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## NEWS RELEASE

### South African Cities See Improvements in Ease of Doing Business, but Pace of Reforms is Slow, World Bank Report Finds

**PRETORIA, September 19, 2018** – South African cities are making efforts to improve the ease of doing business, although the pace of reforms has been slow in the last three years, finds a new World Bank Group report.

*Doing Business in South Africa 2018*, the second in the subnational series on South Africa, analyzes business regulations for domestic small and medium enterprises in nine cities—Buffalo City, Cape Town, Ekurhuleni, eThekweni, Johannesburg, Mangaung, Msunduzi, Nelson Mandela Bay and Tshwane. They are assessed on five Doing Business areas: Dealing with Construction Permits, Getting Electricity, Registering Property, Enforcing Contracts and Trading Across Borders. In the area of Trading Across Borders, the report measures four of South Africa’s maritime ports—Cape Town, Durban, Ngqura, and Port Elizabeth.

The report finds that in the three years since the last study, Cape Town, eThekweni, Johannesburg, Mangaung and Nelson Mandela Bay implemented reforms. Four of the reforms improved the conditions for businesses to obtain electricity, and one made it easier to transfer property.

Although reforms have been few, where they were implemented, the results have been striking. Mangaung, for example, automated municipal processes that have halved the time needed to transfer property, from just over seven weeks to three weeks. As a result, Mangaung has moved from lowest performer in this area in 2015 to best performer now.

*“Efforts by South African locations to reduce the time, cost and complexity of bureaucratic processes that can hinder private enterprise are a welcome step in the right direction,”* said **Pilar Salgado Otónel, Program Manager of the Subnational Doing Business Unit at the World Bank.** *“Better collaboration between national and local authorities will go a long way in expanding the scope of future local reforms and putting in place a regulatory environment that allows businesses and entrepreneurship to flourish, creating much-needed jobs. We hope this report will serve as a roadmap for reform at the subnational level.”*

The report finds that no location does equally well across all areas measured, and there is room for peer learning. Cape Town, eThekweni, Johannesburg, Mangaung, Msunduzi and Tshwane, for example, are good performers in two areas measured. However, they have room for improvement in other areas.

Johannesburg performs well in the areas of Registering Property and Getting Electricity, which was an area of improvement in this report. Johannesburg, along with Cape Town and eThekweni, started monitoring reliability of electricity supply, in line with international best practices. In the area of registering property, Johannesburg has few procedures for transferring property, making it one of the fastest locations in the country. However, Johannesburg lags in construction permitting and contract enforcement.

Mangaung excels in property registration, with only seven procedures for effecting a property transfer. It also maintains its lead in enforcing contracts, with the lowest cost for commercial litigation in the country. And, along with Msunduzi, Mangaung is the fastest in contract enforcement. But Mangaung lags in construction permitting.

Similarly, Cape Town continues to lead in construction permitting, because it has efficient procedures and is the fastest place to obtain construction approvals, much faster than most high-income economies. It is also at the top of the Getting Electricity indicator because it monitors the reliability of electricity supply and has few procedures for obtaining an electricity connection. However, Cape Town lags in the areas of property registration and contract enforcement.

South African cities' performance is most widely varied in Getting Electricity. Although Nelson Mandela Bay halved the time needed to obtain an electricity connection to just over six months, there is still room for improvement as it takes just over two months in Buffalo City. This reveals a need for continued replication of good practices.

Overall South African locations are relatively competitive in the time needed to complete regulatory processes in three areas. They perform on par with or close to most high-income economies in time to obtain construction approvals, transfer property and enforce contracts.

However, challenges remain, especially in reducing costs and streamlining processes. For example, changes making it more difficult to do business, such as local and national fee increases, countered efforts to improve business conditions. All municipalities have raised construction approval fees. In Cape Town and Buffalo City, building plan approval fees went up by nearly two-thirds over the past three years, exceeding the rate of inflation for the same period. In registering property, national-level fee increases, including a sizeable increase of the transfer duty, made property transfers costlier. In addition, the introduction of additional procedures has made it more cumbersome to obtain construction approvals in Cape Town. Time has also slowed—for getting an electricity connection in Mangaung and registering property in eThekweni and Msunduzi.

The report also finds that South Africa's ports show room for improvement in facilitating cross-border trade. For example, across the four ports, the time and cost to comply with border requirements for exports is high compared to other economies exporting by sea. Durban, the country's largest port in terms of volume handled, is the slowest in handling of goods.

The National Treasury is supporting Invest SA's lead in working with the relevant national and provincial departments and government agencies to simplify and speed up the processes involved in starting a business, registering property, dealing with construction permits, and trading across borders. In particular, there are a number of processes that would be made significantly more efficient through the introduction of electronic automation, online accessibility as well as electronic information exchange. These reforms are often complex to initiate and implement but have significant benefit in improving intergovernmental regulatory performance that impacts on doing business.

*"This report helps South Africa take its pulse amid efforts to improve conditions for entrepreneurs over the last three years. It specifically identifies which initiatives have been successful and where constraints remain. Moreover, the undertaking represents the country's commitment to strengthening its business climate. Given the new presidential investment agenda, the time is ripe to use these results to promote smart regulation in favor of business,"* said **Paul Numba Um, World Bank Country Director for South Africa.**

*Doing Business in South Africa 2018* is the second edition of the subnational Doing Business series in South Africa. The first edition was published in 2015. The reports are produced by the World Bank Group at the request of National Treasury of South Africa, as part of the Cities Support Programme, and funded by the State Secretariat for Economic Affairs of Switzerland, SECO.

*"For Switzerland, this exchange adds value in our endeavour to work with the metropolitan municipalities in the area of creating more productive cities, while creating an enabling environment for private sector investment and business development,"* said **Ambassador Raymund Furrer, Head of Economic Co-operation and Development for SECO.** *"We are confident that the results of this report will open up opportunities for increased dialogue between business and government and the realisation of the potential that lies in the economy of South Africa".*

The study was implemented in collaboration with the Cities Support Programme, the Department of Trade and Industry and the South African Cities Network. The Subnational *Doing Business* work is based on the same methodology as the global *Doing Business* report published annually by the World Bank Group.

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