

Errand municipalities the biggest challenge facing agribusiness

This past week, my colleagues and I took a road trip to visit members in the North-West Province in South Africa. The purpose of the visit is assess local conditions and find out what the biggest factors are hampering trade in the area and it doesn't take one too long to figure it out. Whilst businesses in the area face the same challenges complying with complex and difficult regulations, their 'bread and butter' issues are far more fundamental.

The municipality in which this agribusiness is headquartered has been subject to 'water-shedding' since 2012. Electricity is equally unreliable as they face prolonged outages not as a result of load-shedding, but due to a crumbling distribution network frequently targeted by vandals and criminals. Whilst the area is still serviced by freight rail, its infrastructure is likewise targeted by criminal syndicates placing an undue burden on local roads. This is not an isolated example. Many agribusinesses and producers operating in rural areas face the exact same challenges.

Frustratingly, it is the most difficult aspect of an enabling environment to fix. Money is not necessarily the problem. Municipalities have the right to raise funds by levying taxes on property and charging customers for services such as the provision of water, electricity and refuse removal. They also receive an 'equitable share' of funding from the national fiscus. The problem is that these funds are not spent efficiently. The Auditor-General seldom grants an unqualified audit to rural municipalities as funds are unaccounted for or misspent. Throwing more money at the problem simply won't solve it, only better accountability will. Many agribusinesses have stepped into the void and spent vast sums of money standing in for the municipalities but are not awarded formal contracts to maintain the infrastructure that they fix. As much as public-private partnerships are talked up from public platforms, most municipalities do not 'walk the talk'.

Furthermore, these challenges cannot be addressed through a top-down approach. The powers and functions of municipalities and provinces are not delegated from national government. They derive most of their powers directly from the Constitution. This means that they have a constitutional right to raise funds and a constitutional duty to deliver services but there is little scope for provinces or the national government to intervene or punish municipalities if they do not perform these functions. The higher tiers of government can assist them, provide additional resources or assistance but they cannot take over these functions or punish the local sphere of government for non-delivery.

This is an odd state of affairs. When South Africa was progressing towards democracy in the early 1990s, there was a very real fear that some regions and the TBVC states or self-governing homelands would oppose reintegration if the Constitution made provision for a top-down form of unitary government. Instead, the Constitutional drafters chose to give provinces and municipalities a large degree of autonomy through a hybrid federal state. Our provinces may not be able to legislate independently to the extent that states can in a true federal system such as the United States, but provinces and municipalities still enjoy a large degree of formal autonomy.

Personally, I believe that these provisions have come back to bite us. Several, rural municipalities are failing to provide the most basic services required for businesses to operate and there is little that the national government can do to call them to order. From a party-political point of view, senior leaders within a political party can put pressure on those deployed to municipalities to perform but this is a process that is entirely opaque to voters. Where municipalities are run by coalitions, it becomes even more difficult to rely on the political process to force accountability. Nearly 30 years into democracy, the risk of provinces or former homeland areas breaking away has died down considerably. Perhaps it is time we look critically at our hybrid-federal system. Is it still fit for purpose? Looking at business conditions in some rural municipalities, I would argue that a serious rethink is needed.

By Agbiz CEO, Theo Boshoff for *Farmers Weekly*