

Poor service delivery 'killing SA business'

Firm could 'sink or swim' on the proficiency of its municipality

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SERIOUS accounting and administrative problems at all three levels of government are restricting job creation and raising the cost of doing business, says the South African Chamber of Commerce and Industry.

In some areas, companies are undertaking government functions themselves in order to continue operating.

A survey by the chamber at the end of last year found almost 21% of respondents believed service delivery problems were preventing them from doing business.

Standard Bank economist Johan Botha said companies were thinking twice about investing in large capital projects. "Many companies do have cash available and interest rates are at their lowest in almost 35 years. Yet, several factors, including the lack of delivery from government, increase uncertainty. Therefore companies adopt a wait-and-see attitude."

The findings of the survey provide an insight into the harmful effect government maladministration is having on economic activity, the acceleration of which is vital if SA is to address its job-creation challenge. Finance Minister Pravin Gordhan highlighted the extent of such maladministration in Limpopo last week when he justified having put five departments in the bankrupt province under national administration.

Other provinces, such as the Eastern Cape and North West, are plagued by similar deficiencies, and local government — the most critical instrument of service delivery — is floundering in many parts of the country.

A report released by the Treasury 10 days ago revealed that local government finances had deteriorated significantly over the past four years and that the "increasingly visible" failures were harming service delivery.

Sixty-six of the 278 municipalities in SA were identified as being in financial distress as of June last year — about the same number as in 2009-10, with 37 more on the borderline.

Signs of distress identified by the Treasury included the persistence of negative cash balances; overspending of operating budgets; underspending of capital budgets; and the high number of creditors and debtors.

In the 2009-10 financial year only seven of the 237 municipalities audited received unqualified audit reports and 53 received disclaimers because the municipalities concerned had not provided sufficient documentation for the auditor to form an opinion.

Auditor-general Terence Nombembe also reported last week that unauthorised, irregular, and fruitless and wasteful expenditure had grown from R3,9bn in 2009-10 to R4,5bn in 2010-11.

The chamber's survey on service delivery problems found that road maintenance was the worst (39,7%), followed by electricity distribution (32,9%), water and sanitation (12,3%), parks and public spaces upkeep (11%) and solid waste removal (4,1%).

Service delivery problems caused higher operating costs for 52% of respondents, with 20,5% saying these prevented them operating at all, and 19,2% saying the failures reduced the amount of business generated. Only 8,2% did not see service delivery problems hurting business.

Andre Oberholzer, head of communications at Sappi, agreed that nondelivery of services had increased the operational costs of the JSE-listed pulp and paper maker. A business could "sink or swim" on the proficiency of its municipality, he said.

"Government is supposed to enable economic growth," he said. "Its fundamental role is to remove

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stumbling blocks in the way of economic growth, yet it is the biggest creator of stumbling blocks."

He said Sappi had to maintain the roads for the use of its trucks transporting logs from the forests to the mills, because provincial roads in the forestry areas where it operated were in a serious state of disrepair.

"We have had discussions with local authorities (in the areas where Sappi operates) but received no reaction, so we had to do something ourselves. The problem is that local communities now expect us to take over the

maintenance role of the state," Mr Oberholzer said. Delays in issuing permits and licences had a ripple effect, adding to the cost of doing business.

"Government has committed itself to the extension of forestry areas for communal projects yet the communities have to jump through so many hoops to get the projects off the ground, with government departments actually working against each other (in terms of policy issues)."

Border Kei Chamber of Business CEO Les Holbrook said that in Gonubie, a flourishing area, a moratorium had been placed on new developments as the local authority was unable to keep pace

with infrastructure development.

The moratorium on development in other areas has had a knock-on effect on companies involved in property management. The decline has been more severe in Durban and Cape Town, with some growth still evident in Pretoria and Johannesburg.

The Buffalo City municipality gained metro status last year, but there was little evidence of benefits to the businesses and residents of the area, Mr Holbrook said.

"Companies have been experiencing severe hardships, with the city sliding backwards in terms of service delivery."

Of grave concern was the sus-

pension of people in key positions and the inability or unwillingness to appoint people to vacant positions. "We would like to build a relationship with the leadership, but it is rather difficult to do that when the people are constantly being suspended because of personality clashes and municipalities snatching qualified officials from each other."

A civil engineering group in the Eastern Cape, which preferred to remain anonymous, said it was almost impossible to undertake long-term planning because there was no consistency in the awarding of tenders, infrastructure provisions in budgets, and the flow of work. *With I-Net Bridge*