W T Chance (DA) to ask the Minister of Small Business Development:**

**(a) What progress has her department made with regard to ensuring compliance by government departments to provisions of the Public Finance and Management Act, Act 1 of 1999, concerning payment of suppliers within 30 days, (b) why has her department not implemented the Cooperatives Amendment Act, Act 6 of 2013, and (c) what international benchmarks informed the revised Schedule 1 of the National Definition for Small Enterprises in South Africa, as gazetted on 12 October 2018?”**

**NW4343E**

**REPLY:**

1. A process towards conducting a sample study is underway, emanating from the realisation that the Department of Planning, Monitoring and Evaluation (DPME) in its monitoring endeavours with compliance with public policy, intended its study to focus at the impact of failure to comply with the 30 day payment on suppliers. DPME had shared and requested Department of Small Business Development (DSBD) to input into the service requirements. DSBD had expanded the Terms of Reference (ToR) to cover the compliance aspect by Government Departments in this regard.

 Over and above this research intervention, the Department has undertaken to also sample performance in terms of the 30 day payment, and at this stage, the evaluations team is sending letters to the respective selected Departments requested to participate in this evaluation process to provide information in terms of compliance with the 30 day payment.

Post the evaluation, findings will highlight the status of compliance and the types of challenges encountered in cases where non-compliance is found, identify gaps in the areas of part- compliance, together with lessons where full-compliance with the directive is evident. Recommendations will then be developed to inform types of interventions required.

1. The Co-operatives Amendment Bill was signed into an Act, i.e. Cooperatives Amendment Act No. 6 of 2013 on 2 August 2013 by the President and promulgated in Government Gazette No. 36729 dated 5 August 2013. Section 80 of the Act stipulates that the Act will come into operation on a date to be determined by the President by proclamation in the Gazette.

Before the Act could be proclaimed and come into effect, the regulations needed to be drafted so that when the State President proclaims, there are required processes and forms to implement the Act. The draft regulations and principles of good governance were approved by Minister on 26 June 2015 and published in Government Gazette No. 39019 and 32019 for public comment.

Comments received on the draft regulations and principles of good governance were incorporated in the final regulations and principles of good governance.

The Socio-Economic Impact Assessment (SEIAS) report on the regulations was successfully completed, and a letter granting permission for the submission of the SEIAS report and the regulations for further authorisation within the Department was issued by the Department of DPME on 31 March 2016.

The final regulations and principles of good governance supported by the DPME SEIAS and quality assurance letter was submitted to and approved by Minister in June 2016.

Due to the fact that the Companies and Intellectual Property Commission (CIPC), who is responsible for the registration and administrative matters pertaining to compliance with legislative requirements by Co-operatives, was not ready for the practical implementation of the Amendment Act, the request for the proclamation of the Amendment Act through the publication of the regulation in the Gazette was delayed.

The transition from the Department of Trade and Industry (**the dti**) to the DSBD in 2015 necessitated further consultation with key stakeholders in the sector.

1. The Department of Small Business Development (DSBD) undertook a study in December 2016 by reviewing, consolidating and updating research undertaken on the South African SMME Definition. The research methodology included desktop analysis and consultations.

Desktop analysis was focused on a comparative review of international case studies of countries with respect to the definition of small businesses across legal and regulatory frameworks. The outcome of this research was to generate recommendations on the updated SMME sector definition (thresholds, proxies and sectors) to be applied and communicated for public comment.

Analysis of multilateral organisations, such as the International Labour Organisation (ILO), World Bank and the Organisation for Economic Co-operation and Development (OECD) did not reveal a universal definition of small and medium enterprises. Only that the World Bank uses a simple statistical definition (i.e. maximum 250 employees) for cross-national comparative analytical investigations as well as a more complex definition for project purposes

The European Union (EU) definition was also analysed. The EU has a similar approach to the National Small Enterprise Act (NSEA) in terms of applying three proxies: employment is in terms of Annual Work Units (AWU); annual turnover and annual balance. The EU provides a guideline for member countries however it is not clear how many members comply fully with the benchmark.

Referencing a study conducted across 120 countries reveals that:

* Most, 98% of the sample, make use of the 'number of employees' proxy;
* Half of the sample, 51%, make use of the 'assets/turnover/capital/investment' proxy; and
* Only 21% of the sample make use of the sector or industry classification

Of the countries that use the employment proxy as the ‘official’ or, ‘commonly accepted’ definition of an SMME: micro enterprises are typically up to 10 employees, 10 to 100 employees for small enterprises and 100 to 250 employees for medium-sized enterprises. The upper threshold depends on the country.

In summary, the evidence suggested that there does not seem to be an international universal definition of small business that can be adopted by the NSEA, although the use of the employment proxy is most common. Definitions differ by country depending on the economic development context of the country in question; its ambition for supporting small business; and the way in which the definition of small business is to be used. The main consideration is that the definition needs to be context appropriate or “fit for purpose”.