

PUBLIC SERVICE COMMISSION

# Government failure to pay suppliers on time inflicts ‘untold harm’ on economy

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The Public Service Commission (PSC) says the failure of government departments to pay suppliers on time has brought “untold harm” to the economy, with many businesses closing down due to lack of cash flow.

Failure to pay suppliers of services and goods has dire consequences for the sustainability of businesses, mostly small medium and micro enterprises (SMMEs).

SMMEs account for about 98.5% of all businesses in SA, according to a report by consultancy McKinsey & Company.

They are also responsible for about a quarter of all jobs in the private sector and contribute about 39% of GDP. Yet, they have faced an existential threat

from big corporate clients and government businesses failing to pay them on time for goods and services provided, resulting in cash flow problems and often closure.

“The continued lack of enforcement of PFMA [Public Finance Management Act] particularly at the level of the executive authorities who are not holding the AOs [accounting officers] accountable for the blatant disregard of prescripts on payment of suppliers, remains of high concern for the PSC,” commissioner Michael Seloane said.

He was speaking at the launch of the PSC quarterly bulletin, The Pulse of the Public Service, in Pretoria Wednesday.

In 2019, the commission, which governs the civil service, said that it would regard non-compliance with the 30-day

payment period as “financial misconduct”.

Government departments are working under strain and have had to reprioritise their budgets as the country responds to the Covid-19 pandemic.

Companies that do business with the government have been adversely affected, resulting in a hit on the economy, which contracted 7% in 2020, resulting in the loss of more than 1.4-million jobs. The quarterly bulletin

**ACCOUNTING OFFICERS GUILTY OF MISCONDUCT ... MUST BE CHARGED AND TAKEN THROUGH A DISCIPLINARY PROCESS**

focused on the nonpayment of invoices by state departments within the prescribed 30 days.

Seloane flagged the Eastern Cape, KwaZulu-Natal (KZN), the North West, Mpumalanga, Gauteng and the Free State as the provinces with the highest number of invoices not paid as at the end of March 2021.

The Eastern Cape takes the lead with 24,222 invoices involving R3.5bn, followed by KZN (R451.5m), the North West (R446.8m), Mpumalanga (R399.2m), Gauteng (R313.9m), the Western Cape (R84.7m), the Free State (R81.3m), Limpopo (R19m) and the Northern Cape (R95,124).

“The PSC wants to express its concern regarding the significant increases in the Eastern Cape for both the numbers of invoices and the related cost.

The province reported 10,502 invoices not paid at a cost of R2,114,327,450 at the end of December 2020, to 24,222 invoices not paid by the end of March 2021,” said Seloane.

Nationally, the department of water and sanitation had 150 unpaid invoices totalling R396.4m, followed by the mineral resources and energy department (R710,435), and the department of co-operative governance and traditional affairs (R423,380).

While the nonpayment was worrying, the departments of home affairs; public works and infrastructure; social development; women, youth and persons with disabilities and StatSA all had zero invoices on March 31.

“The PSC noted the achievement of the department of

women, youth and persons with disabilities that managed to settle the long overdue payment R1,712,016 for an invoice that remained unpaid for the last two financial years,” said Seloane.

“The failure by government departments to honour their financial obligations to suppliers has brought untold harm to the economy of our country, with many suppliers having to close down as a result of lack of cash flow,” he said.

**THIS IS WHERE CONSEQUENCE MANAGEMENT MUST BE APPLIED WITH VIGOUR AND NO FAVOUR**

Seloane told Business Day that if an invoice were not paid within the stipulated time-frame, it meant “the accounting officers are guilty of misconduct, where they must be charged and taken through a disciplinary process to explain themselves to ministers who are executive authorities”.

He said affected suppliers could lodge a complaint with the PSC about not being paid, “and we will assist them in dealing with that account, or a supplier may choose to go to court”.

Chief among reasons leading to suppliers being paid late pertained to “poor invoicing, where a supplier doesn’t provide all the required documentation”.

SA United Business Council (SAUBC) founder George Sebulela said the council noted with “serious concern” the non-

adherence of accounting officers to ensure that their departments take accountability in paying suppliers on time.

“This is where consequence management must be applied with vigour and no favour. We have since been approached by many of our members with regard to very late payments if not at all in other cases,” said Sebulela.

That provincial and national departments had not paid suppliers on time “simply means thousands of SMMEs are under severe strain or out of business already.

“We will therefore request a meeting with the Treasury to discuss the nonpayment matter with the intention to ensure that mechanisms are implemented as soon as possible”.

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