

Perceptions of local governance: a case study of the business community in Matlosana

U VILJOEN

HONNS. B.COM

Dissertation submitted in partial fulfillment of the requirements for the degree

MAGISTER COMMERCII

in

ECONOMICS

at the

North-West University, Potchefstroom

Supervisor:
Prof. WF Krugell

2009

Potchefstroom

ABSTRACT

When the African National Congress party took over the governing reins in 1994, it inherited a country in which the previous apartheid system had caused severe injustices and inequalities among its citizens, especially at the local community level. Faced with the challenge of creating an equal and democratic South Africa, the African National Congress implemented a range of new policies that were aimed at creating sustainable economic growth prospects, and institutions supportive of local government transformation.

Local government as an institution in South Africa has been provided with the responsibility of facilitating a developmental role. This role entails that local government has to provide basic services to all its citizens through local level institutions (e.g. municipalities).

However, to date, the provision of basic services by municipalities has not satisfied the needs of many South Africans. This fact has been brought to light by numerous protests on the lack of municipal service delivery that have taken place in South Africa in recent years.

Given the fact that businesses are beneficiaries of municipal services delivery, this study's overall aim is to capture businesses' perceptions of municipal service delivery in the Matlosana region.

The empirical study was conducted by means of a questionnaire that was sent out to members of the West-Vaal Chamber of Business. The response rate of the survey was 35%. The questionnaire data was analysed in SPSS.

The empirical findings of this study suggest that businesses that participated in the survey are content with their municipality's ability to provide them with basic services, and that businesses are mainly concerned about municipal service delivery as far as trading, building and zoning regulations, and local economic development initiatives are concerned.

OPSOMMING

Toe die African National Congress in 1994 as die eerste demokratiese regerende party aangewys is, het die party 'n land geërf wat deur die apartheidstelsel in onregverdigheid en ongelykheid gedompel was, veral op die plaaslike gemeenskapsvlak. Die African National Congress is opgesaai met die nuwe uitdaging om 'n gelyke en demokratiese Suid Afrika daar te stel, en het werk daarvan gemaak om 'n reeks nuwe beleidrigtings in werking te stel wat daarop gerig was om stabiele ekonomiese groeivoorsigte te verseker en die stigting van instellings wat die transformasie van die plaaslike regering sou ondersteun, daar te stel.

Die plaaslike regering as 'n instelling in Suid Afrika het die verantwoordelikheid om 'n ontwikkelingsrol te fasiliteer. Hierdie ontwikkelingsrol verplig die plaaslike regering om basiese dienste aan alle Suid Afrikaners deur middel van plaaslike-vlak instellings (bv. munisipaliteite) te verskaf.

Die verskaffing van basiese dienste het egter tot op datum nog nie aan die behoeftes van baie Suid Afrikaners voldoen nie. Hierdie feit is aan die lig gebring deur die aantal optogte oor die gebrek aan goeie basiese dienslewering wat tot onlangs in Suid Afrika plaasgevind het. Gegewe die feit dat besighede ook baat by munisipale dienslewering, is dit hierdie studie se hoofdoelwit om besighede se persepsies van plaaslike dienslewering in die Matlosana-gebied te bepaal.

Die empiriese studie is uitgevoer deur gebruik te maak van 'n vraelys wat aan die lede van die Wes-Vaal Sakekamer gestuur is. Die terugvoerkoers van die vraelys was 35%, en die ingevorderde vraelysdata is ontleed met behulp van SPSS.

Die empiriese navorsing van hierdie studie bevind dat die besighede wat deelgeneem het aan die opname, oor die algemeen tevrede is met hulle munisipaliteit se vermoë om basiese dienste aan hulle te verskaf. Besighede is slegs bekommerd oor swak dienslewering wat betref handelsregulasies, bou en hersoneringsregulasies, en plaaslike ekonomiese ontwikkelingsinisiatiewe.

ACKNOWLEDGEMENTS

During the course of my study, I received encouragement and support from a variety of people, whom I thank, in no specific order:

- Prof. Waldo Krugell, for his patience, support, encouragement, and constructive criticism. Without him, my study would not have been possible.
- My parents, for their moral and financial support.
- Helét Engelbrecht, for her unconditional support, understanding and encouragement.
- Gerhard and Dammie Engelbrecht, for their support - especially Gerhard, for his insight into municipalities.
- My grandparents, for their support.

Finally, I would like to thank all the members of the West-Vaal Chamber of Business, who took the time to participate in my survey.

TABLE OF CONTENTS

ABSTRACT	ii
OPSOMMING	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LYST OF TABLES	viii
LYST OF DIAGRAMS	ix
CHAPTER 1 INTRODUCTION	1
1.1 BACKGROUND	1
1.2 PROBLEM STATEMENT	4
1.3 OBJECTIVES	6
1.4 METHOD	6
1.5 DEMARCATION OF THE STUDY	7
CHAPTER 2 LITERATURE OVERVIEW	8
2.1 INTRODUCTION	8
2.2 THE ROLE OF INSTITUTIONS IN ECONOMIC GROWTH	10
2.2.1 An overview of previous analysis	12
2.3 QUALITY OR EFFECTIVENESS OF GOVERNMENT	19
2.3.1 An overview of previous analysis	19
2.4 CONCLUSION	22

<u>CHAPTER 3</u>	LOCAL GOVERNMENT IN SOUTH AFRICA	24
3.1	INTRODUCTION.....	24
3.2	LOCAL GOVERNMENT TRANSFORMATION IN SOUTH AFRICA	25
3.3	THE CHALLENGE OF DEVELOPMENTAL LOCAL GOVERNMENT IN SOUTH AFRICA.....	28
3.3.1	Developmental local government in South Africa.....	28
3.3.2	Developmental local government challenges.....	31
3.3.2.1	DECENTRALIZATION.....	33
3.3.2.2	COMMUNITY PARTICIPATION	33
3.3.2.3	INTEGRATED DEVELOPMENT PLANS.....	33
3.3.2.4	MUNICIPAL SERVICE DELIVERY.....	34
3.3.2.5	ECONOMIC DEVELOPMENT.....	34
3.4	THE SUCCESSES AND FAILURES OF DELIVERY	35
3.5	CONCLUSION	40
<u>CHAPTER 4</u>	CASE STUDY: BUSINESS PERCEPTIONS OF THE QUALITY OF LOCAL INSTITUTIONS.....	42
4.1	INTRODUCTION.....	42
4.2	MEASUREMENT OF QUALITY	43
4.3	THE QUESTIONNAIRE AND SAMPLE.....	45
4.3.1	Questionnaire.....	45
4.3.2	Sample.....	47
4.4	RESULTS.....	48
4.4.1	General business perceptions of municipal service delivery	48
4.4.2	Business perceptions of municipal basic service delivery	51
4.4.3	Business perceptions of the regulation functions of municipalities	53
4.4.4	Business perceptions on local economic development initiatives	65

4.4.5	Cross-tabulations	69
4.5	CONCLUSION	70
<u>CHAPTER 5</u>	SUMMARY AND RECOMMENDATIONS	72
5.1	INTRODUCTION.....	72
5.2	CONCLUSION AND RECOMMENDATIONS	75
<u>BIBLIOGRAPHY</u>	76
<u>ANNEXURE A</u>	BUSINESS PERCEPTIONS OF THE DELIVERY AT LOCAL LEVEL.....	86
<u>ANNEXURE B</u>	CROSS-TABULATIONS: TRADING REGULATIONS.....	92

LYST OF TABLES

TABLE 4.1:	Percentage of respondents who are 'completely satisfied' and 'satisfied' with the underlying aspects of electricity, water, and solid waste removal.	52
TABLE 4.2:	Percentage of respondents who are 'completely dissatisfied' and 'dissatisfied' with the underlying aspects of electricity, water, and solid waste removal.	52
TABLE 4.3:	Percentage of respondent's who are 'indifferent' about the underlying aspects of electricity, water, and solid waste removal.....	53

LYST OF FIGURES

FIGURE 1.1	Channels of growth, volatility and crises.....	2
FIGURE 4.1	How often do you have anything to do with the local municipality?.....	48
FIGURE 4.2	When you do engage with the local municipality, what form does that take?	49
FIGURE 4.3	What is your overall perception of the quality of service delivery by the local municipality?	50
FIGURE 4.4	What is your overall perception of the efficiency of service delivery by the local municipality?	51
FIGURE 4.5	What is your overall perception of the clarity of trading regulations?	54
FIGURE 4.6	What is your overall perception of the consultation in the formulation of trading regulations?	54
FIGURE 4.7:	Is your overall perception of the ease of the trading application process?	55
FIGURE 4.8:	What is your overall perception of the time involved in the trading application process?	56

FIGURE 4.9:	What is your overall perception of the transparency of the enforcement of trading regulation?	57
FIGURE 4.10:	What is your overall perception of the control of street trading?.....	57
FIGURE 4.11:	What is your overall perception of the quality of building control?.....	58
FIGURE 4.12:	What is your overall perception of the efficiency of the approval of building plans?	59
FIGURE 4.13:	What is your overall perception of the quality of town planning?	60
FIGURE 4.14:	What is your overall perception of the quality of development planning?	60
FIGURE 4.15:	What is your overall perception of the clarity of building and zoning regulations?	61
FIGURE 4.16:	What is your overall perception of the consultation in the formulation of building and zoning regulations?.....	62
FIGURE 4.17:	What is your overall perception of the ease of the building and zoning application process?	63
FIGURE 4.18:	What is your overall perception of the time involved in the building and zoning application process?	64

FIGURE 4.19:	What is your overall perception of the transparency of the enforcement of building and zoning regulations?	64
FIGURE 4.20:	What is your overall perception of the consultation of local development initiatives through meetings as arranged by your local municipality?.....	65
FIGURE 4.21:	What is your overall perception of consultation of local economic development initiatives through the chamber of business?	66
FIGURE 4.22:	What is your overall perception of the transparency of local economic development initiatives?	67
FIGURE 4.23:	What is your overall perception of the communication of local economic development initiatives?	68
FIGURE 4.24:	What is your overall perception of the follow-up of local economic development initiatives through out their implementation?	68

CHAPTER 1
INTRODUCTION

1.1 BACKGROUND

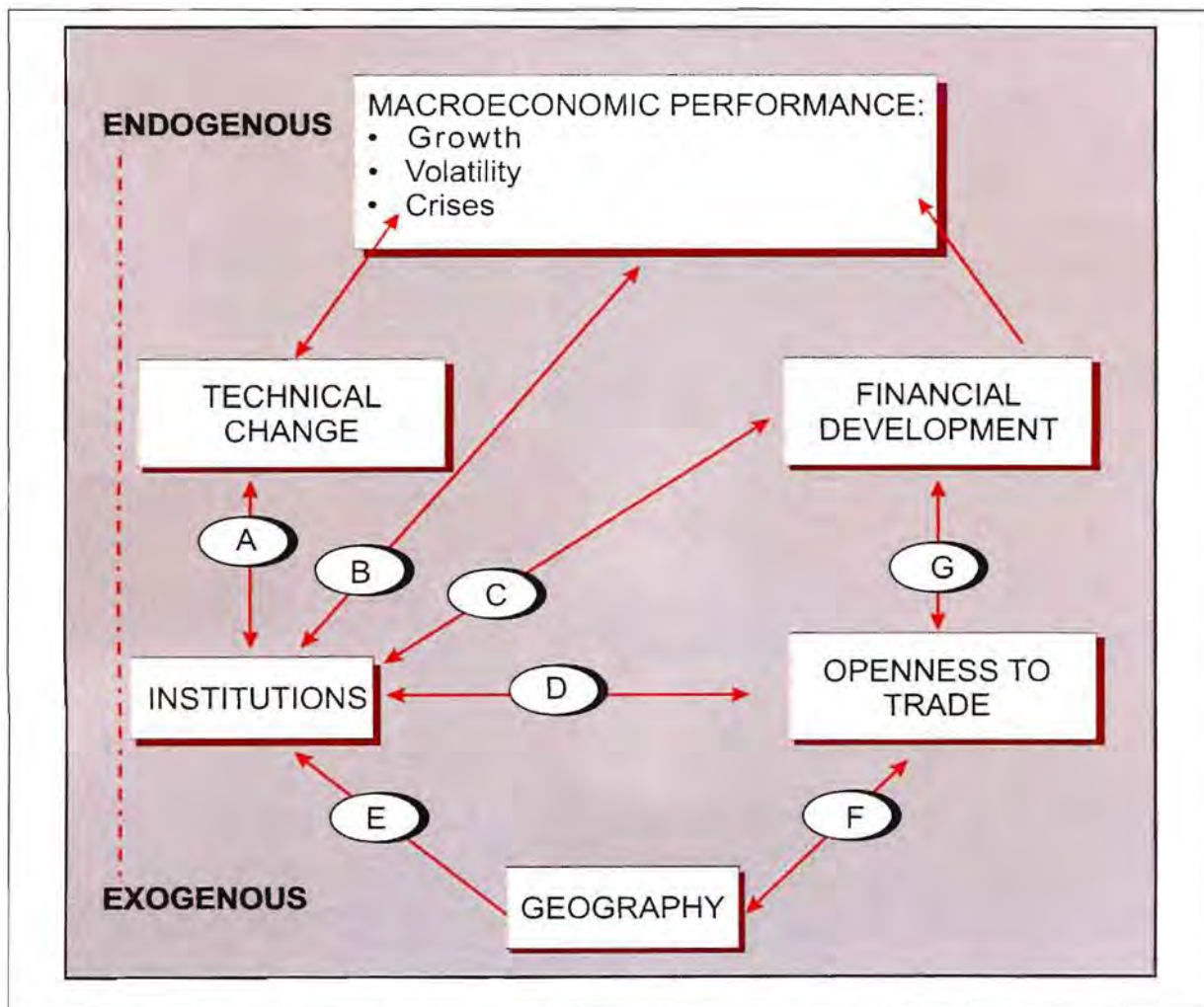
South Africa's economic policy largely evolves around the promotion of sustainable economic growth, job creation and the reduction of poverty. In 1994 the newly-elected democratic government was faced with the task of creating a new and better South Africa which, at that time, was characterized by high unemployment levels and significant inequalities among its citizens. Since 1994, government has made significant strides in the provision of housing, health care, education and basic services. However, much still needs to be done (Knight, 2001). Recent estimates show that South Africa's official unemployment rate stood at 23% in September 2007, and that 41% of South Africa's population lived beneath the R367 per month poverty line that year. The Gini coefficient stood at 0.660 (Presidency Republic of South Africa, 2008).

The creation and management of institutions remain another major challenge for the South African government. These are institutions that are capable of delivering services that contribute to the overall wellbeing of human life (Kroukamp, 2007). Such services are of the utmost importance to South Africa, as they hold the key to poverty alleviation. Services such as housing, water and sanitation have the capability to improve the burdens of neediness in the shorter term, and in the longer term are an investment in the improvement of education and health care (Burger, 2005). The developmental role of providing citizens with the necessary basic goods and services, accompanied by a developing local environment, is the responsibility of local government.

In the last few years the role local government plays has shifted from a specific focus on service delivery to a more developmental role. This developmental role is reflected in the White Paper on Reconstruction and Development of 1994. The White Paper emphasises local authorities as the main institutions of delivering basic services. The White Paper on Local Government of 1998 also prioritises local developmental government, and focuses on

the responsibility of local authorities. This responsibility entails that local authorities have to work with local communities in a bid to ensure that ways are found to improve the lives of all South African citizens (Nel, 2001).

Without economic growth, there is no way of realising the advantages that accompany social expenditure (Black, Calitz and Steenekamp, 2003). With the South African government tasked with a developmental role, we still have to establish what drives economic growth. Figure 1 by Bloch and Tang (2004) indicates that geography, institutions and openness to trade are all deep determinants of economic growth.



FIGUUR 1.1 Channels of growth, volatility and crises

Source: Bloch and Tang (2004)

Figure 1 gives a broad framework of the linkages between deep determinants of growth and macroeconomic performance. Geography is placed at the bottom of figure 1 in order to represent its exogeneity. In other words, geography, according to empirical evidence, has an indirect effect on growth through institutions and trade, as indicated by arrows E and F. Institutions, on the other hand, have a direct effect on macroeconomic performance through technical change, financial development and trade. This is indicated by arrows A, C and D. Finally, trade only affects macroeconomic performance at an indirect level. This effect is achieved through financial development and capital accumulation, as indicated by arrow G.

In an attempt to establish the role of cities in sub-national economic growth in South Africa, Naudé and Krugell (2003) find that the most important determinants of local economic growth in South Africa for the period 1990 to 2000 include initial income per capita, human capital, and distance (market and transport effect). In other words, cities and towns that were initially characterized by lower levels of income per capita in 1990, grew at a much faster pace up to 2000, compared to cities and towns with higher levels of income. Naudé and Krugell (2003) also found that cities that had a greater abundance of human capital also grew significantly faster than those without. Furthermore, their study also indicated that market access and transport both played an important role in economic growth at a local level.

It seems that geography and human capital are all part of a range of different determinants of economic growth. Earlier work has, however, neglected the role of institutions in local growth. These institutions have been shown to have a direct impact on growth through technology and trade. This study is concerned with institutions. More specifically, this study will attempt to examine perceptions of the quality of local institutions.

According to Nelson and Sampat (2001) institutions can broadly be defined as arrangements between people to facilitate cooperative activity (quoted by Naudé and Krugell, 2007). South Africa entered its democracy in 1994 and Rodrick (2000) finds that democracy helps in the development of better institutions. He also emphasizes five institutions that are market-supportive. These institutions include property rights, regulatory, macro-stabilization, social insurance and conflict management institutions. Democratic governments that are able to create an environment in which participation is motivated, definitely find themselves in a situation where stronger economic growth is enabled.

It is also important that democracy is accompanied by local knowledge. Ródrick (2000) finds that such local knowledge at best is processed and aggregated by a government that is participatory. Accompanying South Africa's new democracy is a range of new policies that were implemented to develop growth prospects. In order to realize these growth prospects, Aron (1997a) finds it important that state and other institutions are reformed and developed. Furthermore, she emphasises that state institutions play a significant role in the development process. Empirical evidence of African countries in growth models suggests that state institutions must provide and develop human capital, infrastructure, research, and political stability. On the other hand, the efficiency of the financial system in private institutions is important too. The importance of private institutions must be accompanied by a social environment in which bureaucratic delays and corruption are minimized, and where there is significant trust in the integrity of the legal system. North (1991) emphasises the fact that institutions consist of formal rules, informal norms and enforcement characteristics. These rules, norms and enforcement characteristics are all important determinants of economic growth. For example, the Latin American countries may adopt the formal rules of another country, e.g. the constitution of the United States of America, but because the informal norms and enforcement characteristics of the Latin American countries will differ from those of the United States of America, it can be expected that the Latin American countries will have different economic results. In another study, Aron (1997b) uses North's institutional framework in the augmented Solow growth model. Aron (1997b) finds that a number of different studies found that the quality of institutions does have a significant impact on growth, even though this is achieved indirectly through investment. The different studies also indicate that the role of the state should entail an approach in which it facilitates and creates complex, multi-agent and multi-period contracts. Furthermore, the studies also found that the state should consider extending civil and political rights that are able to develop social capital.

1.2 PROBLEM STATEMENT

According to Berry (2002), the newly-elected democratic government of South Africa has since 1994 implemented a range of new policies that have the potential to create an environment filled with good economic growth prospects. Although these policies are implemented with the intension of creating and sustaining economic growth, it is a widely known fact that economic growth in itself does not hold the key to reducing poverty and

income inequality. Institutions are known to play a role in economic growth (Bhorat and Cassim, 2004). In the introduction of this dissertation, it was emphasized that these institutions are the responsibility of local government in South Africa. Local government has the responsibility of playing a developmental role in South Africa, and this role is achieved by providing necessary basic services to all citizens. These services are delivered through institutions at a local level in a bid to ensure that the most severe burdens of neediness are addressed.

However, in the last few years there has been discontent with local government's ability to provide basic services of a good quality and standard. South Africa has been characterized by protests about the lack of service delivery (Cape Argus, 2007). These protests mainly took place in the North West, Eastern Cape and Limpopo Province (Business Day, 2007). An extensive media search indicates that the most common problems experienced by South African citizens with regards to service delivery are in the housing, water and sanitation, electricity, crime, roads, and refuse removal sectors. Poor service delivery in these sectors can be blamed on the following:

- Poor communication between local government officials and rural communities,
- Local government creates expectations it cannot meet,
- Mismanagement and corruption among local government officials,
- Large salaries paid to local government officials in spite of poor performance,
- Administrative problems, which in turn include reorganization and boundary changes, under-sourcing in the face of physical stress, poor metering systems, corrupt or unreliable owner-resident bases, tampering with meters, and court and justice problems when applying sanctions,
- Skills shortages among local government officials, e.g. financial and technical skills, and
- Historical imbalances due to apartheid.

South Africans are entering their fifteenth year of democracy, and it is clear that there is still a range of issues that needs to be addressed. This study therefore aims to measure the quality of local institutions in the Matlosana region in South Africa. More specifically, this study, from an economic perspective, aims to capture the different views the business community has of local institutions and their ability to provide services. Services should enable the business community to flourish and help build a better and sustainable economy. The analysis is done through a survey of the perceptions businesses have, in the Matlosana region.

1.3 OBJECTIVES

The general objective of this study is an examination of the different perceptions businesses have of the quality of municipal service delivery in the Matlosana region. This general objective will be achieved by means of:

- A literature review of the importance of institutions in economic growth and good governance,
- An overview of the developmental role the local government plays in South Africa,
- The development of a questionnaire that is able to measure the perceptions of businesses of municipal service delivery in the Matlosana region, and
- The responses of the questionnaire, which will be analysed and interpreted.

1.4 METHOD

The method of this study evolves around a literature review of research that has been conducted on the developmental role local government in South Africa has to play. In addition, the literature review will further be supported by research that has been conducted on the broader role institutions play in economic growth.

The empirical section of this study comprises a questionnaire which was developed to capture the business perceptions of municipal service delivery in the Matlosana region. The questionnaire was utilized in a survey.

1.5 DEMARCATION OF THE STUDY

The demarcation of this study is as follows:

Chapter 2 consists of two sections. The first section is dedicated to previous analyses that provide evidence of the important role institutions have to play in economic growth. The second section gives a brief overview of the literature related to 'governance matters'.

Chapter 3 sets out to give a broad picture of local government in South Africa. Starting with the local government transition process, it shifts to local government's developmental role, and ends with the successes and failures of municipal service delivery in South Africa.

Chapter 4 briefly explains the literature on the measurement of quality, and presents an analysis of the results obtained from the survey on businesses' perceptions of municipal service delivery in the Matlosana region.

Chapter 5 concludes the dissertation with a summary of the study and provides some recommendations.

CHAPTER 2
LITERATURE OVERVIEW

2.1 INTRODUCTION

Economics is all about the choices made by individuals in a process during which these individuals attempt to satisfy a number of needs and wants with a small amount of available resources. In public economics (together with the primary objective of this study), it is all about an attempt to establish how the public sector (local government) impacts the business sector with its distribution of resources, which is achieved through service provision (Black, Calitz & Steenkamp, 2003).

For prosperous growth prospects and employment creation, it is essential that the public sector is able to provide services of a kind that enable businesses to engage in profitable market activity (World Bank, 2002). In South Africa, businesses pay for services through taxation. These taxes are used by government to acquire intermediate inputs, which, in turn, are used to generate services that are delivered through local government institutions (Black, Calitz & Steenkamp, 2003). Municipalities are a good example. They are widely recognised as the main institutions responsible for service provision in South Africa.

According to Brunner and Meltzer (1976), governmental institutions have the responsibility of improving the overall welfare. This responsibility is exercised through the following number of activities:

- Governmental institutions either use or distribute resources.
- Governmental institutions help in the establishment or removal of external economies and diseconomies.
- Governmental institutions help in the redistribution of income and where market failures are identified, failures are either mitigated or totally removed by good functioning government institutions.

These activities undertaken by governmental institutions can, however, either benefit or discourage the business sector.

Traditionally, institutions have been neglected in economic theory. It was only in the face of three crises developments that international reformers were forced to recognise the importance of institutions. The first of these developments was the shortcomings of legal, regulatory and political apparatus during the process of privatization and price reform in Russia. The second was characterized by dissatisfaction, when market reforms in Latin America failed to give adequate attention to social insurance and safety nets. Of more recent stature were the Asian financial crises, which provided more than enough evidence that financial liberalization cannot run ahead of financial regulation (Rodrik, 2000). Although at a certain cost, these three crises developments have been responsible for initiating a whole new era in which the word "institutions" has become something of a fashionable term (Nelson, 2007).

Local economic development in South Africa has also gained important recognition in the last decade (a phenomenon that will be discussed thoroughly in chapter 3). However, of more importance in the context of this chapter is that local economic development in South Africa has largely been influenced by the new field of international thinking which stems from the so-called era of "New Institutionalism". New institutionalism has helped in making a clear distinction between the economy and society. This has been achieved by the way in which economic decision making and actions have been defined by the shared values, beliefs, meanings, norms, procedures and rules of informal and formal institutions of society. The idea of new institutionalism in the context of this study is further supported by institution building. This theme originated from institutions such as the World Bank, which have placed emphasis on 'getting institutions right'. This would suggest that it is important to develop institutional strength by means of developing associational networks. A practical example would include the strengthening of small, medium, enterprise networks, inter municipal collaboration and growth coalitions which comprise of businesses, municipal government, civic society and workers (South Africa. Department of Provincial and Local Government, 2006).

In an attempt to strengthen local institutions in South Africa through the measurement of businesses' perceptions of service delivery, economic literature is needed to provide a

framework that enables one to empirically test the relationship among variables (Farr, Lord, and Wolfenbarger, 1998). This is unfortunately not always the case, and in the context of this study, little research, if any, has attempted to measure the perceptions of businesses of the quality of services provided by local institutions. However, according to the International Bank for Reconstruction and Development (2007), there is a general discovery among researchers and policy makers that high quality institutions have the capability of promoting economic growth by generally increasing per capita income in the long run. Several countries have been able to reap the benefits of development dividends that are provided through good governance.

With emphasis on (as reflected in the primary objective of this study) 'measurement' of 'perceptions' and 'local institutions', this literature review will consist of a first section that is dedicated to previous analyses that provide evidence of the important role institutions have played in economic growth. As a means of further support, a second section is included on previous research effort aimed at measuring the quality or effectiveness of government.

2.2 THE ROLE OF INSTITUTIONS IN ECONOMIC GROWTH

According to Nelson (2007), research on institutions is characterized by disunion. Researchers and schools have compiled different definitions of what institutions are and the function they have to fulfil. For North (1991) institutions comprise formal rules, informal norms, and enforcement characteristics. A practical example would include the Latin American countries that may adopt the formal rules of another country, e.g. the constitution of the United States of America. However, because the informal norms and enforcement characteristics of Latin American countries differ from those of the United States of America, it can be expected that the Latin American countries will achieve different economic results.

According to Powelson (1972) institutions can be defined in a liberal or traditional way. In a liberal context Powelson (1972) defines institutions as different individuals who in a relationship attempt to resolve the conflicts which they are experiencing. This simply means that conflict is resolved in a certain manner. However, if the same kind of conflict is resolved over and over again in the same manner, the manner in which the conflict is resolved becomes the institution. This suggests that the individuals who find themselves in conflict, first gain confidence in the institution and then in each other.

Powelson (1972) defines the more traditional context of institutions as 'media through which tasks are accomplished'. A broader view of this definition of institutions would suggest that if two individuals would have the same objective or both individuals have separate objectives, meaning that these objectives would not realise if the two individuals did not make an effort to work together, these two individuals need a framework (institution) that enables them to work as a team towards a mutual or separate objective. A practical example would be the nurse and the surgeon who work together in the operating theatre (institution) to meet their shared objective (operating on the patient).

These definitions (although not a reflection of all the different definitions available of institutions), provide sufficient evidence for Nelson's (2007) argument. Kaufmann and Kraay (2008) also emphasises that there has been failure on the part of academics to provide a single definition of governance and institutional quality. For the purpose of this literature review it must be excused if terms such as governance, institutions, and institutional quality are used interchangeably.

Of more importance, however, is the fact that most researchers have found that the right institutions have a key role to play in the process of economic growth and progress. According to the World Bank (2002) institutions can help to enhance productivity and economic growth through a number of functions. This suggests that institutions should:

- *Help in the process of distributing information on market conditions, goods and participants.* This information helps businesses gain insight into economic opportunities, and helps them assess the creditworthiness of their business partners.
- *Be responsible for defining property rights and contracts, and the enforcement of them.* This is critical for market development, because individuals need the assurance of having full rights and access to their income and assets.
- *Have the responsibility of either benefiting or reducing competition within markets.* The task of institutions must be defined in such a manner that they do not over-regulate or under-regulate the entrance of new businesses. If these institutions over-regulate an industry, it could have severe consequences for competition and, therefore, innovation and economic growth.

Rodrick (2000) also places emphasis on five institutions he finds to be market supportive. These institutions are property rights, regulatory, macro-stabilization, social insurance and conflict management institutions. Redek and Susjan (2005) are also supportive of this classification, but they feel that any institution supportive of growth can be included. For the purpose of this study we therefore define an institution as any entity of local government involved in the process of delivering services to businesses required for profitable market activity. The following sub-section presents earlier analyses of the role of institutions in economic growth.

2.2.1 An overview of previous analyses

According to Farr, Lord and Wolfenbarger (1998) a number of researchers have incorporated institutional factors in their studies. This inclusion has largely been motivated by the notion that economic decisions are based and made in institutions. Vijayaraghavan and Ward (2001) also find that researchers use a number of different approaches to include institutions in economic growth theory. Some of these approaches include:

- The neo-classical growth model
- Indicators of security of property rights
- The Economic Freedom Index which is compiled by the Frasier Institute.

Aron (1997) uses North's institutional framework in the augmented Solow growth model. Aron (1997) finds that a number of different studies holds the result that the quality of institutions does have a significant impact on growth, even though this is achieved indirectly through investment. The different studies also indicate that the role of the state should entail an approach in which it facilitates and creates complex, multi-agent and multi-period contracts. Furthermore, the state should consider extending civil and political rights that are able to develop social capital.

Within the framework of neo-classical growth Vijayaraghavan and Ward (2001) use a model in which the production function of all economies are characterized by constant returns to scale and factors of production that exhibit diminishing returns. Their model is also based on the assumption that the steady state level can be derived from the output generated by the model. Forty three nations (including nine developing countries) were included in their

model, and the relationship between growth and institutional infrastructure was captured by means of four main measures.

Three of the four measures were calculated by taking the simple average of different indicators. These three measures include:

- Governance based on the simple average of corruption, rule of law and bureaucratic quality, which is measured on a scale of 0-6, with the number 0 representing the lowest rating attainable.
- Property rights based on the simple average between risk of repudiation of contracts and the risk of expropriation. The two indicators are measured on a scale of 0-10 with 0 being the lowest rating.
- Political freedom based on the simple average between civil liberties and political rights. The two indicators are measured on a scale of 0-7, with the number 0 indicating the lowest level of freedom.

The last measure used within their model represents government consumption. This measure was calculated as a share of total consumption and is based on a scale of 0-10, with the number 0 used as a proxy for the smallest governments.

Their model was estimated through ordinary least squares. A revised model was also introduced, which included a dummy variable which accounted for oil-exporting countries experiencing high growth rates due to natural recourses.

The overall results obtained from their analysis indicated that institutions are important for future growth prospects. Out of the four measures Vijayaraghavan and Ward (2001) find that secured property rights lead to higher levels of economic growth. These higher levels of growth are achieved by means of well defined property rights, which enable resources to be channelled to the most productive areas of an economy. Vijayaraghavan and Ward's (2001) government measure, which only captured the size of government, also indicated that smaller governments seem to be better for growth prospects.

Sachs and Warner (1995) believe that it is essential for countries to be characterized by good economic institutions so that economic convergence can take place successfully. This would suggest that a country should have in place the appropriate property rights, trade policies, and inconvertible currencies for convergence to take place, in spite of their initial level of human capital and production technology. Initially, Sachs and Warner (1995) used all 135 countries in the Heston-Summers data series, but they had to eliminate 18 countries due to a lack of data. Countries are classified as qualifying or non-qualifying. The qualifying group included countries that were able to pursue sound economic policies within the observed period, and therefore they were able to fulfill both sets of criteria introduced by Sachs and Warner (1995). The criteria comprises of two tests:

- Property rights test: a country was considered a non-qualifier if it exhibited any one of the following characteristics: socialist economic structure, civil or external war, and deprivation of civil or political rights.
- Test for economic openness: a country was considered a non-qualifier if it exhibited any of the following criteria: a high proportion of imports covered by quotas, a high proportion of exports covered by state monopolies, and a black market premium that is higher than 20 percent of the official exchange rate for the period 1970 or 1980.

The main findings of Sachs and Warner (1995) indicate that countries which were able to follow sound economic and political policies were able to realise per capita growth exceeding 2 percent per annum for the period 1970 to 1989. Furthermore, the qualifying countries tended to grow much faster than rich countries, therefore exhibiting a strong tendency towards convergence. The non-qualifiers, on the other hand, had absolutely no tendency towards convergence.

Grigorian and Martinez (2000), attempted to empirically test the relationship between institutional quality indicators and industrial growth. The measures for institutional quality comprise of five political risk indicators. These include:

- Government repudiation of contracts – this indicator attempts to capture the risk of repudiation, scaling down or postponement faced by foreigners in contract modification.

- Risk of expropriation – two indicators, risk and expropriation, are introduced to control the government's ability to keep its promise and enforce contracts. This would suggest that governments that do not have the capability to enforce contracts will, in future, be characterized by lower foreign direct investment.
- Corruption and bureaucratic quality – in any given economy, corruption and bureaucratic quality have the potential of distorting the financial environment and costs of economic agents. Therefore indicators that measure bureaucratic strength and corruption of a government are introduced.
- Rule of law – an indicator is introduced that has the capability of measuring the strength of the court system, succession of power in an orderly manner, and political institutions.

The final model utilized by Grigorian and Martinez (2000) consist of a two-stage estimation procedure that is able to account for the endogeneity of the investment rate. The roles the variables of institutional quality play within investment in the long run are emphasized by means of the initial values of political risk services so that the rate of investment can be explained. Furthermore, a second stage regression is introduced in which the institutional component of the investment rate is utilized.

Overall results obtained by their regression model in which 27 developing countries of Asia and Latin America were included, indicate that their measure of institutional quality had a positive effect on industrial growth. The level of investment is also higher and resource allocation is more efficient in countries that are characterized by good enforcement, lower administrative barriers and well developed legal and regulatory frameworks. Grigorian and Martinez (2000) conclude that the marginal effect of institutional improvements on industrial growth should be higher in economies in which business institutions have been absent in the last decades.

Sepp (2006) attempts to establish a difference between a country's current and potential level of economic performance within the two main economic theories of institutional development and the endogenous growth theory in which the production function serves as the basis. The empirical analysis consisted of two parts: institutional indicators based on

economic freedom indexes as published by the Heritage Foundation and the Fraser Institute, and components of the Human Development Index.

Sepp (2006) finds that institutional quality (measured by economic freedom) and human capital (measured by education and health) are both closely related to GDP per capita. The productivity component of human capital was also influenced by institutional quality. This simply means that countries that exhibited more economic freedom (institutional quality) were able to realise higher productivity rates.

In order to assess the relationship between economic freedom, political freedom and economic wellbeing, Farr, Lord, and Wolfenbarger (1998) employ the Granger causality methodology. Economic freedom is measured by economic freedom estimates that were published by Gwartney, Lawson, and Block (1996). The economic freedom estimates are based on four component areas that have been calculated for each of the 100 countries included in the analysis. These component areas include the following: money and inflation, takings and discriminatory taxation, government operations and regulations, and restrictions on international exchange. The component areas are all assigned a component score that ranges between 0 and 10, with 0 representing the lowest score obtainable. Ratings are also based on a five-year non-overlapping period and three summary indexes are calculated for each country from the component score. The average is taken from the three summary scores and only four economic freedom observations are utilized per country.

Farr, Lord, and Wolfenbarger (1998) use the annual Freedom in the World reports to measure political freedom. The data is divided into two categories – political rights and civil liberties. These two categories are further measured on a ordinal seven-point scale in which the number 1 represents the highest level obtainable for political rights and civil liberties, and the number 7 the lowest. For correspondence with economic freedom, political rights and civil liberties are also measured with five annual observations.

The natural log of per capita gross domestic product – in which terms of trade are adjusted – is used in the regression equations to capture the level of economic wellbeing. Data are obtained from the Penn World Tables and are averaged into five-year periods. The Granger causality test consists of an industrial and non-industrial group. Furthermore, the data set for each country is pooled to exploit time series properties in order to recognise casual relationships.

The results obtained by Farr, Lord, and Wolfenbarger (1998) indicate that there is a casual relationship between economic freedom, political freedom and economic wellbeing for industrial and non-industrial countries. Economic freedom and economic wellbeing are endogenously related. In simple terms this would suggest that economic wellbeing has a positive influence on economic freedom. For both industrial and non-industrial countries, political freedom also has an influence on economic wellbeing. The relationship between political and economic wellbeing has a univariate line and should therefore be interpreted with caution. These results therefore suggest that economic freedom is a good determinant of economic growth and visa versa.

According to Clague, Knack and Keefer (1999) there are economic agents that require markets that are supportive of non-reversible commitments by trading partners when engaging in trade. A practical example would include a South African- based auto parts manufacturer who exports his auto parts to an Australian-based importer of auto parts. The South African exporter will need a market in which the Australian importer commits himself to paying the auto parts received in the present or future. For Clague, Knack and Keefer (1999) these essential economic markets have a better potential to exist where institutions for the protection of property rights and contract enforcement are present.

Clague, Knack and Keefer (1999) find that North (1990), and Rosenberg and Birdzell (1986), are the key authors who, in their work, have initiated and emphasized the importance of institutions. In an attempt to provide empirical evidence for the notion that institutions are growth-supportive, Knack and Keefer (1999) introduce a new measure for security of contract enforcement and property rights, contract-intensive money (CIM) into their analysis. In simple terms, the new measure 'CIM' is based on the assumption that private stakeholders will generally achieve their economic potential faster in an environment where government is able to provide private stakeholders with the required capacity in which commitments that are trade supportive are made.

The measure of 'CIM' is based on three propositions:

- The measure of 'CIM' is a proportion of transactions that rely on third party enforcement.

- This proportion is assumed to capture the reliability of contract enforcement and the security of property rights in different countries.
- The degree of reliability to enforce contracts and security of property rights is assumed to be a good indicator for high levels of economic growth and productivity.

With their new measure of 'CIM' Clague, Knack and Keefer (1999) find that a lot of countries lack the required markets in which trade gains can be achieved. Countries that exhibited high 'CIM' scores and other measures of the quality of governance generally are more conducive to financial development. Governments that have provided private stakeholders with capacity in which they are able to reap benefits obtained from trade also improve economic performance in a number of ways. Furthermore their 'CIM' measure is strongly associated with the size of capital stock, per capita income level, and total factor productivity. Countries that were able to obtain higher 'CIM' scores also tended to realize higher investment and economic growth rates.

In an attempt to estimate the relationship between economic institutions, political institutions, and income levels, Rigobon and Rodrik (2005) employ identification by means of hetroskedasticity. They make use of a cross-national dataset that is categorised into two samples. These two sample groups consist of colonies versus non-colonies and East-West continents versus North South continents. Data are obtained from the Penn World Tables and World Development Indicators. The identification process utilizes the exploitation of the differences obtained between structural variances.

Their main findings suggest that democracy and the rule of law are good predictors of economic performance. When geography and institutions are for controlled, trade has a negative effect on income levels. Higher income levels have a positive contribution towards institutions for both democracy and rule of law, a result that differs from that obtained by Acemoglu (2005), who finds that income has no direct effect on democracy when a panel regression is introduced in which effects are fixed. Furthermore, their findings suggest that openness to trade has a negative influence on democracy, but a positive influence on the rule of law. After numerous specification tests, trade still had a robust effect on economic and political institutions.

2.3 QUALITY OR EFFECTIVENESS OF GOVERNMENT

According to Knack (2002) numerous (not perfect) indicators have been compiled by researchers to measure the relationship between growth and governance or the quality of government. These attempts have mainly stemmed from the general development and economic growth hypothesis which states that:

Good governance helps to create a sustainable environment in which citizens strive for increases in their living standards. Where government is able to provide citizens with an incentive that enables them to maximise their wealth, individuals will attempt to create new wealth rather than diverting it away in non-productive attempts. Development will therefore occur in an environment where individuals are motivated to generate new wealth.

2.3.1 An overview of previous analysis

According to Kaufmann, Kraay, and Zoido-Lobaton (1999a) most researchers have introduced cross-country indicators in an attempt to measure the consequences of governance and poor governance for economic growth. Kaufmann, Kraay, and Zoido-Lobaton (1999a), group 31 indicators that have been compiled for the period 1997 and/or 1998 into three clusters that correspond to government aspects such as rule of law, government effectiveness, and graft. These indicators are based on subjective perceptions that measure aspects such as:

- The effect of corruption in the political system on foreign direct investment,
- Efficiency of public service delivery, and
- The likelihood that a citizen would resort to the judicial system to resolve any means of disagreement.

In their paper these indicators are utilized as imperfect proxies for a number of smaller concepts of the quality of government. This assumption is based on the following three benefits obtainable when dividing related indicators into the following small number of aggregate governance indicators:

- Government comparisons can be made between a number of countries. Aggregate indicators provide a much bigger set of different countries when compared to other individual sources.
- Aggregate indicators equip researchers with more exact measures of governance.
- Aggregate governance indicators, together with their components, can be utilized to develop a construct quantitative measure that is able to test any formal hypothesis observed among cross-country differences.

An unobserved components model is introduced in which observed data is highlighted as a linear function of unobserved governance, accompanied by a disturbance term that exhibits the function of capturing any perception errors or sampling variance obtained within each indicator. Furthermore, a conditional distribution of governance mean is calculated for the observed data for each country in order to derive a natural point estimate for the level of governance.

The results obtained by Kaufmann, Kraay, and Zoido-Lobaton (1999a) are based on the assumptions that:

- Errors of measurement obtained within individual indicators of governance are uncorrelated for all indicators.
- Unobserved governance and observed indicators are characterized by a linear relationship.
- Normal distribution is assumed across countries for unobserved governance.

The main findings by Kaufmann, Kraay, and Zoido-Lobaton (1999a) suggest that the three aggregate indicators introduced in their paper are not good proxies for governance. This suggests that although they were able to identify significant differences among countries on both sides of governance distribution, it is still a significant task to determine the degree of confidence among countries.

For further research purposes Kaufmann, Kraay, and Zoido-Lobaton (1999a) suggest that quantitative measures must be introduced for aggregate indicators, so that researchers are able to identify any means of errors associated with substantial margins that are found in cross-country analysis. They also caution researchers against the use of existing data when conducting cross-country survey work on governance perceptions. Existing data hold a number of issues ranging from poor links between perceptions of governance and objective policy interventions aimed at improving quality of governance, to poorly defined concepts and poorly worded questions used in surveys and polls.

In their surveys researchers should attempt to introduce transparent units of measure accompanied by questions to respondents, based on their direct experience with well defined events. Furthermore, researchers should not be cautious to use aggregate indicators as they still provide a tool with which one is able to correct the measurement error obtained in governance indicators that are utilized as dependent variables. According to Kaufmann, Kraay, and Zoido-Lobaton (1999) a number of small studies limit themselves to country coverage indicators that make use of governance indicators as either left or right hand side variables.

Building on the above study of aggregate governance indicators, Kaufmann, Kraay and Zoido-Lobaton (1999b) attempt to measure the quality of government by limiting their research to include the perceptions of entrepreneurs, foreign investors, civil society, and residents of a country. With a new data base consisting of 300 subjective perceptions aimed at measuring government, Kaufmann, Kraay and Zoido-Lobaton (1999b) compile their own definition of governance in order to divide the 300 government measures into six main clusters.

These six clusters comprise of:

- Voice and accountability, and political instability and violence. These two separate clusters account for the process in which authority is selected and replaced.
- Government effectiveness and regulatory burden are also two separate clusters that attempt to measure the state's ability to implement sound economic policies.

- Rule of law and graft are the final two separate clusters that are introduced. The aim of these two clusters is an attempt to measure the state and citizen's respect for a country's rule of law that is aimed at governing their interaction.

Aggregate indicators as mentioned in Kaufmann, Kraay and Zoido-Lobaton (1999b) are compiled for all six clusters. As a guideline, Kaufmann, Kraay and Zoido-Lobaton (1999b) make use of the approach introduced by Hall and Jones (1999) to estimate a number of log-level per capita income parsimonious regressions for each of the created aggregate government indicators. Furthermore, governance variables are corrected for omitted variable bias, measurement error and reverse causation.

Their main results indicate that governance matters. Kaufmann, Kraay and Zoido-Lobaton (1999b) find a positive casual relationship between advances in better governance and developmental outcomes. Their results also suggest that a payoff exists between per capita income and governance. In other words, increases in per capita income lead to increases in better governance. Replacing per capita income in their regression with the logarithm of the two developmental outcomes' 'infant mortality' and 'adult literacy rate', Kaufman, Kraay and Zoido-Lobaton (1999b) find that a one standard deviation increase in governance leads to an increase of between 15-20 percent in literacy. Furthermore, their results suggest a strong negative relationship between improved governance and infant mortality.

2.4 CONCLUSION

As mentioned in the introduction of this chapter, little if any research has attempted to measure businesses' perceptions of the quality of local government service delivery.

To support this research effort on local government service delivery, this chapter has provided an overview of the importance of good governance and the role of institutions in economic growth, given the fact that local municipalities in South Africa function as institutions of service provision.

Although there has been much discontent with a single definition of an institution, a number of researchers have found different institutions to be growth supportive. For example, Aron (1997a) finds that a number of studies holds the result that the quality of institutions has a positive effect on growth through investment. Vijayaraghavan and Ward (2001) suggest that

well-defined property rights lead to a better allocation of resources. Furthermore, Acemoglu, Johnson and Robinson (2002) established that European communities who had implemented appropriate institutions, benefited from encouraged commerce and industry.

Much of the research on the topic 'governance matters' has been carried out by the World Bank researchers Kaufmann, Kraay, and Zoido-Lobaton. Their main findings suggest that good governance does matter and that a positive causal relationship exists between advances in better governance and developmental outcomes. With the emphasis on governance, the following chapter will give an overview of local government in South Africa. More specifically, the chapter will outline the transformation process of local government in South Africa, set out the concept of developmental local government and its challenges and highlight local government's failure to deliver.

LOCAL GOVERNMENT IN SOUTH AFRICA

3.1 INTRODUCTION

Local government can be defined as the 'formulation and execution of collective action at the local level' (Shah & Shah, 2006:1). The concept of local governance is broad and involves a number of different aspects. These range from government hierarchies to the different roles institutions have to play in local government. Community organization, informal norms, networks, collective decision-making, public service delivery, and the interaction between citizens and citizens with the state are all different aspects that form part of the notion of local government (Shah & Shah, 2006).

Local governance as a concept is entrenched in history and has gained new recognition among researchers and academics in the face of globalization and the information revolution (Shah & Shah, 2006). New ways are sought to advance the participation of economies within the global economy. The increased emphasis on local governance has been characterized by a number of policy shifts in different countries, in which the activities and responsibilities of local authorities have gained an important status (Nel & Binns, 2003).

The Constitution of South Africa tasks local government with a developmental role. Local government has to strive to meet the basic needs of its citizens and is responsible for the promotion of social and economic upliftment within communities (Cashdan, 2002). The developmental role of local government is also reflected in the formal vision of the Department of Local Government and Housing. The Department of Local Government and the Department of Housing have merged as one department on the first of April 2005, and their formal vision statement includes the following vision and aims:

'The ministry seeks to produce third tier level of government by facilitating its legitimacy and viability through bringing local governance closer to the people and striving to facilitate the provision of housing on an appropriate development level to enable people to have access to secure tenure, basic municipal services, community facilities and employment

opportunities within planned and integrated communities (Department of Local Government and Housing, 2008).'

Since its establishment in 1994, South Africa's new and democratic government has been able to make significant strides in the provision of housing, health care, education and basic services (Knight, 2001). However, despite all good intentions, a large majority of South African citizens still face shortages in the areas of water, healthcare, energy, education and nutrition (Cashdan, 2002). Recent estimates show that South Africa's official unemployment rate stood at 23% in September 2007, 41% of South Africa's population lived beneath the R367 per month poverty line in 2007, and the Gini coefficient stood at 0.660 (South Africa. Presidency Republic of South Africa, 2008).

In the context of globalisation, poverty and local government's responsibility to address social imbalances, this chapter considers a broad picture of local government in South Africa. The first section outlines the transformation process of local government in South Africa. The second section sets out the concept of developmental local government and its challenges. The final section highlights local government's failure to deliver.

3.2 LOCAL GOVERNMENT TRANSFORMATION IN SOUTH AFRICA

To emphasise the important role of local government in the development process of South Africa, it is beneficial to look at the total transformation process since its inception in the apartheid era (Hoffman, s.a.). The problematic apartheid system of 40 years mostly manifested itself at the local community level. The focus of the system was to separate black and white people on an emotional, geographical, intellectual, and physical basis. The system specifically made provision for a black and white local government system in which the white communities enjoyed abundant facilities and basic services. Other racial groups such as the Indian and "coloured" communities were to a certain extent exempted from the discrimination process. This assumption is based on the fact that Indian and "coloured" communities at least had some representatives in committees that managed the process of service and facility provision in the white government. However the white government in the apartheid era, at that time already faced some financial difficulty and therefore provided no support to

the black local government who had the responsibility of creating their own facilities such as roads, hospitals and community centres (Cloete, 1996).

In the period 1985 to 1989, the suppression of non-white communities reached its boiling point and conflict broke out, especially at local level. The conflict resulted in the declaration of a national emergency that forced the ruling National Party to undertake ad hoc bi-lateral negotiations with civic organisations that were mostly represented by the still banned African National Congress and Pan Africanist Congress members. During these negotiations the National Party refused to accept the demands of a local non-racial democratic government by civic organisations. The refusal by the National Party, however, only resulted in increased local level violence and service charge boycotts that slowly but surely broke down the black local governments (Cloete, 1996).

The year 1990 marked the acknowledgment by the ruling National Party that another solution had to be found as keeping the apartheid system was becoming too expensive. This acknowledgment led to the establishment of the South African National Civic Association (SANCO) at the end of 1991. During the year 1993, SANCO and the Minister of Local Government developed a main body for local government negotiations known as the Local Government Negotiating Forum (LGNF). In the period April 1993 to January 1994, the LGNF facilitated negotiations between SANCO and the Convention for a Democratic South Africa (CODESA). These negotiations sketched the future for local government, of which the main principles were formulated in the Local Government Transition Act, Act No 209 of 1993, and in the 1993 Interim Constitution, Act No 200 of 1993 (Cloete, 1996).

In 1994 the African National Congress party became the first democratically elected government of South Africa. In order to rectify the injustices caused by apartheid, the African National Congress adopted several new policies and established institutions that are supportive of local government transformation. The local government transition process was mainly supported by the Local Government Transition Act of 1993. The Act encapsulated a well-defined definition of local government's transition process and provided municipalities with a well formulated framework that set out their functions. The Act also made provision for a three-phase transition process for local government (Nyalunga, 2006). Since 1993, local government has transitioned through the following three phases:

- The first phase was the pre-interim phase. This phase ran for the period 1993 to 1995 and was mainly characterized by the 1995 elections and the

implementation of 808 non-racial new councils of which 508 were transitional. For many suppressed communities this phase marked the birth of service provision when the national mandate required municipalities to assume a developmental responsibility that required them to provide basic municipal services to all (Andrews, 2003).

- The second phase was the interim phase. This phase started in 1995 and ended with the launch of the White Paper on Local Government in 1998. During this period government managed to restructure the 840 local authorities into 284 municipalities. From these 284 municipalities, six municipalities were identified as Category A metropolitan councils, 232 municipalities made out Category B local councils, and the remainder 47 were marked as Category C District municipalities. The classification process also led to the establishment of numerous new boundaries. These boundaries were problematic as they gave rise to the reorganisation of human resources, service networks, and financial, planning, and development systems (Ramphela, 2003).
- The final phase began with the establishment of the White Paper on Local Government of 1998. The White Paper identifies the concept of developmental local government which, in turn, recognises local government as the main agent responsible for ensuring community participation in the process of improving the social, economic, and material needs of community members. The developmental local government concept also acknowledges the role of Integrated Development Plans and Local Economic Development within the development process undertaken by local government (Pycroft, 1998). The final phase ended with the start of the December 2000 elections and marked the establishment and stabilisation of all new municipalities (Ramphela, 2003).

Local government's transition through these three phases has been twofold. It has, on the one hand, ended the long transformation process of local government in South Africa, but on the other hand also provided evidence that the democratisation of local government structures did not necessarily equip local government with the needed capability of accomplishing their developmental obligation as set out in section 153 of the final constitution (Pycroft, 1998). The last few years in South Africa have, in fact, been marked by citizens'

discontent with the local government's ability to provide basic services of a good quality and standard. The following section takes a closer look at developmental local government in South Africa.

3.3 THE CHALLENGE OF DEVELOPMENTAL LOCAL GOVERNMENT IN SOUTH AFRICA

3.3.1 Developmental local government in South Africa

The concept of developmental local government in South Africa stems from the White Paper on Local Government which was introduced in 1998. The White Paper on local government (South Africa, 1998:23.) defines developmental local government as:

"Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives."

Developmental local government in South Africa is intended to facilitate a central role in the protection of human rights, meeting the basic needs of, and representing all the communities in South Africa. The White Paper on Local Government (1998) identified municipalities as the main agents to facilitate this central role, and are therefore responsible for driving the process of developmental local government.

The White Paper on Local Government (1998) also sets out four main outcomes developmental local government attempts to achieve:

- The provision of household infrastructure and services,
- The creation of liveable, integrated cities, towns and rural areas,
- Local economic development, and
- Community empowerment and redistribution.

These outcomes provide evidence of local government's shift from a service provider to a broader orientation of local development (Nel, 2001). Since 2000, local development

initiatives undertaken by municipalities have been operationalised through the Municipal Systems Act of 2000. A key element of this Act is the promotion of 'integrated development plans', of which the concept 'local economic development' has become an ever-growing component (Rogerson, 2001b).

An integrated development plan enables national government, provincial government, and other entities to coordinate all their plans into one collective effort at the local level. In South Africa, local government recognises the integrated development plans as a constitutional requirement. Local government also appreciates the integrated development plan's role as a facilitator, able of equipping municipalities with a management tool, optimising their effort to establish economic growth, transformation and development at the local government level (Institute for Democracy in South Africa, 2006). The initial implementation of integrated development plans in South Africa was based on the aim of developing a system that was capable of addressing poor municipal planning and delivery. Municipal planning in the post-apartheid era neglected the development of social and economic aspects, and therefore at that time, only focused on the delivery of sound technical land and infrastructure plans. Today, however, integrated development plans aim to address future local economic development issues, assist municipalities in their developmental orientation, and guide municipalities in their municipal planning process (Abrahams, 2003).

Several integrated development plans in South Africa have identified local economic development as a key strategy through which developmental local government can be achieved and sustained (Abrahams, 2003). According to the Department of Provincial and Local Government (2008), local economic development can be seen as an approach devoted to motivating individuals to work together in an attempt to establish sustainable economic growth and thereby ensuring accompanied economic benefits and the overall improvement of the quality of their lives.

The concept and practice of local economic development in South Africa can be traced back to the apartheid era. However, the expectation that local government officials should pursue and implement local economic development only dates back to the year 2000. Nearing the end of the year 2000, South Africa's new government achieved one of its first milestones by ending its initial post-apartheid transition phase through the first and second democratic elections held on 5 December 2000. The second democratic election ensured the African

National Congress party with a second term to govern and initiated a new era of municipal administration that entrusted local government with the responsibility of implementing local economic development (Nel & Binns, 2001).

The implementation of local economic development initiatives in South Africa aims to address the socio-economic problems such as dualism and marginalisation that have been caused by the apartheid era (Trah, 2002). Local economic development as a development strategy attempts to alleviate poverty and promote economic growth (Abrahams, 2003). Binns and Nel (2002) identify the following two perspectives as relevant reflections of local economic development in South Africa:

- Local economic development can encourage employment creation and economic growth through the provision of a framework in which the community and the private sector enter a partnership in which resources can be better managed.
- Local economic development may be regarded as 'subnational action taking place within the context of the local labour market' (Binns & Nel, 2002:13).

For the Department of Provincial and Local Government (2008) local economic development as a programme intends to assist all municipalities in realising their economic potential. Through increased growth, employment creation and development initiatives, the programme also seeks to increase sustainable macro-economic growth.

Based on the above-mentioned context, it is needless to say that local economic development aims to play a key part in the development process of South Africa. In fact, an earlier survey by Nel and Binns (2003) discovered that job creation was steadily increasing in areas where local government officials already initiated the implementation of local economic development programmes. Local economic development in South Africa is however still an experimental development strategy that is accompanied by a slow and rather limited process facing a number of challenges (Nel, 2001).

One of the most common challenges in local economic development is the skills shortage in South Africa. A majority of local municipalities are situated in remote rural areas, and are therefore in most cases staffed by local economic development officers who lack the required skills and capacity to implement local economic development processes. Qualified development practitioners tend to exchange their rural jobs for those in urban areas.

Municipalities in urban areas generally attract more investment and are therefore able to afford higher salaries (Trah, 2002). Another major area of concern has been the large number of local economic development concepts. For several years South African practitioners have faced different interpretations of local economic development. Local economic development practitioners have mainly been confused by the terms pro-poor LED and pro-growth LED which in many instances has resulted in the ineffective implementation of local economic development processes (Abrahams, 2003).

The Department of Provincial and Local government in South Africa has however in reaction to the confusion published a national framework for local economic development on the 15th of August 2006. The national framework of local economic development provides municipalities, provinces, national government, state-owned enterprises and the communities with a guide that sets out to explain the context of local economic development and lays down the pathway of integrated government action through which sustainable local economies are developed. The national framework associates local economic development closely to that of local developmental government. This assumption is based on the constitutional debates that have since 1995 put forward the idea of proactive municipalities. Local economic development is also identified as one of the five key performance areas within the framework: These key performance areas include: Municipal transformation and organisational development, basic service delivery, municipal financial viability and management, good governance and public participation, and local economic development (Department of Provincial and Local Government, 2006).

3.3.2 Developmental local government challenges

The South African government must be given recognition for the large scale investment it has made in housing and infrastructure. The decentralisation of the education, health, and grant system by government, has also been very beneficial to the poor. Government has also been able to keep up with increasing service demands, and special acknowledgment must be directed towards government efforts, currently initiating urban reconstruction (Parnell, 2004).

- Recognising developmental challenges in South Africa despite social service progression is, however, also in order (Parnell, 2004). Atkinson (2002) identifies

the following three generational issues as phases through which South Africa's development process has progressed:

- “First Generation Issues”. These issues originated between 1995 and 1998 and were mainly concerned with the Local Government Transition Act. During this period no formal example of municipal capacity existed, which resulted in each municipality adopting a different style of functioning. For government this period was purely transitional, and municipalities were branded as “Transitional Local Councils”.
- “Second Generation Issues”. These issues were integrated in the White Paper of Local Government in 1998. During this phase, key debates were held on the definition of the word “constitutional provision”. The phase was also characterized by normative questions, the development of local government's formal vision, and the formulation of the term “developmental local government”. Both the Municipal Structures and Municipal Systems acts were also drafted during this period.
- “Third Generation Issues”. These are all the issues that have originated since January 2001. These third generation issues are primarily concerned with the framework of the White Paper on Local Government. Third generation issues are therefore interested in the following municipal aspects: development policies and programmes, development style and functioning, and the execution of activities (e.g. public participation and integrated planning).

Referring back to the concept which stated that developmental local government in South Africa gains its recognition from the White Paper on Local Government (1998) one is able to draw a direct connection between Atkinson's (2002) third generation issues and developmental local government challenges. This connection is based on the fact that developmental local government and Atkinson's third generation issues are both concerned and entrenched within The White Paper on Local Government (1998). Within this context, developmental local government challenges are therefore in this study identified as challenges manifested within strategies and processes aimed at driving the process of developmental local government in South Africa. Based on the structure of Mogale's (2005) progress report, the following developmental local government strategies and processes with accompanied challenges are identified:

3.3.2.1 DECENTRALIZATION

Since 1994 South Africa's new government has embarked on a strategy of decentralization. The strategy dictates that local government pursue public private partnerships whilst obeying the rules of popular principles (Niksic, 2004). As its biggest challenge developmental local government in South Africa has the responsibility of ensuring a concurrent relationship between decentralization and efforts aimed at mobilizing and strengthening the processes, structures, and institutions within civil society at the local level. The aim behind this is the establishment of an interactive sub-national government that is able to share the responsibility of poverty alleviation (Mogale, 2005).

3.3.2.2 COMMUNITY PARTICIPATION

Another key concept of developmental local government in South Africa is the process of community participation. Community participation under the Municipal Systems Act of 2000 forms a key part of development within Integrated Development Plans. Community participation plays a prominent role in all the different sectors of local development, for example education, conservation, water and sanitation, and housing and can therefore be utilized as a promotional tool for enhancing the process of democracy on a daily basis (MacKay, 2004). Developmental local government in the context of "community participation" currently faces the challenge of developing and strengthening the local democratic culture of community participation in South Africa. By overcoming this challenge, developmental local government will be able to lay down the foundation of accountability and therefore ensure a pathway on which pro poor development outcomes can be achieved and driven (Mogale, 2005).

3.3.2.3 INTEGRATED DEVELOPMENT PLANS

Integrated Development Plans as mentioned earlier in this chapter, play an important part within in the developmental local government process of South Africa. Integrated Development Plans are handy tools capable of integrating community needs with that of municipal goals. If successful, these Integrated Development Plans ensure neighbourhood integration and the effective distribution of goods and services.

However as with any plan, Integrated Development Plans still have a number of challenges to overcome. The apartheid legacy of segregation has led to the establishment of a number of new municipalities in areas where development did not exist. These new municipalities have budgetary deficits while carrying out their responsibility of reducing housing backlogs, transitional constraints, and unemployment levels. New municipalities are also associated with the appointment of new municipal staff members. Newly appointed officials and councillors are facing a balancing act. They have to balance their political commitment with the responsibility of driving the transformation process. Municipal Officials and councillors are therefore in most instances overwhelmed by legal, institutional, and technically complex constraints which lead to the appointment of consultants that may undermine the needs of communities and therefore the development objectives of local government. Property owners and developers have also met the Integrated Development Plans with much disagreement. They feel that the integration of poor and rich neighbourhoods will undermine certain economic principles and lead to a depreciation of their property values (Mogale, 2005).

3.3.2.4 MUNICIPAL SERVICE DELIVERY

Service delivery plays a prominent role in developmental local government. Through effective service provision, local government is able to simultaneously address unacceptable poverty levels and uplift the lives of the unfortunate poor. Many communities are in most instances currently characterized by large infrastructure backlogs, wide spread economic resources, high poverty levels, and therefore characteristics that make the process of service delivery a daunting challenge at the local level.

Service delivery is also associated with the challenge of cost recovery. By fixing their rates and service delivery charges, municipalities actually promote the exclusion of poor communities. Municipalities also face the challenge of putting back some integrity within the service provision system. For some time government has promised the delivery of essential services to the poor. However, a lack of it has damaged the trust of poor communities (Mogale, 2005).

3.3.2.5 ECONOMIC DEVELOPMENT

Based on the concept that economic growth leads to increased job opportunities which in turn reduces poverty, local government as mentioned earlier in the chapter has been

mandated by the White Paper on Local Government to implement local economic development processes. When implementing local economic development processes municipalities do however face the impact of globalization, and the “deepening divisions of core and periphery skilled and unskilled and disadvantaged.” (Mogale, 2005:142.) Although local economic development aims to develop conditions conducive to investment, it should be remembered that “recruitment and retention is neither cheap nor guaranteed of achieving desired outcomes.” (Mogale, 2005:142.) Literature based on the South African context has also indicated that local economic development has in most instances been over ambiguous while utilising scarce resources which only results in unsatisfactory job creation. A good example is that of Stutterheim in the Eastern Cape, where local economic development was successful in the promotion of participative entrepreneurial activities however unsuccessful when it came to poverty eradication. Municipal officials also struggle to grasp the concept that poverty and vulnerability can only be reduced through structured and monitored strategies (Mogale, 2005).

3.4 THE SUCCESSES AND FAILURES OF DELIVERY

The creation and management of institutions remains a major challenge for the South African government. These are institutions that are capable of delivering services that contribute to the overall wellbeing of human life (Kroukamp, 2007). Such services are of utmost importance to South Africa, as they hold the key to poverty alleviation. Services such as housing, water and sanitation have the capability to improve the burdens of neediness in the shorter term and in the longer term are an investment in the improvement of education and health care (Burger, 2005). The developmental role of providing citizens with the necessary basic goods and services, accompanied by a developing local environment is however the responsibility of local government.

In South Africa municipalities have been identified by local government as the main institutions responsible for service provision. According to the Constitution of the Bill of Rights (1996), all citizens of South Africa have in fact the right to the following services:

HOUSING

- All citizens of South Africa have the right to have access to adequate housing.

- The South African government must take the necessary measures required to realise these rights.
- No body's home may be demolished, nor may any person be removed from their home.

HEALTH CARE, FOOD, WATER, AND SOCIAL SECURITY

- All South African citizens are entitled to have access to:
 - a. Health care services, including health care,
 - b. Sufficient food and water, and
 - c. Social security and access to social assistance where a South African citizen is not in a condition to support himself or a dependant.
 - * The South African government must take the necessary measures required to realise these rights.
 - * No citizen may be refused to have access to medical treatment.

Research on basic service delivery has mainly been undertaken by regional planners, economic geographers and economists. Academic literature on basic service delivery is broad and studies have in most instances utilized one of five approaches.

The first approach includes studies which have a developmental orientation. These studies are conducted on a sub-national level and can only be indirectly linked to local government. The main focus of these studies is centred around issues on a provincial and local level and includes topics on manufacturing, poverty and inequality, agriculture, infrastructure and tourism. On the topic of infrastructure, Le Roux Booysen (2003a) has examined the discrepancy in reconstruction and development at a provincial level. He compared urban and rural provinces and established that urban provinces enjoyed a greater advantage when improving secondary education, delivering infrastructure, and facilitating demographic transition. Smith and Hanson (2003) examined the access to water by the poor and the accompanying development problems in Cape Town. Their findings suggest that widespread water cut-offs and the variation of service delivery in different areas can be ascribed to the "basic needs" approach and commercialisation. In their study, Marais and Krige (2000)

examine the delivery of houses in the Free State Province. Marais and Krige (2000) emphasise the link between “delivery” and spatial issues and find that most cities in the province face investment shortages. The study also provides evidence of a decline in the majority of low income beneficiaries to receive a housing subsidiary. Harrison, Huchzermeyer and Mayekiso (2003) published a range of papers under the topic of housing and urban development. Their papers explore the fragmentation in urban areas in post-apartheid South Africa and their work covers a range of aspects ranging from integrated urban development, to housing, to planning approaches, and HIV/Aids.

The second approach of studies includes research focused on demographics and employment, poverty, and inequality issues. Through the examination of South Africa’s set of national household survey data, Posel (2003) discovers that questions of labour migration have received too little attention in recent revisions of surveys. Adding to her work, Posel (2004) has also examined migration patterns in post apartheid South Africa. Her findings on migration patterns in the post apartheid era suggest that a rise in female migration has lead to an increase in the temporary internal labour migration. Oosthuizen and Niewoudt (2003) who have based their study on the Western Cape have discovered that the disadvantaged have low levels of education and find themselves in urban areas in relatively large families that are in most cases headed by woman. Cornwall and Inder (2004) in their study focused their efforts on rural-urban migrants in which they found that rural-urban migrants had a relative good success rate of securing a job.

The third approach consists of studies that raise the issues of urban-rural division. Le Roux Booyesen (2003b), for example, finds that the rural poor face a major disadvantage in the area of health care access.

For the fourth approach, it is possible to group together a number of studies that has focused on cities. The basis of these studies includes areas of urban vulnerability (Nomdo & Coetzee, 2002), social justice (Visser, 2001), urban empowerment (Lotter, 2002), quality of life (Moller, 2001a, 2001b; Moller & Devey, 2003) and poverty (Rogerson, 2001a). Studies that focus on planning and management issues within cities can also be added to this fourth approach of literature. For example, Buthelezi and Dollery (2004) provided an exploratory analysis of local government failure, and Cameron and Sewell (2003) looked at performance management in the Cape Town municipality.

The fifth approach is based on studies that have examined fiscal decentralisation and local economic development initiatives out of a local government perspective. The studies that have focused on fiscal decentralization have incorporated decisions made on public economic perspectives and challenges faced by provinces and local government in South Africa. In his study Niksic (2004) has examined local government's perspective of the decentralization strategy, while Ntsebeza (2004) has attempted to identify the main challenges within traditional authorities and land administration. Bell & Bowman (2002) have also published a range of articles on decentralisation entitled "Property taxes in South Africa. These articles out of a sub-national view focus on the financial side of decentralization, specifically local property taxes.

In the area of local economic development, studies have focused their attention on South African local economic development initiatives and integrated development planning processes. Nel has been a pioneer in this field and has provided a review and assessment of the status of LED initiatives (Nel, 2001), reviewed the policy and legal developments (Nel & Binns, 2001) and provided three case studies of the LED and IDP processes (Binns & Nel, 2002). Nel has recently also published his work in a book entitled "Local economic development in a developing world" (Nel & Rogerson, 2005). Together with Binns, Nel shows how developmental local government is practised in towns and cities in South Africa. The book also comprises Rogerson's work who, on his part, discusses inner-city revitalisation and the case of the Johannesburg clothing industry. Nel also outlines development in Midrand and reviews local economic development in small towns.

The provision of services to all citizens by municipalities has often not lived up to its expectation in the last fourteen years of democracy. This has been emphasised through the thousands of protests that have taken place throughout the landscape of South Africa on the lack of service delivery (Du Plessis, 2007). These protests have mainly manifested themselves in the North West, Eastern Cape and Limpopo Province (Mateza, 2007). Case studies of local protests by Botes, Lenka, Marais, Matebesi & Sigenu (2007), subscribe the protests to the following key reasons:

- *Poor governance:* Municipal managers and municipal officials have lacked the required decision making and direction to effectively deliver services.

- *Poor communication:* At local government level there have been ward committees that have been excluding the participation of local citizens rather than promoting their participation.
- *Ineffective client interface:* First off, many local government officials have been arrogant towards citizens during contact sessions, resulting in conflict between the two parties. There is also no complaints management system in place on behalf of the local government in order to capture complaints of local citizens. There also seems to be no effective system in place to evaluate service delivery.
- *Ineffective management:* Currently local government has also experienced a lack of general management, poor financial management and ineffective technical management.
- *Housing administration and management:* This has in most cases formed the core of protests in South African provinces due to poor housing administration and a lack of housing delivery.
- *A lack of appropriate youth development:* Young people of South Africa have been leading protests due to an urgent need of effective youth development programmes at local government level. This is mainly due to young people that feel that although they have obtained education they still can't participate in our new economy (Botes, Lenka, Marais, Matebesi & Sigenu, 2007).

3.5 CONCLUSION

In the context of globalisation, poverty and developmental local government, this chapter has provided a broad picture of local government in South Africa.

In 1994 the African National Congress was elected as the first democratic governing party. From 1994 the African National Congress adopted several new policies and established institutions supportive of local government transformation. To help rectify the apartheid injustices, the local government transition process provided municipalities with a well formulated framework that set out their functions and responsibilities (Nyalunga, 2006). This transition process has, however, been twofold. It has, on the one hand, ended the long transformation process, but on the other hand also provided evidence that the democratisation of local government structures has not equipped local government with the needed capability of accomplishing its developmental obligation.

Local government's developmental role is set out in The White Paper on Local Government (1998:23), and is defined as:

'Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs'.

Local development initiatives have mainly been operationalised through The Municipal Systems Act of 2000. A key element of this act is the promotion of 'Integrated Development Plans' of which 'local economic development' has become an ever-growing component (Rogerson, 2001).

An Integrated Development Plan enables national, provincial and local government to coordinate all their plans together (Trah, 2002). The conceptualisation and implementation of local economic development initiatives aim to address socio-economic problems that have been caused by the apartheid era (Nel & Binns, 2001).

Up until now, the implementation of new policies, institutions and local government's developmental role by the African National Congress has, however, not equipped municipalities to the full extent of delivering the required services to all citizens as stipulated by The Constitution of The Bill of Rights (1996). In fact, thousands of protests about the lack of service delivery have taken place in South Africa (Du Plessis, 2007). These protests can

mainly be ascribed to poor governance and communication, ineffective client interface and management, poor housing administration and management, and a lack of youth development.

In the context of poor service delivery, the following chapter consists of a case study on business perceptions of the quality of service delivery in the Matlosana region.

CHAPTER 4

CASE STUDY: BUSINESS PERCEPTIONS OF THE QUALITY OF LOCAL INSTITUTIONS

4.1 INTRODUCTION

According to Berry (2002), since 1994 the newly elected democratic government of South Africa has implemented a range of new policies that have the potential of creating an environment filled with good economic growth prospects. Although these policies are implemented with the intension of creating and sustaining economic growth, it is a widely known fact that economic growth in itself does not hold the key to reduce poverty and income inequality. There are a range of different determinants that contribute to economic growth, particularly the important role of institutions, which was emphasized in chapter 2. Chapter 3 also highlighted the fact that local institutions in South Africa have key responsibilities. Local government has the task of playing a developmental role in South Africa, a role achieved through the provision of basic services to all citizens.

Chapter 3 outlined a number of service delivery issues that still acquire prompt attention. To a certain extent this is a cause for concern, as South African citizens are entering their 15th year of democracy. However, an even greater concern is that little if any research has attempted to capture the perceptions of businesses of the provision of basic services by local government. Businesses are a major beneficiary of local government services and therefore rely on the prompt and efficient delivery of services in their endeavour to flourish and help build a better and sustainable economy.

This chapter sets out to evaluate the perceptions of businesses of the quality of municipal service delivery in the Matlosana region and is structured as follows: section 2 gives a brief overview of literature on the measurement of quality, section 3 consists of the questionnaire and sample, section 4 illustrates and assesses the results, and section 5 concludes the chapter with a summary.

4.2 MEASUREMENT OF QUALITY

Measuring the quality of a service is quite complicated when compared to measuring the quality of goods. Goods have physical characteristics such as defects and durability that can be assessed. The quality of a service does not, however, possess any objective measures (Parasuraman, Zeithaml and Berry, 1988).

In the absence of a method that is cable of accessing the quality of a service, Parasuraman, Zeithaml and Berry (1988) developed a quantitative multi-item scale called SERVQUAL that is able to measure the perception of consumers of a firm's services. SERVQUAL consists of a 22 item scale which uses five dimensions to measure the quality of a service. According to Rowley (1998), these five dimensions include:

- *Tangibles*: physical facilities, equipment, appearance of personnel.
- *Reliability*: ability to perform the promised service, along with dependability and accuracy.
- *Responsiveness*: willingness to help customers, and provide prompt service.
- *Assurance*: knowing customer wants, and being courteous and able to inspire confidence.
- *Empathy*: caring individual attention.

Parasuraman, Zeithaml, and Berry (1988) however do caution that although SERVQUAL only consist of these five dimensions, these dimensions still capture the following original dimensions, namely:

- Communication
- Credibility
- Security
- Competence

- Courtesy
- Understanding
- Access

According to Parasuraman, Zeithaml and Berry (1988) SERVQUAL's main function can be seen as a multi-item scale which is capable of analysing service expectations and perceptions of consumers with good, reliable and valid results. According to Fedoroff (s.a.) the results obtained for a specific firm are compared to that of an 'excellent' firm, in other words a gap analysis is performed in which a firm's service quality performance is compared to that of the needs or expectations of the specific consumer group. Other applications of SERVQUAL as proposed by Parasuraman, Zeithaml and Berry (1988) include:

- Service quality trend tracking.
- Utilizing SERVQUAL in conjunction with other service quality measurements, e.g. an employee survey.
- Assessing a firm's quality for each of SERVQUAL's five dimensions.
- An average overall statistic that sums up the performance across all five dimensions.
- The relative importance of the five dimensions in the overall quality of a customer's perception.
- SERVQUAL can be utilized for categorizing a firm's customers into different segments of perceived quality. These segments can then be further analysed on the basis of (1) demographic, physiographic, and other profiles, (2) the five-dimension influence on the perception of service quality, (3) and the reasons for the reported perceptions.
- SERVQUAL provides a company with chain stores the opportunity to track the individual level of service for each chain store.

- SERVQUAL also provides the option of comparing the level of a company's service with that of its competitor.

SERVQUAL mainly works on the basis of asking each customer a series of questions on each of the five dimensions. This is normally achieved through a sample survey which has the goal of establishing the main needs of the target customer group. The objective behind the series of questions for each dimension is intended to determine each attribute's level of importance, performance expectation of a firm as measured against the 'excellent' firm, and an individual measure of performance for the firm. This should then result in the assessment that provides a ranking of the importance of service criteria and the gap between the firm's actual and desired performance (Fedoroff, s.a.).

Although it seems that SERVQUAL has a number of benefits and usages, Fedoroff (s.a.) is of the opinion that a number of researchers still doubt the validity of SERVQUAL. He finds that a number of researchers find the use of difference scores in calculating SERVQUAL to be problematic, and that SERVQUAL scores should be used with caution. However, a large number of firms have and still utilize SERVQUAL in the service industry. These firms are of the opinion that SERVQUAL as a tool is capable of capturing well-documented customer needs, whilst remaining stable and accurate during market surveys.

The case study of this chapter is based on the businesses perceptions of local government service delivery in the Matlosana region. As with SERVQUAL, this study makes use of a survey. The following section explains the questionnaire and the composition of the survey.

4.3 THE QUESTIONNAIRE AND SAMPLE

This section consists of two sub-sections. Sub-section 1 gives a brief overview of the questionnaire, and sub-section 2 describes the composition of the sample.

4.3.1 Questionnaire

The aim of the questionnaire is to capture the businesses' perceptions of the quality of services rendered by local government. The questionnaire was setup during the months of

June and July of 2008. A copy of the questionnaire can be seen in annexure A. During the set-up period the questionnaire was circulated among business owners and municipal officials outside the geographical survey area for comments and suggestions. The formulation of questions within the questionnaire is based on distinguishing efficiency and quality of a service delivered. The questions are aimed at measuring only short-term effects, in other words 2008 perceptions and not the long-term perception of a business on service delivery. The questionnaire contains five different sections of questions, with each section measuring different aspects of service delivery. Sections include:

- *General section:* questions determine the form and regularity of contact by a business with the municipality. The overall perception of the efficiency and quality of municipal service delivery is also captured.
- *Service delivery section:* questions measure the 2008 perception of a business of all the aspects of the three basic services: electricity, water, and solid waste removal. A 1-6 scale is introduced with 1 representing 'completely dissatisfied', 5 being 'completely satisfied', and 6 representing 'not applicable'. Service delivery aspects range from the quality of the basic service rendered, and the reliability of access to the basic service, to the issuing and correctness of the accounts for the basic service.
- *Regulation functions section:* questions measure the 2008 perception of a business of all the aspects of the municipality's regulatory functions. A 1-5 scale together with a not-applicable option is introduced. 1 represents completely dissatisfied and 5 completely satisfied. Municipal regulatory aspects range from the clarity of trading regulation, to the ease of the application process, to the control of street trading.
- *Zoning and building regulations functions section:* questions measure the 2008 perception of a business of all the aspects of the municipality's zoning and building regulations functions. A 1-5 scale, together with a not applicable option, is introduced. 1 represents completely dissatisfied and 5 completely satisfied. Municipal zoning and building regulation functions range from the quality of building control, and the efficiency of the approval of building plans, to the transparency of the enforcement of regulations.

- *Local economic development section:* questions measure the 2008 perception of a business of all the aspects of the municipality's local economic development functions. A 1-5 scale, together with a not- applicable option, is introduced. 1 represents completely dissatisfied and 5 completely satisfied. Local economic development initiative aspects range from the consultation of local businesses through meetings, and communication of initiatives, to the follow-up with local businesses throughout implementation.
- *Firm characteristics section:* to analyze the data, the final sets of questions determine some firm information. Questions capture the number of years the firm has done business in the area, the number of full-time employees, and the sector in which the firm conducts its business.

4.3.2 Sample

The geographical survey area is based in the Matlosana region. The Matlosana region comprises four towns, namely: Klerksdorp, Potchefstroom, Orkney, and Stilfontein. The representative chamber of business for the Matlosana region is the Wesvaal Chamber of Business from which a list of businesses' contact details was obtained. One hundred and twenty one businesses representatives from the list were phoned. Business representatives where either the manager or owner of the business. The phone calls to the businesses representative consisted of a brief introduction to the study and what it attempts to achieve. After the introduction, the business representative was asked if he/she would like to participate in the survey and if so, the representative had to indicate whether he/she would like to receive a copy of the questionnaire by fax or e-mail. One follow-up session was utilized in which businesses that had not responded were reminded of the questionnaire. A small number of business representatives who were not reachable due to various reasons in the first contact session, were also contacted and introduced to the survey in the follow-up session. An additional 24 businesses that have not joined the Wesvaal Chamber of Business were also introduced to the survey on a door-to-door basis in Potchefstroom.

A total of a 109 questionnaires were sent out by fax or e-mail depending on the respondent's choice of method. An additional 22 questionnaires were handed out during the door-to-door visit conducted in Potchefstroom, bringing the final total of circulated questionnaires to 131. If

completed, respondents had the choice of either faxing or e-mailing the completed questionnaire. Respondents were assured that their information would be treated confidentially and had the option of obtaining a copy of the results by separate e-mail or fax. A total of 47 questionnaires were received back, which entails a response rate of 35%.

4.4 RESULTS

This section consists of the results that were obtained from the questionnaire and is divided into another six sub-sections. The first five sub-sections report and explain the results for each question in the questionnaire. Each of the first five sub-sections corresponds with the questionnaire format, as set out in section 4.3.1. A final sixth section is also added in which the results obtained from cross-tabulations are reproduced and explained. All the data analyses were done using SPSS.

4.4.1 General business perceptions of municipal service delivery

This sections aims to capture some general perceptions of businesses of municipal service delivery. In the first question, respondents had to indicate their regularity of contact with their municipality.

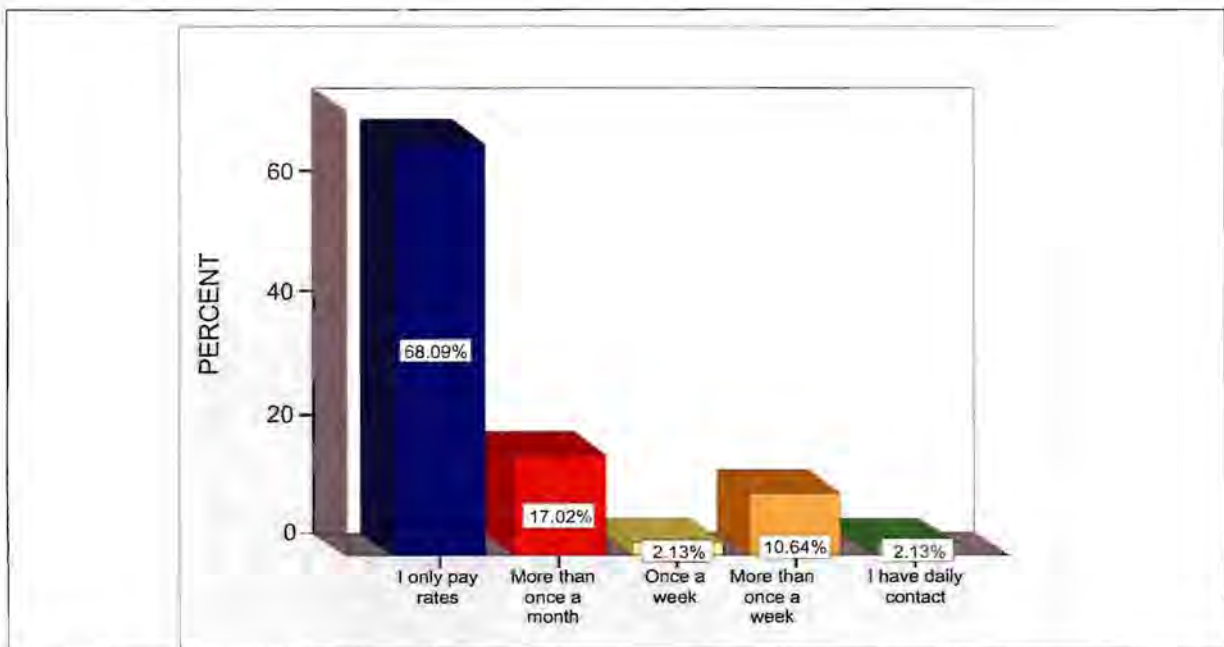


FIGURE 4.1 How often do you have anything to do with the local municipality?

Figure 4.1 shows that most businesses (68,09%) only pay their rates at their local municipality, 17,02% of businesses engage with their municipality more than once a month, 2,13% once a week, 10,64% more than once a week, and only 2,13% of businesses have daily contact.

Secondly, businesses had to identify the form of contact when engaging with their municipality. Businesses also had the option of choosing more than one of the relevant options.

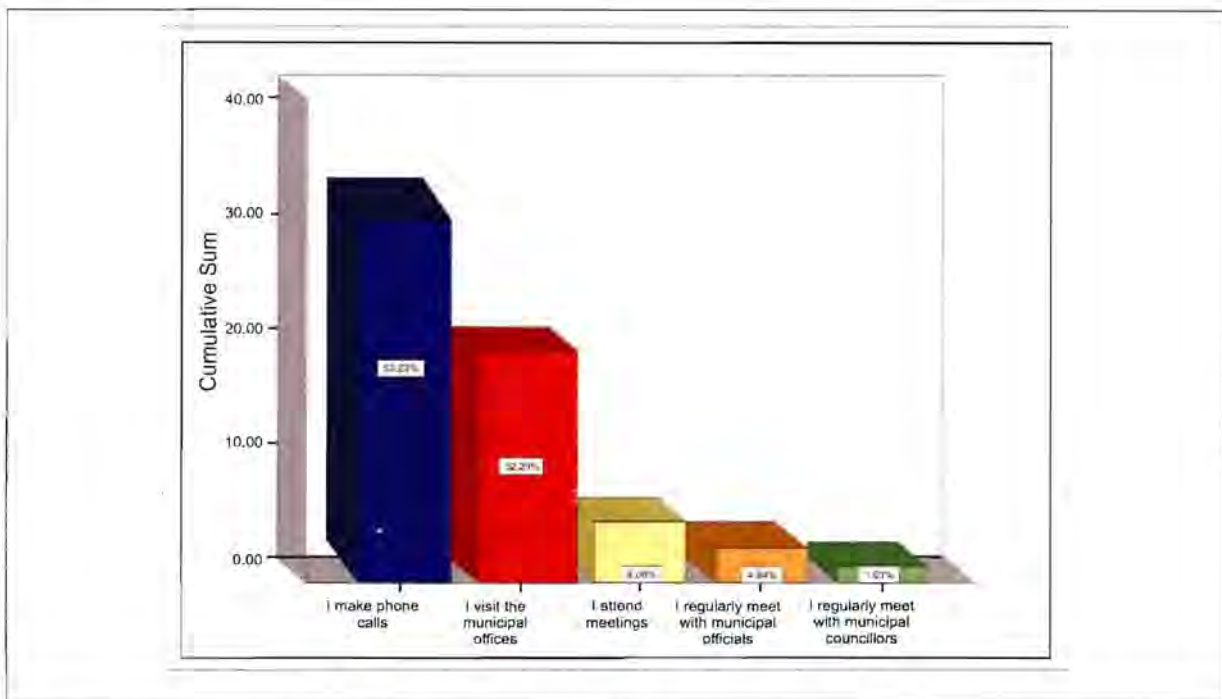


FIGURE 4.2 When you do engage with the local municipality, what form does that take?

Figure 4.2 indicates that most businesses (50,29%) contact the municipality by phone, and 32,28% percent visit the municipal offices. This high percentage can be ascribed to businesses that opt to pay their accounts at the municipality. Only 8,06% attend meetings, 4,84% regularly meet with municipal officials, and 1,61% meet with municipal councillors.

The third and fourth questions made a distinction between the businesses' overall perception of the efficiency and quality of municipal service delivery. It is important to make a clear distinction between efficiency and quality as they measure two totally distinct aspects. For

example, a business may be satisfied with the quality of water he receives, but is, however, dissatisfied with interruptions in the water supply (i.e. efficiency of water supply). The third question determined overall quality, and the fourth question overall efficiency of municipal service delivery.

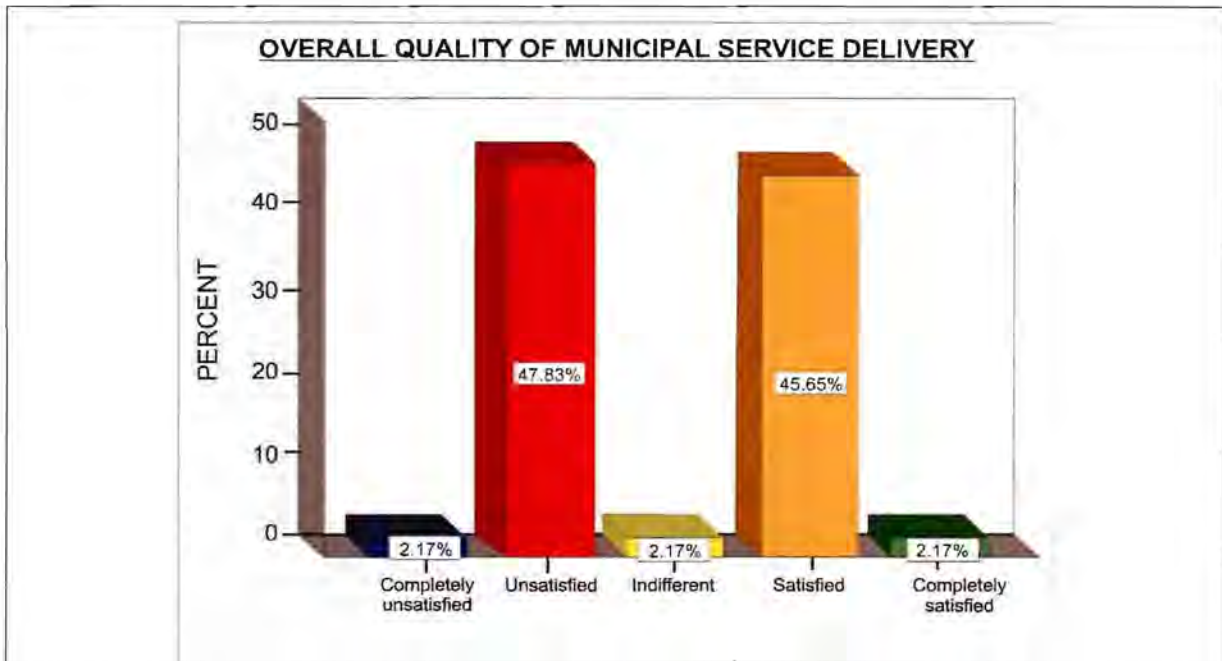


FIGURE 4.3 What is your overall perception of the quality of service delivery by the local municipality?

Figure 4.3 shows two distinct groups of businesses. One group (47,83%) of businesses who are dissatisfied and the other group (45,65%) of business that are satisfied with the overall quality of municipal service delivery. There are also three distinct smaller groups (2,17%) of businesses who are completely dissatisfied, indifferent, and completely satisfied with the quality of municipal service delivery.

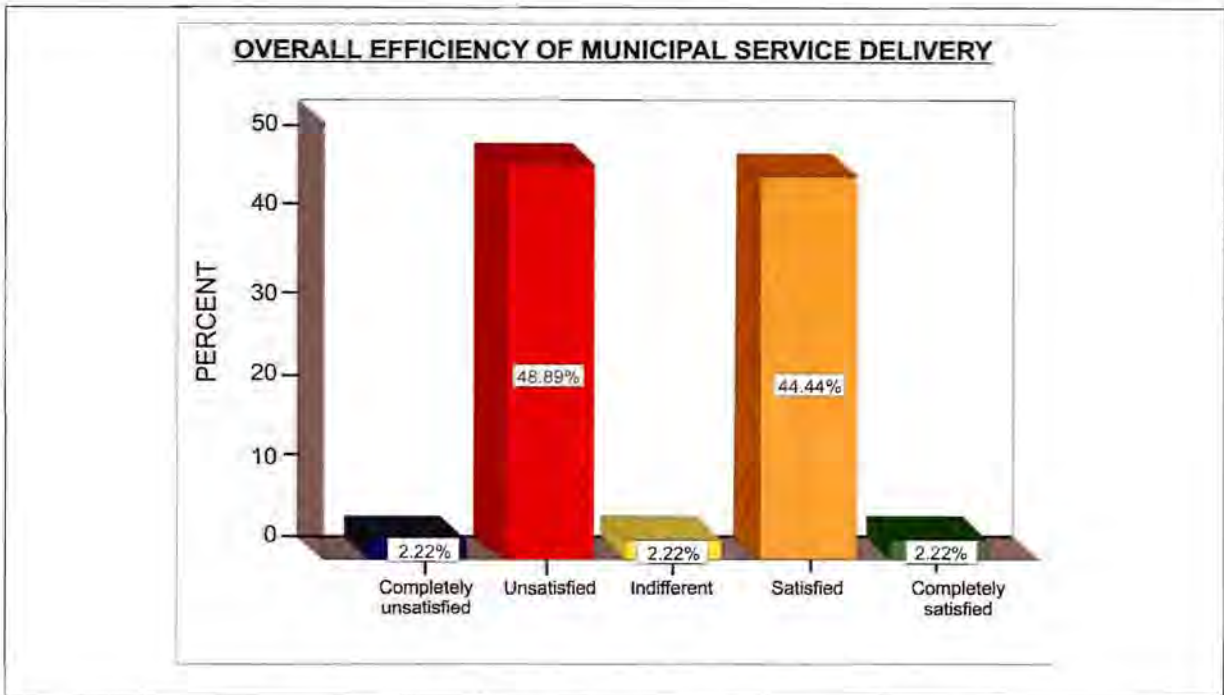


FIGURE 4.4 What is your overall perception of the efficiency of service delivery by the local municipality?

Figure 4.4 shows yet again two distinct groups of businesses, 48,89% that are dissatisfied and 44,44% of businesses that are satisfied with the overall efficiency of municipal service delivery; 2,22% of businesses are either completely dissatisfied, indifferent, or completely satisfied with the efficiency of municipal service delivery.

4.4.2 Business perceptions of municipal basic service delivery

This section sets out the results of the perceptions of businesses on the basic services that are delivered by local municipalities. Businesses had to evaluate five underlying aspects of the three types of basic services they receive on a regular basis. These underlying aspects included the quality, the efficiency of the extension of connections, reliability of access, the efficiency of repairs of faults, and the issuing and correctness of electricity, water, and solid waste removal accounts. A 1-6 scale was introduced where 1 represented completely dissatisfied, 3 indifferent, 5 completely satisfied, and 6 not applicable. Table 4.1, 4.2, and 4.3 summarize the main perceptions of businesses of the three basic services.

TABLE 4.1: Percentage of respondents who are 'completely satisfied' and 'satisfied' with the underlying aspects of electricity, water, and solid waste removal.

Basic services	Electricity	Water	Solid waste removal
The quality of the service rendered?	75.55%	75.00%	83.70%
The efficiency of the extension of connections?	71.43%	58.82%	
Reliability of access?	70.45%	69.77%	75.00%
The efficiency of repairs of faults?	71.77%	66.66%	
The issuing and correctness of accounts?	65.91%	68.18%	76.19%

TABLE 4.2: Percentage of respondents who are 'completely dissatisfied' and 'dissatisfied' with the underlying aspects of electricity, water, and solid waste removal.

Basic services	Electricity	Water	Solid waste removal
The quality of the service rendered?	22.22%	20.45%	13.96%
The efficiency of the extension of connections?	25.71%	38.23%	
Reliability of access?	27.27%	27.89%	20.00%
The efficiency of repairs of faults?	25.64%	28.20%	
The issuing and correctness of accounts?	29.54%	29.54%	19.05%

TABLE 4.3: PERCENTAGE OF RESPONDENT'S WHO ARE 'INDIFFERENT' ABOUT THE UNDERLYING ASPECTS OF ELECTRICITY, WATER, AND SOLID WASTE REMOVAL.

Basic services	Electricity	Water	Solid waste removal
The quality of the service rendered?	2.22%	4.59%	2.33%
The efficiency of the extension of connections?	2.86%	2.94%	
Reliability of access?	2.27%	2.33%	5.00%
The efficiency of repairs of faults?	2.56%	5.13%	
The issuing and correctness of accounts?	4.55%	2.27%	4.76%

The percentages obtained in table 4.1 and 4.2 are two added percentages. For example, the percentage of respondents who are completely satisfied and just satisfied with the reliability of access to electricity were added up to give a overall 'satisfied' percentage for the reliability of access to electricity. In summary table 4.1, 4.2, and 4.3 suggest that businesses are in general satisfied with the quality, the efficiency of the extension of connections, reliability of access, the efficiency of repairs of faults, and the issuing and correctness of electricity, water, and solid waste removal accounts. This is reflected by the high percentage of business respondents in table 4.1 that are satisfied and the low percentage of business respondents in table 4.2 that are dissatisfied.

4.4.3 Business perceptions of the regulation functions of municipalities

Together with basic service provision, municipalities also have to fulfill a regulatory function towards local businesses. The third section of the questionnaire aimed to capture the perception of businesses on two main regulatory roles that municipalities have to execute. These two roles include municipalities trading and building and zoning regulations accompanied by a number of underlying aspects. The first question on trading regulations

attempted to capture the perceptions of businesses on the clarity of trading regulations. Figure 4.5 shows the results.

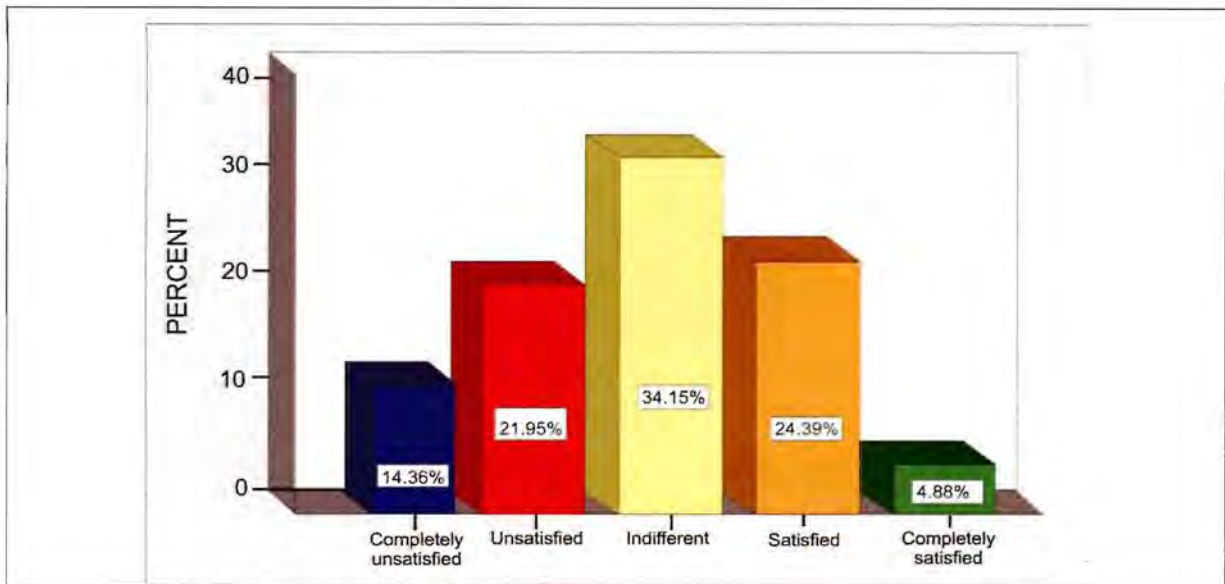


FIGURE 4.5 What is your overall perception of the clarity of trading regulations?

Figure 4.5 shows that a large majority (34.15%) of business respondents are 'indifferent' about the clarity of trading regulations; 21.95% of the respondents on the other hand, are dissatisfied and 24.39% are satisfied with the clarity of trading regulations.

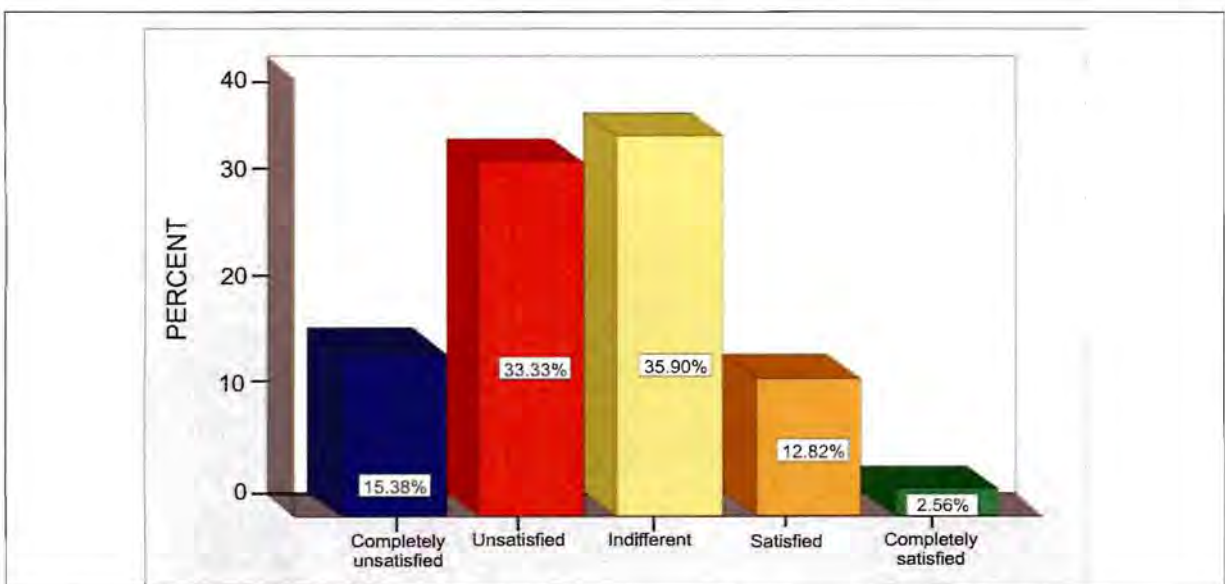


FIGURE 4.6 What is your overall perception of the consultation in the formulation of trading regulations?

Figure 4.6 as in figure 4.5 again shows a large majority (35.9%) of business respondents that are 'indifferent' about the consultation in the formulation of trading regulations. It is important to note, however, that 33.33% of respondents are 'dissatisfied' with the consultation, with 15.38% being 'completely dissatisfied'. This would suggest that a large majority of businesses have not been sufficiently engaged by their local municipality to provide an input into the formulation of trading regulations.

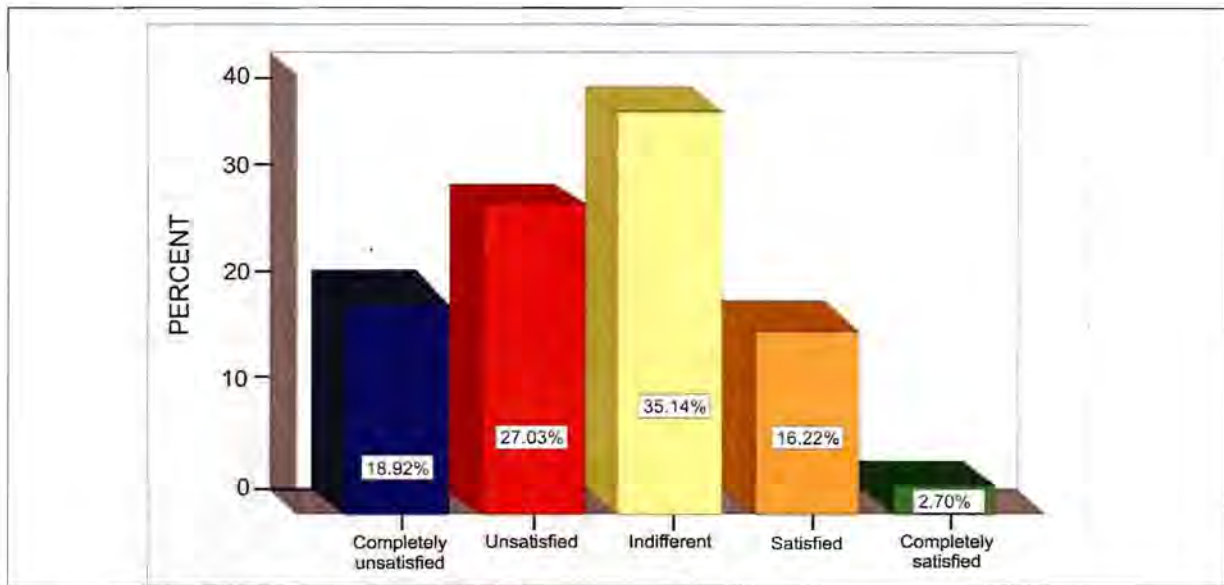


FIGURE 4.7: Is your overall perception of the ease of the trading application process?

Figure 4.7 indicates that 27.03% of business respondents are 'dissatisfied' with the ease of the trading application process, 18.92% of respondents are 'completely dissatisfied' and only 16.22% are 'satisfied'. These results point to the fact that the trading application process is somewhat complicated, and that municipalities should consider reviewing it.

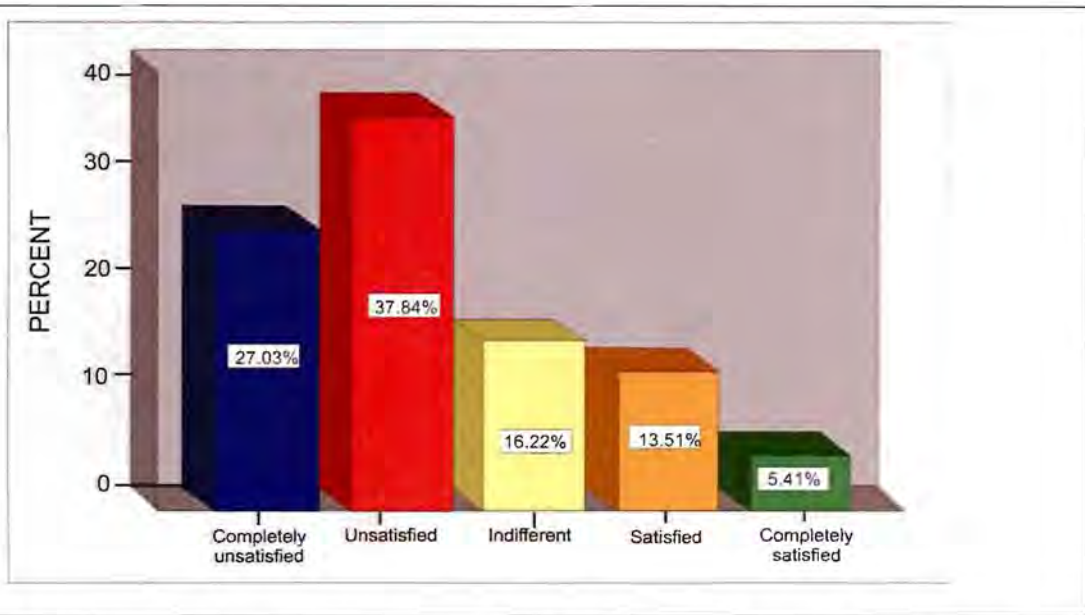


FIGURE 4.8: What is your overall perception of the time involved in the trading application process?

Figure 4.8 shows that a large majority (37.84%) of business respondents are 'dissatisfied' with the time of the trading application process. Another large majority (27.03%) are 'completely dissatisfied' while only 13.51% of respondents are 'satisfied' and 5.41% are 'completely satisfied'. Not only is the trading application process difficult, but it is also time consuming. This is cause for concern for businesses that operate in an environment where time is money.

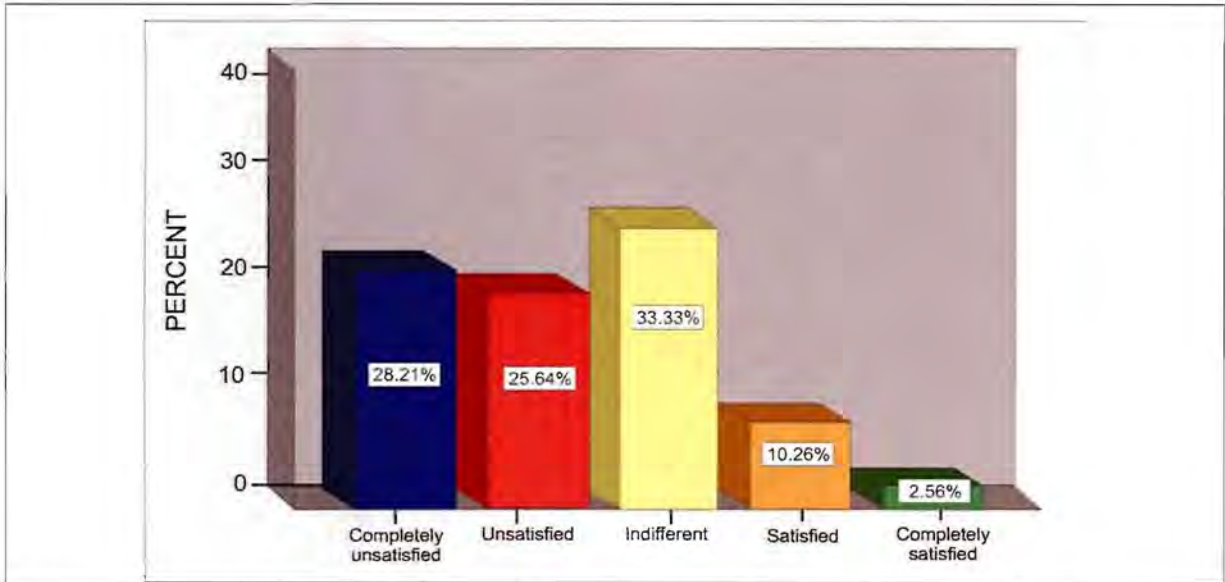


FIGURE 4.9: What is your overall perception of the transparency of the enforcement of trading regulation?

Though municipalities formulate trading regulations, figure 4.9 suggests that the majority of business respondents feel that these regulations are not transparently enforced. This is reflected by 25.64% of respondents who are 'dissatisfied', 28.21% 'completely dissatisfied', and only 10.26% that are 'satisfied'.

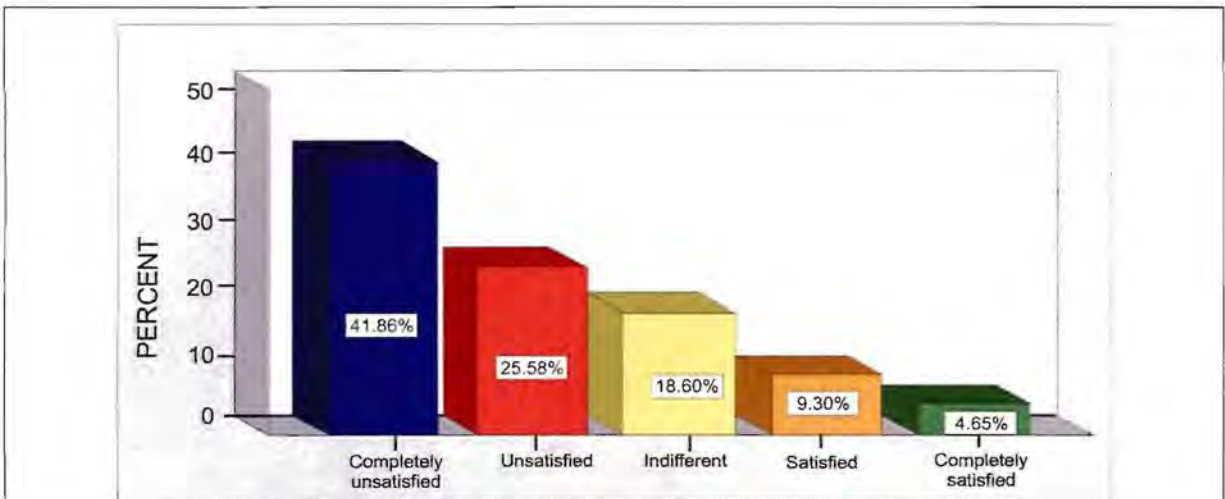


FIGURE 4.10: What is your overall perception of the control of street trading?

Figure 4.10 indicates that business respondents are to no extent satisfied with the control of street trading. 41.86% of respondents are 'completely dissatisfied', 25.58% 'dissatisfied', and 9.3% are 'satisfied'. In this regard, municipalities should consider further developing and enforcing of regulations on street trading.

The second major regulatory role of municipalities is zoning and building. The first question in the questionnaire on zoning and building regulations attempted to capture the perception of business of the quality of municipal building control. Figure 4.11 shows the results obtained.

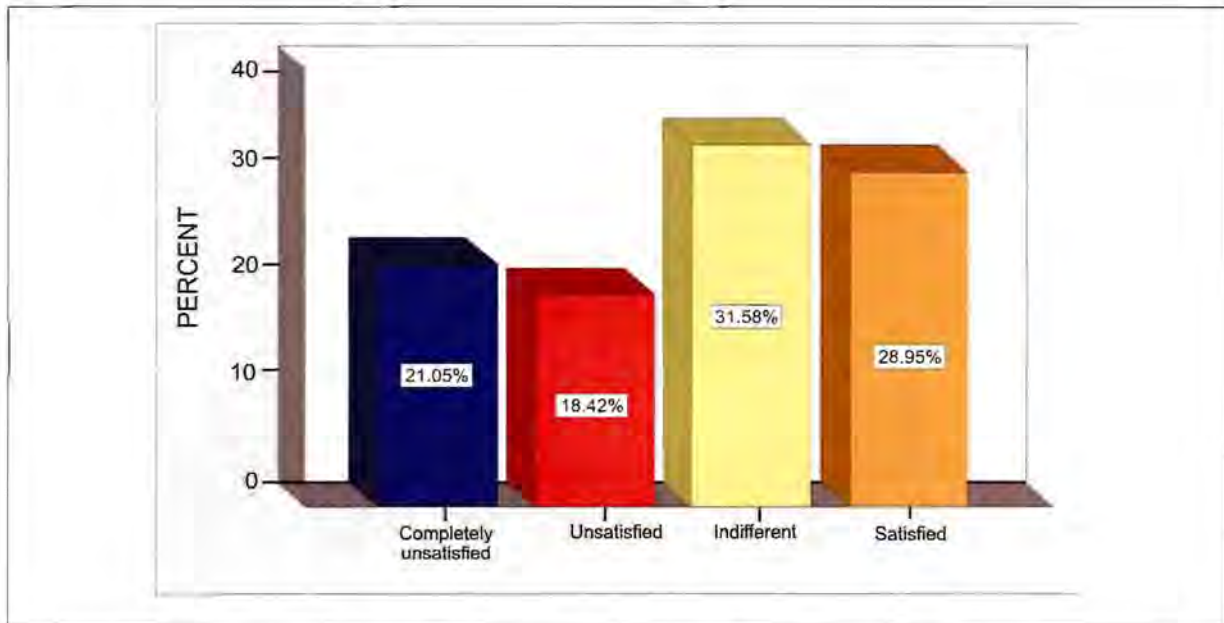


FIGURE 4.11: What is your overall perception of the quality of building control?

Figure 4.11 shows a large majority (31.58%) of business respondents that are 'indifferent' about the quality of building control, 21.05% of respondents are 'completely dissatisfied', 18.42% 'dissatisfied', and 28.95% of respondents are 'satisfied'.

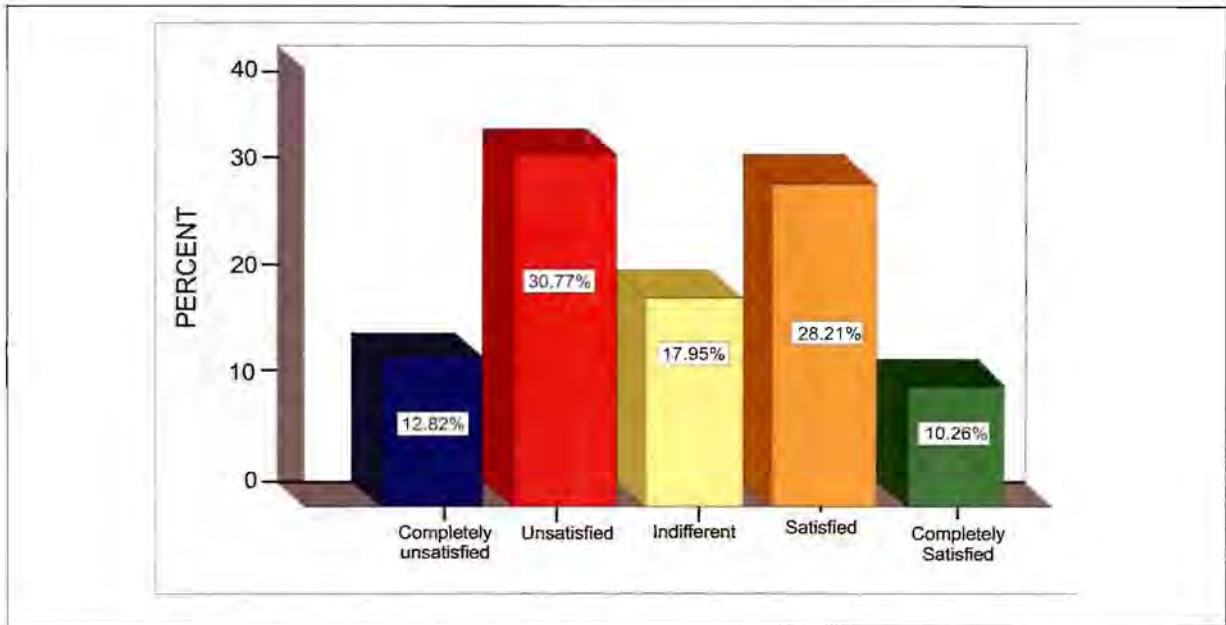


FIGURE 4.12: What is your overall perception of the efficiency of the approval of building plans?

Figure 4.12 suggests that there are two distinct groups of business respondents. Those who are 'completely dissatisfied' and 'dissatisfied' and those who are 'completely satisfied' and 'satisfied' with the approval of building plans. This could be ascribed to businesses that are in the construction business and want the approval process to be quicker as apposed to businesses that do not build on a regular basis and perhaps find the approval process to be sufficient to demand.

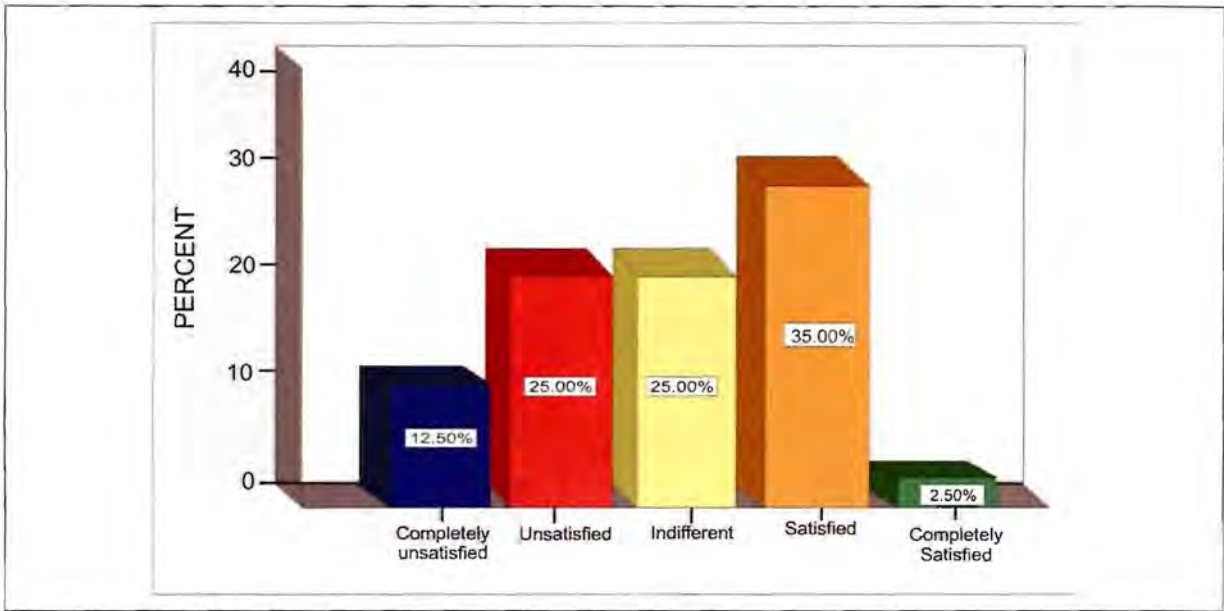


FIGURE 4.13: What is your overall perception of the quality of town planning?

Figure 4.13 illustrates yet again a business group in favour and a group not in favor of the quality of town planning. 12.5% of respondents were 'completely dissatisfied' and 25.0% 'dissatisfied' as apposed to 35.0% of business respondents that are 'satisfied' and 2.5% that are 'completely satisfied'.

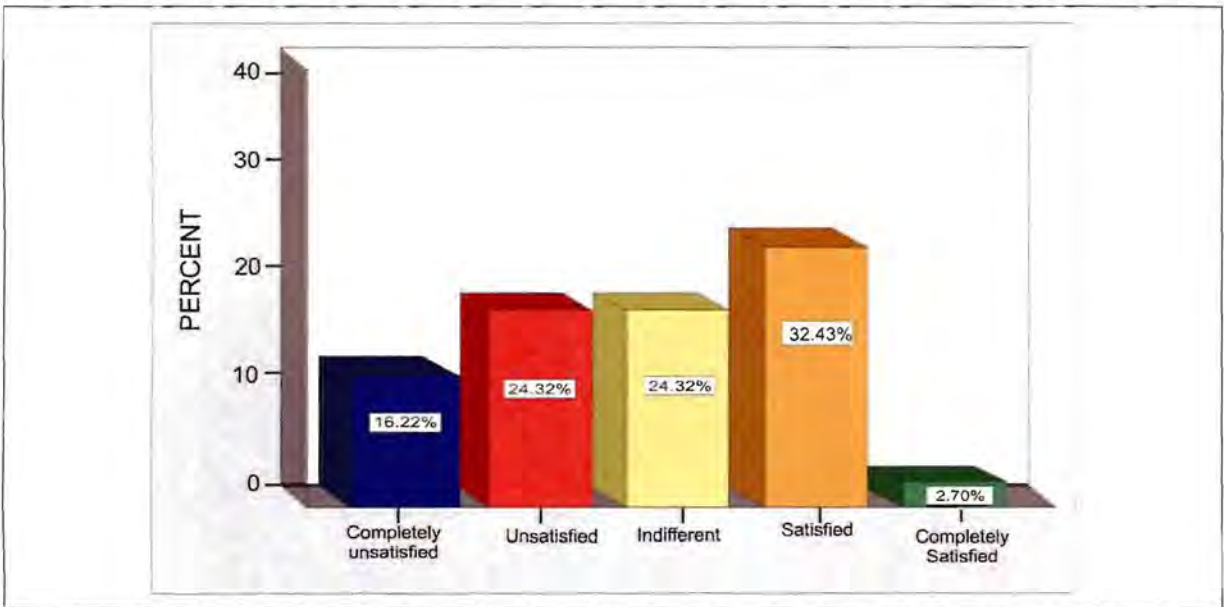


FIGURE 4.14: What is your overall perception of the quality of development planning?

Figure 4.14 illustrates that 16.22% of the respondents are 'completely dissatisfied' with the quality of development planning. 24.32% are 'dissatisfied', 24.32% 'indifferent', 32.43% 'satisfied', and 2.7% of the business respondents are 'completely satisfied'.

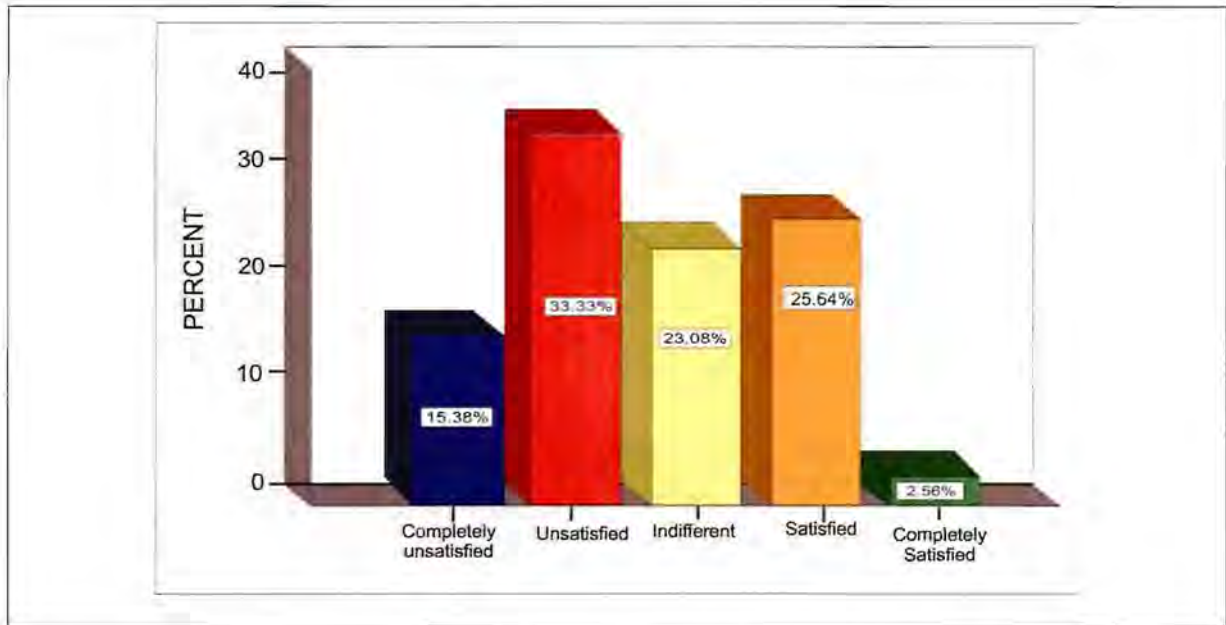


FIGURE 4.15: What is your overall perception of the clarity of building and zoning regulations?

Figure 4.15 shows a larger majority of business respondents that are dissatisfied with the clarity of building and zoning regulations. When the 15.36% of the respondents who are 'completely dissatisfied' and the 33.33% who are 'dissatisfied' are added together it is clear that most businesses are not satisfied with the clarity of regulations. A smaller group are satisfied, with 25.64% of respondents indicating that they are 'satisfied' and 2.56% 'completely satisfied'.

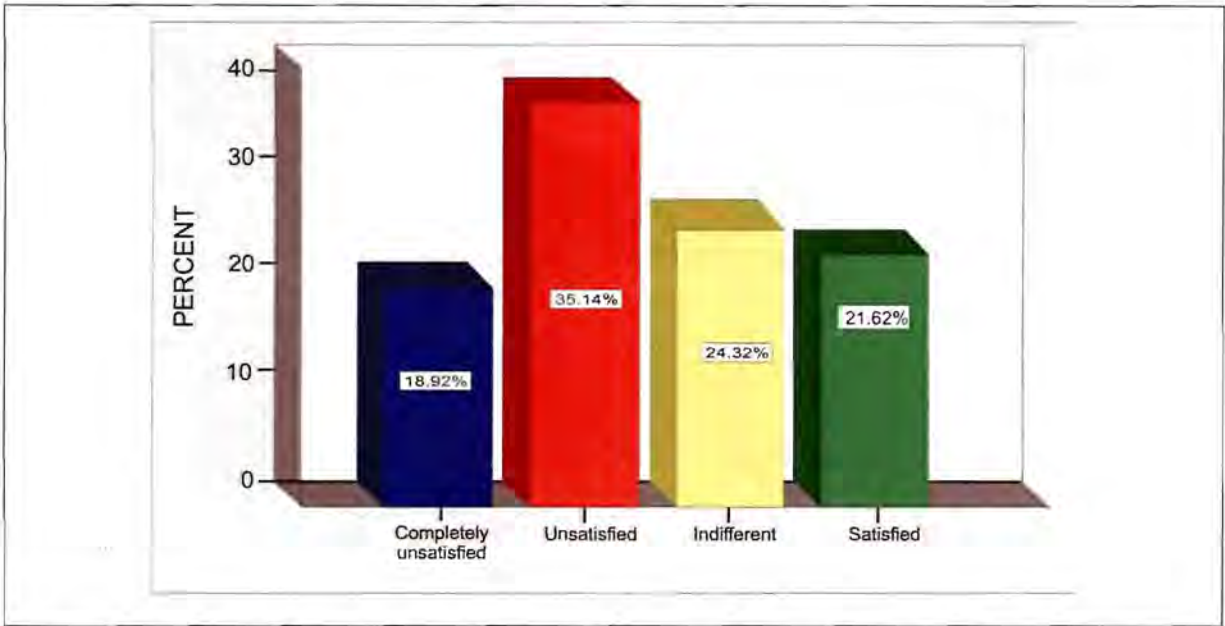


FIGURE 4.16: What is your overall perception of the consultation in the formulation of building and zoning regulations?

As with figure 4.6, figure 4.16 shows that municipalities to a certain extent fail to engage businesses in the formulation of building and zoning regulations. This is based on the majority of business respondents that indicate that they are not satisfied with the consultation in the formulation of building and zoning regulations. 18.92% of the respondents are 'completely dissatisfied', 35.14% are 'dissatisfied', and only 21.62% are 'satisfied'.

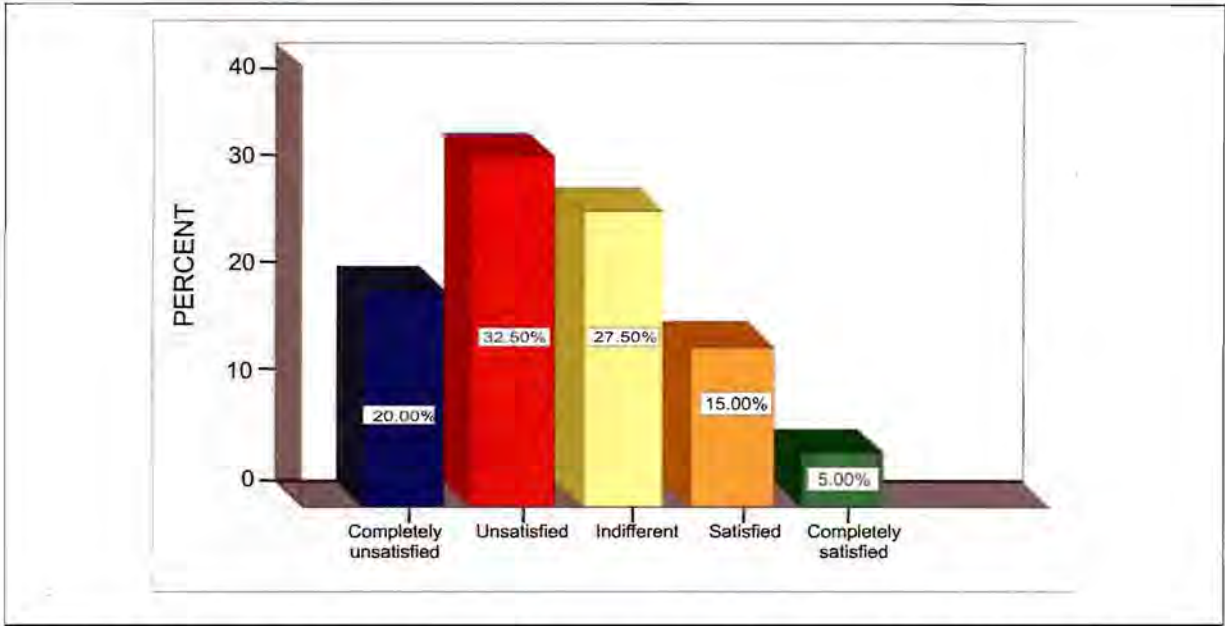


FIGURE 4.17: What is your overall perception of the ease of the building and zoning application process?

Figure 4.17 indicates that 20.0% of the business respondents are 'completely dissatisfied' with the ease of the building and zoning application process and 32.5% are 'dissatisfied'. This therefore shows that a larger number of respondents are not satisfied with the process. This is similar to the case of trading regulations and municipal officials should consider making the process easier.

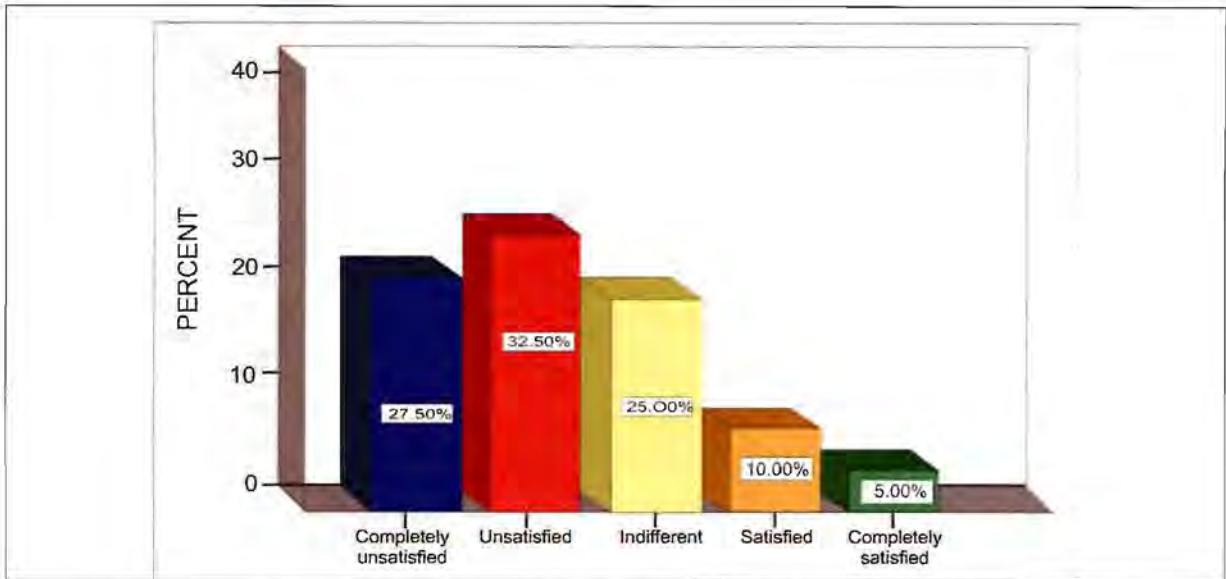


FIGURE 4.18: What is your overall perception of the time involved in the building and zoning application process?

Figure 4.18 suggests that there is a certain degree of correspondence between the trading and zoning and building regulations when it comes to the time involved in the application process. As with figure 4.8, figure 4.18 suggests that the majority of business respondents are dissatisfied with the time of the application process. 27.5% of the respondents indicate that they are 'completely dissatisfied', 32.5% are 'dissatisfied', and only 10% are 'satisfied'.

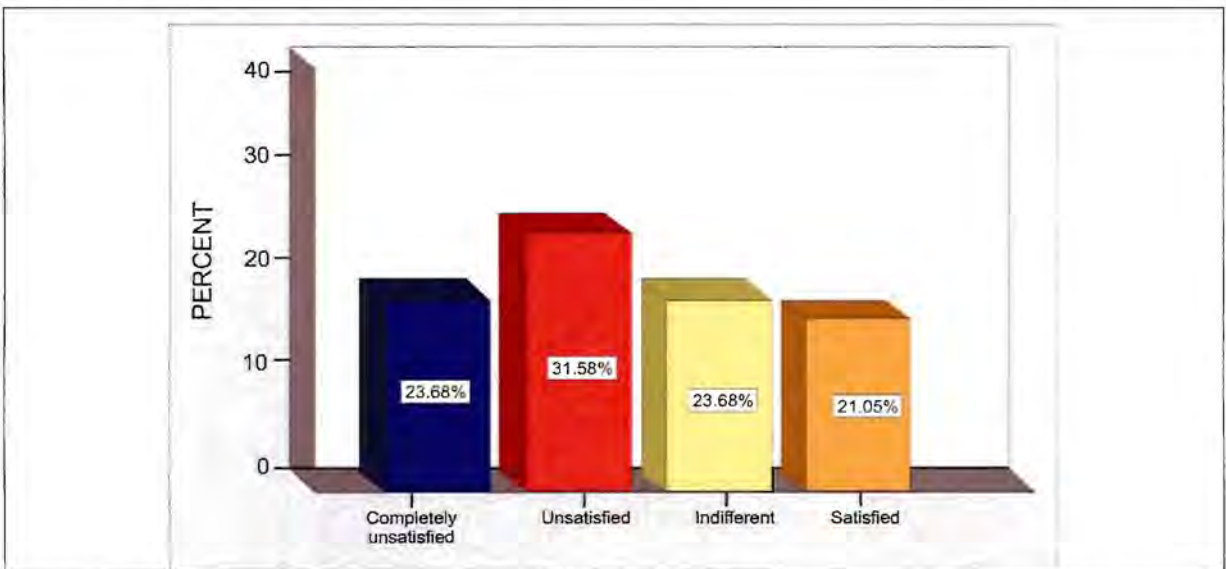


FIGURE 4.19: What is your overall perception of the transparency of the enforcement of building and zoning regulations?

Figure 4.19 shows that 23.68% of the business respondents are 'completely dissatisfied' with the transparency of the enforcement of building and zoning regulations. 31.58% of the respondents are 'dissatisfied', 23.68% 'indifferent', and 21.05% indicated that they are 'satisfied'.

4.4.4 Business perceptions on local economic development initiatives

Municipalities also have a broader responsibility to foster local economic growth and job creation. To this end local economic development initiatives exist and municipalities have formulated integrated development plans. This section therefore determines the businesses perceptions of this process.

The first question in the questionnaire on local economic development initiatives asked respondents to evaluate the consultation of local economic development initiatives, executed through meetings by municipalities. Figure 4.20 shows the results.

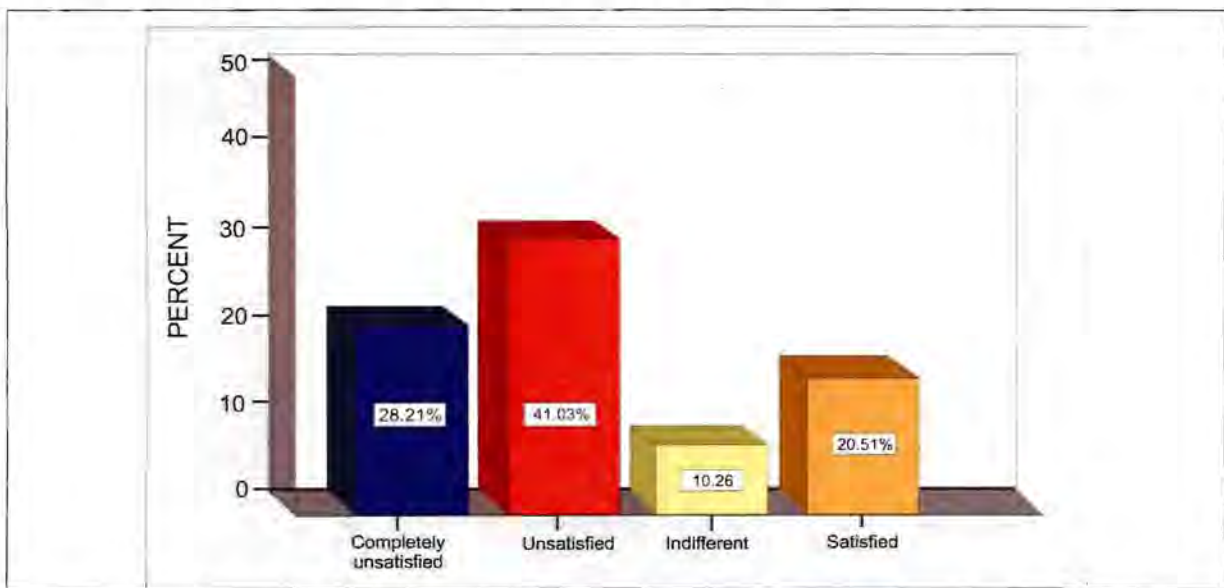


FIGURE 4.20: WHAT IS YOUR OVERALL PERCEPTION OF THE CONSULTATION OF LOCAL DEVELOPMENT INITIATIVES THROUGH MEETINGS AS ARRANGED BY YOUR LOCAL MUNICIPALITY?

Figure 4.20 indirectly suggests that the majority of business respondents have not been informed of local economic development initiatives through municipal meetings. 28.21% of the respondents indicated that they are 'completely dissatisfied' with consultation of local economic development initiatives through meetings, 41.03% are 'dissatisfied', 10.25% 'indifferent', and 20.51% are 'satisfied'. None of the respondents were completely satisfied.

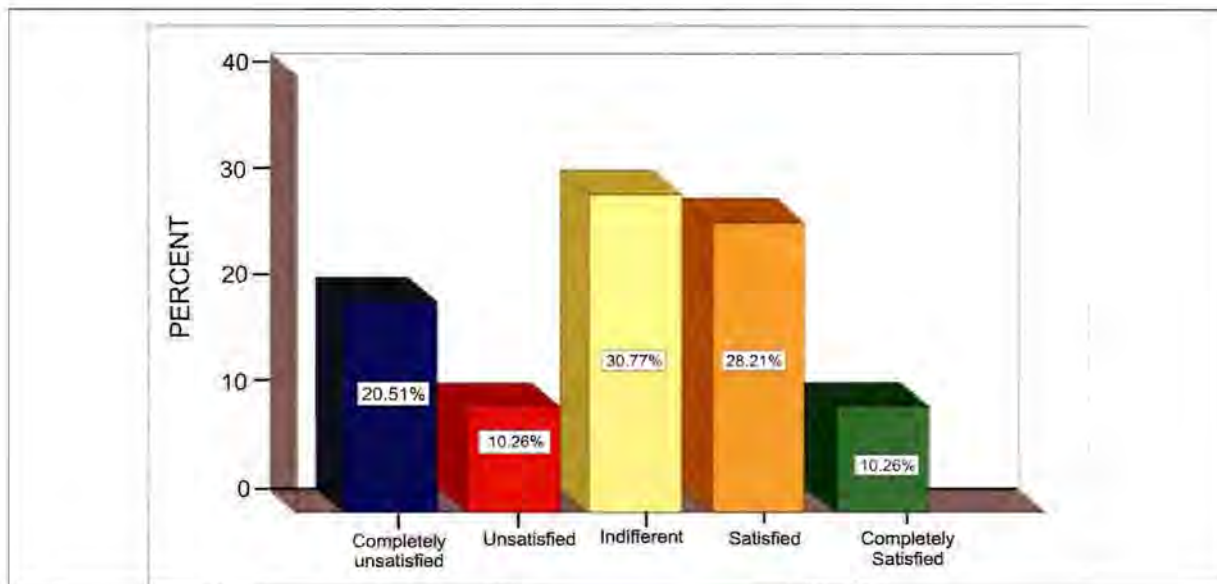


FIGURE 4.21: What is your overall perception of consultation of local economic development initiatives through the chamber of business?

Figure 4.21 indicates that 20.51% of respondents are 'completely dissatisfied' with the consultation of local economic development initiatives through the chamber of business. 10.26% of respondents are 'dissatisfied', 30.77% 'indifferent', 28.21% 'satisfied', and 10.26% 'completely satisfied'. None of the respondents were completely satisfied.

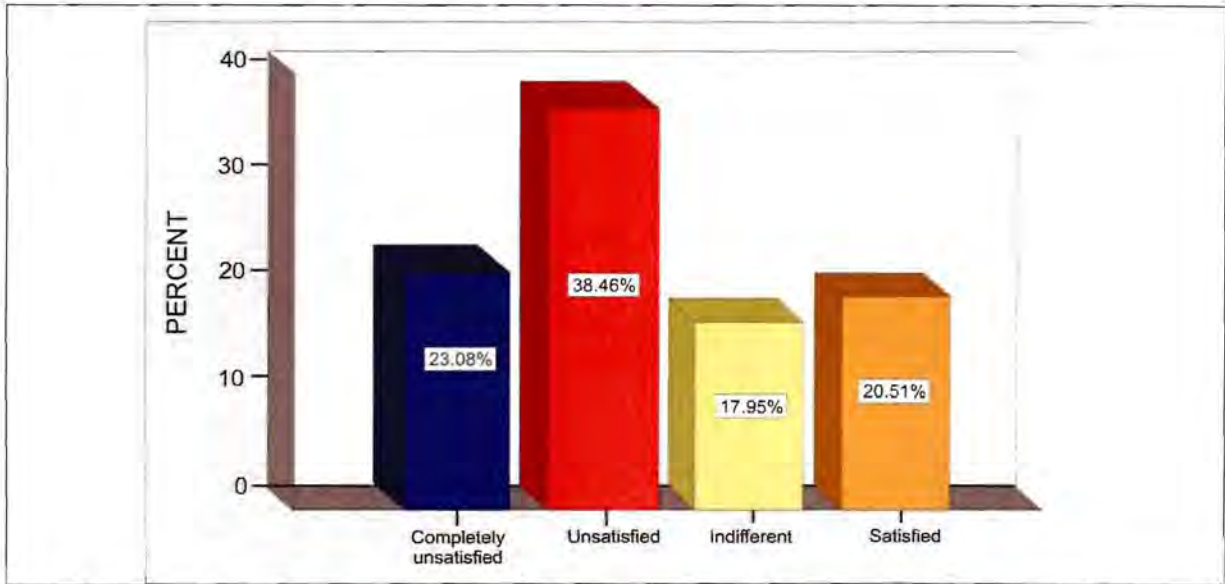


FIGURE 4.22: What is your overall perception of the transparency of local economic development initiatives?

Figure 4.22 suggest that a large majority (38.46%) of business respondents are 'dissatisfied' with the transparency of local economic development initiatives. 23.08% are 'completely dissatisfied' while only 20.51% of the respondents indicated that they are 'satisfied'. None of the respondents were completely satisfied.

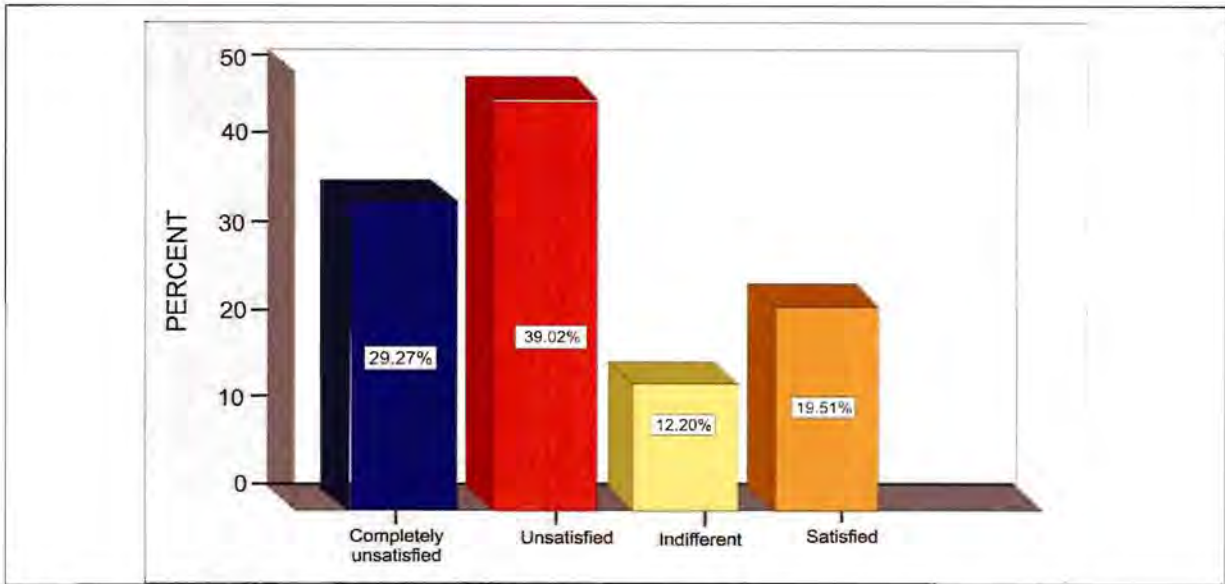


FIGURE 4.23: What is your overall perception of the communication of local economic development initiatives?

Figure 4.23 shows indirectly that municipalities do not make an attempt to communicate local economic development initiatives to businesses. This is a cause for concern as businesses play an integral part in local economic development initiatives. 29.27% of businesses respondents indicate that they are 'completely dissatisfied' with the communication of local economic development initiatives, 39.02% are 'dissatisfied', while only 19.51% are 'satisfied'.

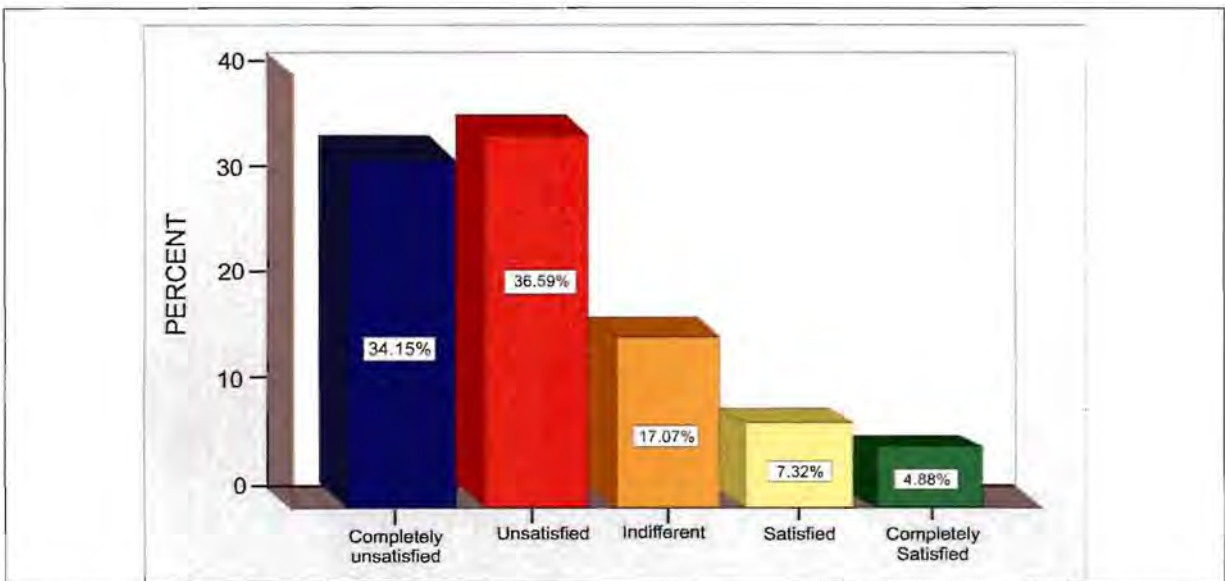


FIGURE 4.24: What is your overall perception of the follow-up of local economic development initiatives through out their implementation?

Figure 4.24 illustrates that the larger majority of businesses are dissatisfied with the follow-up of local economic development initiatives throughout implementation. 34.15% percent of respondents indicated that they are 'completely dissatisfied' while 36.59% are 'dissatisfied'. The smaller majority of respondents were either 'indifferent' (17.07%), 'satisfied' (7.32%), and 'completely satisfied' (4.88%).

4.4.5 Cross-tabulations

Cross-tabulation is a method that assists in explaining relationships among variables. Cross-tabulation works like a frequency table that gives the total frequency of two variables. The results obtained from the questionnaire have shown that businesses are content with the delivery of basic services in the Matlosana region. The majority of businesses are however not satisfied with a number of aspects of trading, building and zoning regulations, and local economic development initiatives. Cross-tabulations were done in SPSS for all the questions of the questionnaire on trading, building and zoning regulations, and local economic development initiatives. The aim of cross-tabulations is to determine the main business sectors that are not satisfied with some of the aspects of the above mentioned municipal services. Please see Annexure B for all the cross-tabulation results.

The cross-tabulations for trading regulations show that the majority of businesses are either 'completely dissatisfied' or 'dissatisfied' with the following aspects of trading regulations:

- Consultation in the formulation of trading regulations.
- The ease of the trading application process.
- The time involved in the trading application process.
- The transparency of the enforcement of trading regulations.

The cross-tabulations showed that the retail sector was the sector that was the most dissatisfied in all four aspects of trading regulations. The retail sector can also be seen as the sector that has the most on hand trading experience of all sectors.

The cross-tabulations for building and zoning regulations show that the majority of businesses are either 'completely dissatisfied' or 'dissatisfied' with the following aspects of building and zoning regulations:

- The clarity of building and zoning regulations.
- Consultation in the formulation of building and zoning regulations.
- The ease of the building and zoning application process.
- The time involved in the building and zoning application process.
- The transparency of the enforcement of building and zoning regulations.

The retail sector was again the sector that was the most dissatisfied with all five aspects of building and zoning regulations.

The cross-tabulations for local economic development initiatives show that the majority of businesses are either 'completely dissatisfied' or 'dissatisfied' with the following aspects of local economic development initiatives:

- The consultation of local development initiatives through meetings as arranged by your local municipality.
- The transparency of local economic development initiatives.
- The communication of local economic development initiatives.
- The follow-up of local economic development initiatives.

Cross-tabulations show that the retail and service sector were the sectors that were the most dissatisfied with all four aspects of local economic development initiatives.

4.5 CONCLUSION

The purpose of this chapter was firstly to give a brief overview of SERVQUAL. Faced by the lack of research on the perceptions of service delivery, Parasuraman, Zeithaml, and Berry

(1988) developed a quantitative multi-item scale (SERVQUAL) that is able to measure the perceptions of consumers of the quality of a firm's service. Although there are researches that find the use of difference scores in SERVQUAL to be problematic, many firms still find SERVQUAL to be stable and accurate during market surveys.

Secondly, and forming the bulk of this chapter is the case study on the Matlosana region. The Matlosana region comprises of four towns, namely: Klerksdorp, Potchefstroom, Orkney, and Stilfontein which formed the geographical survey area of the questionnaire. The questionnaire was setup during the months of June and July of 2008. The aim of the questionnaire has primarily been to capture the perceptions of businesses on municipal service delivery in the Matlosana region. The formulation of questions within the questionnaire was based on distinguishing efficiency and quality of a service delivered. The questions were aimed at measuring only short term effects in other words 2008 perceptions and not the long term perception of a business on service delivery.

Measuring five different aspects of service delivery, this study has found that the majority of businesses that participated in the survey are content with their municipality's ability to provide them with basic services. These basic services include: electricity, water, and solid waste removal. Questions on these basic services, have ranged from the quality of the basic service rendered, to the reliability of access to the basic service, to the issuing and correctness of the accounts of the basic service.

The main concerns of businesses with municipal service delivery have been in the area of: trading, building and zoning regulations, and local economic development initiatives. The majority of businesses that participated in the survey indicted that they were either 'completely dissatisfied' or 'dissatisfied' with a range of aspects of these services (See section 4.4.6).

SUMMARY AND RECOMMENDATIONS

5.1 INTRODUCTION

When the African National Congress Party took over the governing reins in 1994, it inherited a country in which the previous apartheid system had caused severe injustices and inequalities among its citizens, especially at the local community level. Faced with the challenge of creating an equal and democratic South Africa the African National Congress implemented a range of new policies that were aimed at creating sustainable economic growth prospects, and institutions supportive of local government transformation. Local government as an institution in South Africa has the responsibility of facilitating a developmental role. This role entails that local government has to provide basic services to all its citizens through local level institutions (e.g. municipalities).

The provision of basic services by municipalities has to date, however not satisfied the needs of many South Africans. This has been brought to light by numerous protests that have taken place in South Africa about the lack of municipal service delivery. The most common service delivery issues that South Africans face are: Housing, water and sanitation, electricity, crime, roads, and refuse removal issues. These issues can further be ascribed to:

- Poor communication between local government officials and rural communities,
- Local government creating expectations, which they cannot meet,
- Mismanagement and corruption among local government officials,
- Major salaries that are afforded to local government officials on poor performance,
- Administrative problems, which in turn include: reorganization and boundary changes, under-sourcing in the face of physical stress, poor metering systems, corrupt or unreliable owner-resident bases, tampering with meters and court and justice problems when applying sanctions,

- Skills shortages among local government officials, e.g. financial and technical skills, and
- Historical imbalances due to apartheid.

It is clear from the issues identified above that after 14 years of democracy, a lot of work still needs to be done. Although studies have highlighted the main issues pertaining to service delivery by municipalities to communities, little if any research has considered the view of businesses. Businesses are a major group of beneficiaries of municipal services delivery and this study has, as its general objective, therefore attempted to capture the perceptions of businesses of municipal service delivery in the Matlosana region. To achieve this general objective, this study consists of chapter 2, 3, and 4.

Chapter two highlighted the literature on the importance of institutions in economic growth and good governance. Researchers have found it difficult to compile a single definition for an institution due to the fact that an institution can take on various forms (e.g. property rights or political freedom). For the purpose of the study, chapter 2 has defined an institution as any entity of local government involved in the process of delivering services to businesses required for profitable market activity. Although there has been discontent about the definition of an institution, of more importance is the fact that researches have found institutions to be growth-supportive. For example, Aron (1997) found that a number of studies hold the result that the quality of institutions has a positive effect on growth through investment. Vijayaraghavan and Ward (2001) suggest that well-defined property rights lead to a better allocation of recourses and Acemoglu, Johnson and Robinson (2002) established that European communities who had implemented institutions, benefited from encouraged commerce and industry. Chapter two also gave a brief overview of the literature which states that 'governance matters'. The research effort on governance has been carried out by the World Bank researchers Kaufmann, Kraay and Zoido-Lobaton. Their general findings suggest that governance does matter and that a positive casual relationship exists between advances in better governance and developmental outcomes.

Chapter three provided a broad picture of local government in South Africa. It has explained the transformation process of local government in South Africa. The transformation process started when the African National Congress Party took over the governing reigns in 1994. To

correct many of the injustices caused by the apartheid system, the African National Congress adopted several new policies and established institutions supportive of local government transformation. The local government transition process provided municipalities with a well formulated framework, which defined their functions and responsibilities. The democratization of local government structures did not, however, equip local government with the needed capability of meeting its developmental obligation. Adding to local government's developmental obligation, chapter three explained local government's developmental role as set out in The White Paper on Local Government (1998:23). Local government's role is defined as:

"Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs".

Local government's developmental role has mainly been operationalised through The Municipal Systems Act of 2000. A key element of this act is the promotion of 'Integrated Development Plans' of which 'Local Economic Development' has become an ever growing component (Rogerson, 2001b). Integrated Development Plans enable national, provincial, and local government to coordinate all their plans together while the concept and implementation of local economic development initiatives aim to address socio-economic problems that have been caused by the apartheid era (Trah, 2002). Although the African National Congress has had many ambitious and good intentions, chapter 3 has also outlined municipalities poor service delivery record. Poor delivery has mainly been ascribed to: poor governance and communication, ineffective client interface and management, poor housing administration and management, and a lack of youth development.

Chapter 4 illustrated and assessed the results of the survey. The survey has consisted of a questionnaire, which was sent out to businesses in the Matlosana region. The aim of the questionnaire was to capture the perceptions of businesses of municipal service delivery. The findings of this study suggested that businesses that participated in the survey are content with their municipality's ability to provide them with basic services. These basic services include: electricity, water, and solid waste removal. The main concerns of businesses with municipal service delivery were in the trading, building and zoning regulations sectors, and local economic development initiatives. The majority of businesses that participated in the survey indicated that they were either 'completely dissatisfied' or 'dissatisfied' with a range of aspects of these services.

5.2 CONCLUSION AND RECOMMENDATIONS

It was found in this study that businesses in the Matlosana region are generally satisfied with the provision of basic services by their municipalities. The main concerns of businesses where in the areas of trading regulations, building and zoning regulations, and local economic development initiatives. Thus this challenge is distinct from the physical delivery of basic services and concerns “softer” issues of regulation and participation.

It can therefore be recommended that further research be conducted. A first step would be to extend the geographical scope and include more businesses in different areas. A second step would be to determine the capacity of municipalities. Specifically the capacity required by municipalities to achieve their regulatory role and their responsibility to foster local economic growth and job creation. Communication of and participation in local policymaking are also topics that warrant further investigation.

BIBLIOGRAPHY

- ABRAHAMS, D. 2003. Local economic development in South Africa: a useful tool for sustainable development. *Urban forum*, 14(2-3):185-200. Available: Academic Search Premier.
- ACEMOGLU, D., JOHNSON, S. & ROBINSON, J.A. 2002. Reversal of fortune: geography and institutions in the making of the modern world income distribution. *Quarterly journal of economics*, 117(4):1231-1294. Available: Google Scholar.
- ANDREWS, M. 2003. New public management and democratic participation: complementary or competing reforms? A South African study. *International journal of public administration*, 26(8):991-1015. Available: Google Scholar
- ANON. 2000. Dienslewering op vs platteland kwel steeds. *Volksblad*:9, 10 Okt. Available: SA Media.
- ANON. 2006. Plaaslike owerhede: dienslewering. *Afrikaner*:9, 25 May. Available: SA Media.
- ANON. 2007. Die ANC moet sy beloftes begin nakom. *Volksblad*:4, 23 May. Available: SA Media.
- ARON, J. 1997a. Africa in the 1990s: the institutional foundations of growth. Oxford: Oxford University Press. 29 p.
- ARON, J. 1997b. Political, economic and social institutions: a review of growth evidence. Oxford: Oxford University Press. 46 p.
- ATKINSON, D. 2002. A passion to govern: third-generation issues facing local government in South Africa. http://www.hsrc.ac.za/research/output/output_Documents/1879_Atkinson_PassiontoGovern.pdf. Date of Access: 20 July 2008.
- BEKKER H. 2006. Die land se munisipaliteite moet nou reggeruk word. *Burger*:13, 28 Jun. Available: SA Media.

BELL, M.E. & BOWMAN, J.H., eds. 2002. Property taxes in South Africa: challenges in the post-apartheid era. Cambridge, Mass.: Lincoln Institute of Land Policy. Available: EconLit.

BHORAT, H. & CASSIM, R. 2004. The challenge of growth, employment and poverty in the South African economy since democracy: an exploratory review of selected issues. *Development Southern Africa*, 21(1):7-31. Available: Academic Search Premier.

BILL OF RIGHTS. 1996. Chapter 2. <http://www.info.gov.za/documents/constitution/1996/96cons2.htm> Date of access: 3 July 2008.

BINNS, T. & NEL, E. 2002. Devolving development: integrated development planning and developmental local government in post-apartheid South Africa. *Regional studies*, 36(8):921-932. Available: Business Source Premier.

BLACK, P.A., CALITZ, E. & STEENEKAMP, T.J. 2003. Public economics for South African students. Cape Town: Oxford University Press. 341 p.

BLOCH, H. & TANG, S.H.K. 2004. Deep determinants of economic growth: institutions, geography and openness to trade. *Progress in development studies*, 4(3):245-255. Available: Academic Search Premier.

BOTES, L., LENKA, M., MARAIS, L., MATEBESI, Z. & SIGENU, K. 2007. The cauldron of local protests: reasons, impacts, and lessons learned. Bloemfontein: Centre for Development Support.

BRUNNER, K. & MELTZER, A.H. 1976. Institutions, policies, and economic performance. Amsterdam: North Holland. 353 p. (Carnegie-Rochester Conference Series on Public Economics, vol. 4.)

BURGER, R. 2005. What we have learnt from post-1994 innovations in pro-poor service delivery in South Africa: a case study-based analysis. *Development Southern Africa*, 22(4):483-500. Available: Academic Search Premier.

BUTHELEZI, A. & DOLLERY, B. 2004. An exploratory analysis of local government failure in South Africa. *Journal for studies in economics and econometrics*, 28(2):91-105. Available: Econlit.

CAMERON, R. & SEWELL, B. 2003. The implementation of performance management in the Cape Town municipality: 1996-2000. *South African journal of economic and management sciences*, 6(2):243-261. Available: Econlit.

CASHDAN, B. 2002. Local government and poverty in South Africa. Johannesburg. (P & DM Municipal Services Project.) http://www.queensu.ca/misp/pages/Project_Publications/Papers/Local.pdf. Date of access: 17 June 2008.

CENTRAL INTELLIGENCE AGENCY. 2006. World fact book. <http://www.cia.gov/cia/publications/factbook/geos/gh.html> Date of access: 20 February 2008.

CLAGUE, C., KEEFER, P., KNACK, S. & OLSON, M. 1999. Contract-intensive money: contract enforcement, property rights, and economic performance. *Journal of economic growth*, 4(2):185-211. Available: Google Scholar.

CLOETE, F. 1996. Towards a model of policy change: re-designing local government in South Africa. http://www.admin.sun.ac.za/Researchdev/Research_NavVersl1996.pdf Date of access: 27 June 2008.

COETZEE, E. 2002. Urban vulnerability: a conceptual framework. Rondebosch: Periperi Publications. (In Nomdo, C. & Coetzee, E., eds. Urban vulnerability: perspectives from southern Africa. Cape Town: Periperi Publications. p. 2-27.)

CORNWALL, K. & INDER, B. 2004. Migration and unemployment in South Africa: when motivation surpasses the theory. *Monash econometrics and business statistics working papers*, 2/04. Available: Econlit.

DA COSTA, W.J. 2007. Rights body slams service delivery woes. *Star*, 3, 25 Sep. Available: SA Media.

DU PLESSIS, H. 2007. Service delivery protests redefine local government politics, says Idasa. *Cape Argus*, 4, 3 Aug. Available: SA Media.

FARR, W.K., LORD, R.A. & WOLFENBARGER, J.L. 1998. Economic freedom, political freedom, and economic well-being: a causality analysis. *Cato journal*, 18(2):247-262. Available: Google Scholar.

FEDOROFF, P. s.a. Comparing service quality performance with customer service quality needs. Explanation of SERVQUAL methology of Zeithaml, Parasuraman and Berry (1988). http://www.12manage.com/methods_zeithaml_servqual.html Date of access: 16 June 2008.

FIELD, A. 2005. Discovering statistics using SPSS. London: Sage. 779 p.

GRIGORIAN, D.A. & MARTINEZ, A. 2000. Industrial growth and the quality of institutions: what do (transition) economies have to gain from the Rule of Law. International Monetary Fund (IMF) - Middle East and Central Asia Department. Washington, D.C.: World Bank, November 2000 (World Bank Policy Research Working Paper No. 2475.) Available: Google Scholar

HOFFMAN, B.D. s.a. Assessing the quality of local government in South Africa. <http://www.sscnet.ucla.edu> Date of access: 22 June 2008.

INSTITUTE FOR DEMOCRACY IN SOUTH AFRICA, 2006. Integrated development planning: handbook series for community-based organisations. 24p. <http://www.idasa.org.za>

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. 2007. A decade of measuring the quality of governance. 20p. <http://www.worldbank.org/ibrd> Date of access: 14 March 2008.

KAUFMANN, D. & KRAAY, A. 2008. Where Are We, Where Should We Be Going? Oxford: Oxford University Press on behalf of the International Bank for Reconstruction and Development / THE WORLD BANK. Advance access publication: 31 January 2008.

KAUFMANN, D., KRAAY, A. & ZOIDO-LOBATON, P. 1999a. Aggregating Governance Indicators. World Bank Development Research Group: Macroeconomics and Growth and World Bank, Institute Governance, Regulation and Finance. Washington, D.C.: World Bank, October 1999. (World Bank Policy Research Working Paper 2195.)

KAUFMAN, D., KRAAY, A. & ZOIDO-LOBATON, P. 1999b. Governance matters. Washington, D.C.: World Bank, October 1999. (World Bank Policy Research Working Paper 2196.)

KNACK, S. 2002. Governance and growth: measurement and evidence. (Forum 2: The Institutional Economics Approach to Aid Effectiveness Session on Empirical Indicators linking Governance to Growth 25 February 2002. Washington, D.C. Forum Series on the Role of Institutions in Promoting Growth Directed by the IRIS Center. Sponsored by USAID, EGAT/EM SEGIR/LIR PCE-I-00-97-00042-00, TO 07 Available: Google Scholar.

KNIGHT, R. 2001. South Africa: economic policy and development. <http://www.richardknight.homestead.com/files/sisaeconomy.htm> Date of access: 19 February 2008.

KROUKAMP, H. 2007. Die huidige stand van beleidsbestuur in die Suid-Afrikaanse openbare sektor. *Tydskrif vir geesteswetenskappe*, 47(2):207-220. Available: Saepublications.

LE ROUX BOOYSEN, F. 2003a. The extent of, and possible explanations for, provincial disparities in progress on reconstruction and development in South Africa. *Development southern Africa*, 20(1):21-48. Available: Academic Search Premier.

LE ROUX BOOYSEN, F. 2003b. Urban-rural inequalities in health care delivery in South Africa. *Development Southern Africa*, 20(5):659-674. Available: Academic Search Premier.

LOTTER, J.C. 2002. Urban economic empowerment in the greater Pretoria area: the continuation of history? *South African journal of economics*, 70(2):347-368. Available: Econlit.

MACKAY, J. 2004. Developmental local government: a study of public participation of the integrated development planning process of the city of Cape Town. <http://www.etd.uwc.ac.za> Date of access: 17 June 2008.

MARAIS, L. & KRIGE, S. 2000. Who received what, where in the Free State? An assessment of post-apartheid housing delivery and policy (1994-98). *Development Southern Africa*, 17(4):603-619. Available: Academic Search Premier.

MATEZA, D. 2007. Service delivery cries are genuine. *Business Day*:14, 8 March. Available: SA Media.

MOGALE, M. 2005. Local governance and poverty reduction in South Africa. *Progress in development studies*, 5(2):135-143. Available: Google Scholar.

- MOLEFE, R. & DLAMINI, D. 2007. Service delivery in the spotlight. *Sowetan*:26, 2 Aug. Available: SA Media.
- MOLLER, V. 2001a. Monitoring quality of life in cities: the Durban case. *Development southern Africa*, 18:217-238. Available: Academic Search Premier.
- MOLLER, V. 200b. Happiness trends under democracy: where will the new South African. *Journal of happiness studies*, 2(1):33-53. Available: Academic Search Premier.
- MOLLER, V. & DEVEY, R. 2003. Trends in living conditions and satisfaction among poorer older South Africans: objective and subjective indicators of quality of life in the October Household Survey. *Development southern Africa*, 20:457-476. Available: Academic Search Premier.
- MUFAMADI, S. 2002. Onus of delivery lies within local government. *Star*:2, 10 Dec. Available: SA Media.
- MUFAMADI, S. 2006. System in place, now for delivery. *Cape Times*:11, 11 Apr. Available: SA Media.
- NANDIPHA, K. 2007. We are not backing down. *City Press*:21, 4 March Available: SA Media.
- NAUDE, W.A. & KRUGELL, W.F. 2003. An inquiry into cities and their role in sub-national economic growth in South Africa. *Journal of African economies*, 12(4):476-499. Available: EconLite.
- NAUDE, W.A. & KRUGELL, W.F. 2007. Investigating geography and institutions as determinants of foreign direct investment in Africa using panel data. *Applied economics*, 39(10-12):1223-1233. Available: EconLite.
- NEL, E. 2001. Local economic development: a review and assessment of its current status in South Africa. *Urban studies*, 38(7):1003-1024, June. Available: Academic Search Premier.

- NEL, E. & BINNS, T. 2001. Initiating 'Developmental Local Government' in South Africa: evolving local economic development policy. *Regional studies*, 35(4):355-362. Available: Business Source Premier.
- NEL, E. & BINNS, T. 2002. Supporting local economic development in post-apartheid South Africa. *Local economy*, 17(1):8-12. Available: Business Source Premier.
- NEL, E. & BINNS, T. 2003. Putting 'developmental local government' into practice: the experience of South Africa's towns and cities. *Urban forum*, 14(2-3):165-184. Available: Academic Search Premier.
- NEL, H.J. 2001. A project management approach to the implementation of development programmes within the local government sphere: an empirical analysis. *Development Southern Africa*, 18(5):605-624. Available: Academic Search Premier.
- NELSON, R. 2007. Institutions and economic growth: sharpening the research agenda. *Journal of economic issues*, 41(2):313-324. Available: Business Source Premier.
- NIKSIC, G. 2004. Difficult but not impossible: the ANC's decentralization strategy in South Africa. *Development and change*, 35(2):353-374. Available: Blackwell Publishing.
- NORTH, D.C. 1991. Institutions. *Journal of economic perspectives*, 5(1):97-112. Available: Google Scholar.
- NORTH, D.C. 1995. *The new institutional economics and third world development*. London: Routledge.
- NTSEBEZA, L. 2004. Democratic decentralization and traditional authority: dilemmas of land administration in rural South Africa. *European journal of development research*, 16(1):71-89. Available: Academic Search Premier.
- NYALUNGA, D. 2006. The revitalization of local government in South Africa. *Academic journals*, 1(2):15-20. Available: Google Scholar.
- OOSTHUIZEN, M.J. & NIEUWOUDT, L. 2003. A poverty profile of the Western Cape Province of South Africa. *Journal of studies in economics and econometrics*, 27(3):69-90. Available: Econlit.

PARASURAMAN, A., ZEITHAML, V.A. & BERRY, L.L. 1988. SERVQUAL: a multi-item scale for measuring consumer perceptions for service quality. *Journal of retailing*, 64(1):12-40. Available: Google Scholar.

PARNELL, S. 2004. Constructing a developmental nation: the challenge of including the poor in the post-apartheid city. [http://www.sarpn.org.za/documents/d0000997/P1104-DBSA%20Parnell Oct2004.pdf](http://www.sarpn.org.za/documents/d0000997/P1104-DBSA%20Parnell%20Oct2004.pdf). Date of access: 15 July 2008

POSEL, D. 2003. The collection of National Household Survey data in South Africa (1993-2001): rendering labour migration invisible. *Development southern Africa*, 20(3):361-368. Available: Academic Search Premier.

POSEL, D. 2004. Have migration patterns in post-apartheid South Africa changed? *Journal of interdisciplinary economics*, 15(3-4):277-292. Available: Econlit.

POWELSON, J.P. 1972. Institutions of economic growth: the theory of conflict management in developing countries. Princeton, N.J.: Princeton University Press. 281 p.

PYCROFT, C. 1998. Integrated development planning or strategic paralysis? Municipal development during the local government transition and beyond. *Development Southern Africa*, 15(2):151-163. Available: Econlite

RAMPHELE, W. 2003. Discussion paper on local government capacity building. <http://www.environment.gov.za/HotIssues/2003jul24/DISCUSSION%20PAPER%20ON%20LOCAL%20GOVERNMENT%20CAPACITY%20BUILDING.pdf> Date of access: 4 July 2008.

REDEK, T. & SUSJAN, A. 2005. The impact of institutions on economic growth: the case of transition economies. *Journal of economic issues*, 39(4):995-1027. Available: Business Source Premier.

RIGOBON, R. & RODRIK, D. 2005. Rule of law, democracy, openness, and income: estimating the interrelationships. *Economics of transition*, 13(3):533-564. Available: Blackwell Publishing.

RODRIK, D. 2000. Institutions for high-quality growth: what they are and how to acquire them. *Studies in comparative international development*, 35(3):3-31. Available: Google Scholar

RODRIK, D. 2006. Institutions for high-quality growth: what they are and how to acquire them. *Studies in Comparative International Development*, 35(3):3-31. Available: EconLite.

ROGERSON, C.M. 2001b. Spatial development initiatives in Southern Africa: the Maputo Development Corridor. *Tijdschrift voor economische en sociale geografie*, 92:324-346. Available: Academic Search Premier.

SACHS, J.D. & WARNER, A.M. 1995. Economic convergence and economic policies. Boston, Mass.: Harvard Institute of Economic Research. (Harvard Institute of Economic Research Working Papers 1715.) Available: Google Scholar.

SEPP, J. 2006. „Soft“ factors of economic development: human capital and institutions. (Proceedings 14. Majanduspoliitika Teaduskonverents; Tartu-Värska, Eesti; 29. juuni - 1. juuli 2006. Berlin, Tallinn: Berliner Wissenschafts-Verlag. Mattimar, 2006. p. 123 - 136.) Available: Google Scholar.

SHAH, A. & SHAH, S. 2006. The new visions of local governance and the evolving roles of local governments. (*In* Shah, A., ed. Local governance in developing countries. Washington, D.C.: World Bank. p. 4.)

SMITH, L. & HANSON, S. 2003. Access to water for the urban poor in Cape Town: where equity meets cost recovery. *Urban studies*, 40(8):1517-1548. Available: Academic Search Premier.

SOUTH AFRICA. 1998. The White Paper on Local Government. <http://www.finance.gov.za/legislation/mfma/guidelines/whitepaper.pdf> Date of access: 4 June 2008.

SOUTH AFRICA. Department of Local Government and Housing. 2008. Vision and mission. http://www.dpsa.gov.za/ipsp/m_docs/PART%209.pdf Date of access: 20 June 2008.

SOUTH AFRICA. Department of Provincial and Local Government. 2006. Stimulating and developing sustainable local economies. 45 p. <http://www.dplg.gov.za/> Date of Access: 12 March 2008.

SOUTH AFRICA. Department of Provincial and Local Government. s.a. Toolkit for local economic development. 157 p. <http://www.dplg.gov.za> Date of access: 16 June 2008.

SOUTH AFRICA. Presidency Republic of South Africa. 2008. Development indicators. <http://www.thepresidency.gov.za/> Date of access: 16 June 2008.

TRAH, G. 2002. Local economic development in South Africa: addressing the challenges. <http://www.cefe.net/datenbank/files/7379/4/LED-challenges.pdf>. Date of access: 7 July 2008.

VIJAYARAGHAVAN, M. & WARD, W. 2001. "Institutions and economic growth: empirical evidence from a cross-national analysis." Clemson University, Center for International Trade, March 2001. (CIT Working Paper 001302.) <http://business.clemson.edu/cit/Papers.htm> Date of access: 7 July 2008.

VISSER, V. 2001. Social justice, integrated development planning and post-apartheid South Africa. *Urban studies*, 38(10):1673-1699. Available: Academic Search Premier.

WORLD BANK. 2002. Development report: building institutions for markets. 229 p. <http://www.econ.worldbank.org/.../EXTWDR2002/0,,menuPK:477750~pagePK:64167702~piPK:641...> Date of access: 7 March 2008.

WYNGAARD, H. 2004. Mbeki gekwel oor vrot plaaslike owerhede. *Rapport*: 8, 7 Nov. Available: SA Media.

ANNEXURE A
**BUSINESS PERCEPTIONS OF THE DELIVERY AT
LOCAL LEVEL**

Dear sir/madam

This questionnaire is part of a survey of business perceptions of delivery at local level. It forms part of a Master's degree study in the School of Economics at the North-West University's Potchefstroom Campus. Our study examines local governments' constitutional responsibility to develop their economies. We believe that local economic development goals cannot be achieved without the local business communities. This research project aims to examine business perceptions of delivery at local level.

As a member of the local Chamber of Business you have been randomly selected to take part in this survey. We want to ask you to please take a few minutes to complete the questionnaire. Your feedback will be valuable to us.

In this effort we are not working for (nor are we funded by) the University, the Chamber of Business or the local council. All your responses will be treated in confidence. The results of the survey will be presented in an aggregated format that will not allow anyone to identify individual respondents. If you are interested in obtaining a copy of the study you can contact us in a separate e-mail. We are happy to disseminate the results of academic research. Please feel free to contact us if you have any questions.

Kind regards,

Supervisor:

Prof. Waldo Krugell

School of Economics

Tel: 018 299 1439

Fax: 018 299 1398

e-mail: waldo.krugell@nwu.ac.za

You can complete the questionnaire electronically and send it back by e-mail to: waldo.krugell@nwu.ac.za

Or complete a hard copy and fax it back to (018) 299 1398.

1. General

1.1 How often do you have anything to do with the local municipality?				
I only pay the rates	More than once a month	Once a week	More than once a week	I have daily contact with municipal officials

1.2 When you do engage with the local municipality, what form does that take? (mark all the relevant options)				
I make phone calls	I visit the municipal offices	I attend meetings	I regularly meet with municipal officials	I regularly meet with councillors

1.3 What is your overall perception of the quality of service delivery by the local municipality?				
Completely dissatisfied	Dissatisfied	Indifferent	Satisfied	Completely satisfied

1.4 What is your overall perception of the efficiency of service delivery by the local municipality?				
Completely dissatisfied	Dissatisfied	Indifferent	Satisfied	Completely satisfied

2. Service delivery

In the following sections we want to determine your perception of the service itself as well as the way that it is delivered.

On a scale of 1-6, please rate your perception of the municipality's delivery of basic services to your business in 2008, were:

1 = Completely dissatisfied.

2 = Dissatisfied

3 = Indifferent

4 = Satisfied

5 = Completely satisfied

6 = Not applicable

2	Basic services	Electricity	Water	Solid waste removal
2.1	The quality of the service rendered			
2.2	The efficiency of the extension of connections			
2.3	Reliability of access			
2.4	The efficiency of repairs of faults			
2.5	The issuing and correctness of accounts			

3. Regulation functions

Along with service provision, local government also has a regulatory role. In the following two sections we want to determine your perception of the regulations and the application thereof by the municipality.

On a scale of 1-5, where 1 is completely dissatisfied and 5 is completely satisfied, please rate your perception of the municipality's regulatory functions in 2008

3	Trading regulations	1	2	3	4	5	NA
3.1	The clarity of trading regulations						
3.2	Consultation in the formulation of regulations						
3.3	The ease of the application process						
3.4	The time involved in the application process						
3.5	The transparency of the enforcement of regulations						
3.6	Control of street trading						

On a scale of 1-5, where 1 is completely dissatisfied and 5 is completely satisfied, please rate your perception of the municipality's regulatory functions in 2008

4	Zoning and building regulations	1	2	3	4	5	NA
4.1	The quality of building control						
4.2	The efficiency of the approval of building plans						
4.3	The quality of town planning						
4.4	The quality of development planning						
4.5	The clarity of regulations						
4.6	Consultation in the formulation of regulations						
4.7	The ease of the application process						
4.8	The time involved in the application process						
4.9	The transparency of the enforcement of regulations						

4. Local economic development

Local government has a broader responsibility to foster local economic growth and job creation. To this end local economic development (LED) initiatives exist and municipalities have formulated integrated development plans (IDP). We want to determine your perceptions of the process.

On a scale of 1-5, where 1 is completely dissatisfied and 5 is completely satisfied, please rate your perception of the municipality's development functions in 2008

5	Local economic development initiatives	1	2	3	4	5	NA
5.1	Consultation of local business through meetings						
5.2	Consultation of local business through the Chamber of Business						
5.3	Transparency of initiatives						
5.4	Communication of initiatives						
5.5	Follow-up with local business throughout implementation						

5. Firm characteristics

To be able to analyse the data we also require some information about your firm.

6.1	For how many years has your firm being doing business in the area?	
6.2	How many full-time employees do you currently have?	
6.3	In which sector would you classify your firm?	
	Agriculture	
	Mining	
	Manufacturing	
	Construction	

..	Wholesale	
	Retail	
	Transport	
	Finance	
	Services	

Thank you very much for your time and feedback.

If you have specific feedback or comments on issues that we have not addressed in this questionnaire, please feel free to add them here.

Comments

ANNEXURE B
CROSS-TABULATIONS: TRADING REGULATIONS

Clarity of trading regulations * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Clarity of trading regulations	Completely dissatisfied	0	0	2	2	1	0	1	6
	Dissatisfied	1	1	0	2	0	0	5	9
	Indifferent	3	2	1	6	0	0	2	14
	Satisfied	1	2	2	2	0	1	2	10
	Completely satisfied	0	0	0	1	1	0	0	2
Total		5	5	5	13	2	1	10	41

Consultation in formulation of regulation * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Consultation in formulation of regulation	Completely dissatisfied	1	0	1	2	1	0	1	6
	Dissatisfied	1	1	2	4	0	0	5	13
	Indifferent	3	3	1	5	0	0	2	14
	Satisfied	0	0	1	1	0	1	2	5
	Completely satisfied	0	0	0	1	0	0	0	1
Total		5	4	5	13	1	1	10	39

Ease of trading application process * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?							Total
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Ease of trading application process	Completely dissatisfied	1	0	0	4	1	0	1	7
	Dissatisfied	2	2	3	2	0	0	1	10
	Indifferent	2	0	0	4	0	1	6	13
	Satisfied	0	2	2	1	0	0	1	6
	Completely satisfied	0	0	0	0	1	0	0	1
Total		5	4	5	11	2	1	9	37

Time of trading application process * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?							Total
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Time of trading application process	Completely dissatisfied	1	0	1	6	1	0	1	10
	Dissatisfied	4	2	2	1	1	0	4	14
	Indifferent	0	0	1	1	0	1	3	6
	Satisfied	0	2	1	1	0	0	1	5
	Completely satisfied	0	0	0	2	0	0	0	2
Total		5	4	5	11	2	1	9	37

Enforcement of trading regulations * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Enforcement of trading regulations	Completely dissatisfied	1	0	3	5	1	0	1	11
	Dissatisfied	3	2	0	1	1	0	3	10
	Indifferent	1	3	1	3	0	1	4	13
	Satisfied	0	0	0	3	0	0	1	4
	Completely satisfied	0	0	1	0	0	0	0	1
Total		5	5	5	12	2	1	9	39

Control of street trading * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Control of street trading	Completely dissatisfied	3	0	2	7	1	1	4	18
	Dissatisfied	1	3	3	0	1	0	3	11
	Indifferent	0	2	0	5	0	0	1	8
	Satisfied	1	0	0	1	0	0	2	4
	Completely satisfied	0	0	0	2	0	0	0	2
Total		5	5	5	15	2	1	10	43

Cross-tabulations: Building and zoning regulations

Quality of building control * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?							Total
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Quality of building control	Completely dissatisfied	2	0	2	2	0	0	2	8
	Dissatisfied	1	1	0	3	0	0	2	7
	Indifferent	2	1	3	1	1	0	4	12
	Satisfied	0	3	0	4	0	1	3	11
Total		5	5	5	10	1	1	11	38

Efficiency of approval of building plans * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?							Total
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Efficiency of approval of building plans	Completely dissatisfied	1	0	1	2	0	0	1	5
	Dissatisfied	2	2	3	2	0	0	3	12
	Indifferent	1	1	0	2	1	0	2	7
	Satisfied	1	2	1	1	1	1	4	11
	Completely satisfied	0	0	0	3	0	0	1	4
Total		5	5	5	10	2	1	11	39

Quality of town planning * To which sector does the firm belong? Cross-tabulation

Count			To which sector does the firm belong?							Total
			Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Quality of town planning	Completely dissatisfied		0	0	1	3	0	0	1	5
	Dissatisfied		2	2	2	3	0	0	1	10
	Indifferent		1	0	2	1	1	0	5	10
	Satisfied		2	3	0	4	1	0	4	14
	Completely satisfied		0	0	0	0	0	1	0	1
Total			5	5	5	11	2	1	11	40

Quality of development planning * To which sector does the firm belong? Cross-tabulation

Count			To which sector does the firm belong?							Total
			Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Quality of development planning	Completely dissatisfied		1	0	1	3	0	0	1	6
	Dissatisfied		1	2	2	3	0	0	1	9
	Indifferent		1	0	1	1	1	0	5	9
	Satisfied		2	3	1	4	0	0	2	12
	Completely satisfied		0	0	0	0	0	1	0	1
Total			5	5	5	11	1	1	9	37

Clarity of zoning and building regulations * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?							Total
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Clarity of zoning and building regulations	Completely dissatisfied	0	0	2	3	0	0	1	6
	Dissatisfied	4	2	0	3	1	0	3	13
	Indifferent	1	2	1	1	0	0	4	9
	Satisfied	0	1	2	4	0	1	2	10
	Completely satisfied	0	0	0	0	1	0	0	1
Total		5	5	5	11	2	1	10	39

Consultation in the formulation of zoning and building regulations * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?							Total
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Consultation in the formulation of zoning and building regulations	Completely dissatisfied	1	1	1	3	0	0	1	7
	Dissatisfied	3	1	3	2	2	0	2	13
	Indifferent	1	3	0	1	0	0	4	9
	Satisfied	0	0	1	3	0	1	3	8
Total		5	5	5	9	2	1	10	37

Ease of the zoning and building application process * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Ease of the zoning and building application process	Completely dissatisfied	2	0	0	4	0	0	2	8
	Dissatisfied	2	2	3	2	0	1	3	13
	Indifferent	1	3	1	1	1	0	4	11
	Satisfied	0	0	1	3	0	0	2	6
	Completely satisfied	0	0	0	0	1	0	1	2
Total		5	5	5	10	2	1	12	40

Time of the zoning and building application process * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Time of the zoning and building application process	Completely dissatisfied	3	1	0	4	0	0	3	11
	Dissatisfied	1	1	3	2	1	1	4	13
	Indifferent	1	3	2	1	0	0	3	10
	Satisfied	0	0	0	1	1	0	2	4
	Completely satisfied	0	0	0	2	0	0	0	2
Total		5	5	5	10	2	1	12	40

Enforcement of zoning and building regulations * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Enforcement of zoning and building regulations	Completely dissatisfied	3	0	1	2	0	1	2	9
	Dissatisfied	0	1	3	4	0	0	4	12
	Indifferent	2	3	0	1	1	0	2	9
	Satisfied	0	1	1	3	1	0	2	8
Total		5	5	5	10	2	1	10	38

Cross-tabulations: Local economic development initiatives

Consultation of local businesses through meetings * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Consultation of local businesses through meetings	Completely dissatisfied	1	0	0	3	1	0	6	11
	Dissatisfied	3	3	3	5	0	0	2	16
	Indifferent	0	0	1	1	0	1	1	4
	Satisfied	1	2	0	3	0	0	2	8
Total		5	5	4	12	1	1	11	39

Consultation of local businesses through chamber of business * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong							Total
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Consultation of local businesses through chamber of business	Completely dissatisfied	0	0	0	4	1	0	3	8
	Dissatisfied	0	1	1	1	0	0	1	4
	Indifferent	2	1	1	3	0	1	4	12
	Satisfied	1	3	1	3	0	0	3	11
	Completely satisfied	2	0	1	0	0	0	1	4
Total		5	5	4	11	1	1	12	39

Transparency of LED initiatives * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?							Total
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Transparency of LED initiatives	Completely dissatisfied	1	0	0	3	1	0	4	9
	Dissatisfied	3	0	3	4	0	1	4	15
	Indifferent	0	4	1	0	0	0	2	7
	Satisfied	1	1	0	4	0	0	2	8
Total		5	5	4	11	1	1	12	39

Communication of LED initiatives * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Communication of LED initiatives	Completely dissatisfied	1	0	0	5	1	1	4	12
	Dissatisfied	3	1	4	4	0	0	4	16
	Indifferent	0	2	0	1	0	0	2	5
	Satisfied	1	2	0	3	0	0	2	8
Total		5	5	4	13	1	1	12	41

Follow up on LED initiatives with businesses throughout implementation * To which sector does the firm belong? Cross-tabulation

Count

		To which sector does the firm belong?						Total	
		Manufacturing	Construction	Wholesale	Retail	Transport	Finance	Services	Manufacturing
Follow up on LED initiatives with businesses throughout implementation	Completely dissatisfied	2	1	1	4	1	0	5	14
	Dissatisfied	2	1	3	5	0	0	4	15
	Indifferent	1	3	0	1	0	1	1	7
	Satisfied	0	0	0	1	0	0	2	3
	Completely satisfied	0	0	0	2	0	0	0	2
Total		5	5	4	13	1	1	12	41