



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY DEPUTY MINISTER OF FINANCE MR MONDLI GUNGUBELE

LAUNCH OF SUBNATIONAL DOING BUSINESS REPORT DATE: 19 SEPTEMBER 2018

Executive Mayors, Mayors, City Managers and other representatives of city governments;

Representatives of the South African Local Government Association and of the South African Cities Network;

The Director-General and other senior managers and staff of the National Treasury and of other national departments present;

Representatives of the World Bank, the International Finance Corporation, the Swiss State Secretariat for Economic Affairs, and other international co-operation partners;

Representatives of the business sector;

Academics and researchers; representatives of the media and of press organisations; Ladies and gentlemen,

The National Treasury welcomes you to this launch of the 'Doing Business in South Africa 2018' report.

This is the second such report we have launched. In June 2015, we launched 'Doing Business in South Africa 2015'. That report provided a baseline from which to measure the progress of South African municipalities, especially metros, in facilitating an investment-friendly environment. This second report will provide some indication of our progress.

We all know that this is very important, as above all our economy must generate more jobs and more inclusive growth. Municipalities have a very important role to play in achieving these objectives.

I wish to make four points in this regard:

1) As National Treasury we have long been emphasising that our cities are the engines of the South African economy:

- They account for around 2.4% of the land area of our country, but approximately 40% of the total population, and as much as half of all employment.
- They also account for approximately 56% of all those who pay personal income tax, and 57% of gross value added.

How well our city economies perform is therefore of critical national importance.

2) The national economy and city economies are overwhelmingly driven by the private economic decisions made by firms and households.

- Over two-thirds of the national GDP is privately generated and funded, and the ratio is even higher for the city economies.
- The dynamism and growth of city economies, especially, depend upon the investment decisions made by private firms and households.
- Government strategies and actions to promote economic development and growth therefore necessarily operate indirectly.

3) The purpose of city activities to promote economic development should be to provide effective platforms for local economic activity.

- In general this should mean providing the essential infrastructure & services that facilitate economic activity and investment. Sophisticated marketing or industrial development schemes will be irrelevant if water and electricity cannot be reliably supplied.
- Furthermore, if we are to break with our inefficient and inequitable spatial history of urban sprawl, essential infrastructure & services should be provided in such a way that they encourage the agglomeration and 'connectedness' that promotes inclusive economic development.

4) City governments need to properly understand how to use the levers they actually have to promote local economic activity.

- These levers are effective local service delivery, fast and effective spatial planning, land use management and building controls, and responsiveness to the needs of local business. This brings us to the purpose of today's event.

The report to be presented will show the results of the second survey in a series which reminds us that our service delivery performance as local government has a direct effect on economic development.

- A business which cannot be connected to a reliable electricity supply in a reasonable time and at a reasonable cost will not create many jobs.
- A business which cannot get quality building plan approvals within a reasonable time and at a reasonable cost will not create many jobs.
- A business which cannot transfer a property within a reasonable time and at a reasonable cost will not create many jobs.

Local governments are directly involved in these processes, and their performance therefore directly affects economic growth and development in the cities.

The Subnational Doing Business Survey highlights the importance of good administrative performance in government at all levels, local, provincial and national, to promote inclusive economic development.

- By conducting this survey, we are reinforcing our messages of three years ago, that city governments should seek to continuously improve their regulatory and administrative processes, become more competitive, and facilitate inclusive economic growth;
- Each city government has something to learn, through international benchmarking and through domestic peer-learning processes. National Treasury has facilitated a great deal of peer-learning over the past three years, and will do so again in future. We urge you all to participate with enthusiasm;
- Subnational Doing Business Surveys will be conducted on a regular basis, and we expect that the next set of results, to be released in 2021, will show significant improvement over these results.

I thank you.