



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

**SPEECH BY DEPUTY MINISTER OF FINANCE
MR MCEBISI JONAS**

Sub National Doing Business Report

VENUE: DBSA, Midrand
DATE: 12 June 2015

Deputy Minister of Co-operative Governance,

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

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

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

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

Representatives of the business sector,

Academics and researchers,

Representatives of the media and of press organisations,



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Ladies and gentlemen,

On behalf of the National Treasury I would like to welcome you to this launch of the *“Doing Business in South Africa Report 2015”*.

As many of you would know, national government through National Treasury and the Department of Cooperative Governance and Traditional Affairs (CoGTA) is championing a programme called Integrated Urban Development Framework (IUDF). At the core of the IUDF programme is ensuring that our cities focus on Integrated spatial & transport planning, integrated urban infrastructure, efficient land governance & management, inclusive economic development and efficient urban governance.

The findings of this *Sub National Doing Business Report* are therefore, relevant to us as government as we consider how to improve the economic viability of our cities. Rather than confining the survey to one city only, namely Johannesburg, we thought it would be useful to extend it to more cities in the country.

A key question to start with is: why are cities so critically important today?

- Cities drive the world’s economy. The 600 biggest cities account for more than 60 per cent of global GDP. The top 20 are home to one third of all large corporations, and account for almost half of their combined revenues.



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- For the first time in global history, there are more people living in cities than in rural areas. By 2050, 6.5 billion people, two thirds of all humanity, will live in and work in cities. In 1950 less than one billion did so.
- They are big and connected; they transcend borders and are magnets for business, investment, people and innovation.
- Global cities are increasingly independent as they drive policies that ignite growth and wider change within their jurisdictions. The decisions we take on regulation have a direct impact on business.
- Their size, skills base and logistics capability define a national economy
- In short, global cities are increasingly driving world affairs - economically, politically, socially and culturally. They are no longer just places to live in. They have emerged as leading actors on the growth and development stage.
- Equally in our context in South Africa, cities are playing an increasingly important role in our economy. But we also have to acknowledge that they need to become more competitive to be real players on the global stage.

For our cities to be real players, we need to speed up spatial integration so that people have easy and cost-effective access to the centres of economic activity.

We recognise that the cities are the engines of the South African economy.



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- Between 1996 and 2012, the country's eight metros accounted for 53 per cent of all the additional value-added that was achieved.
- While the national economy was growing at an average compound annual growth rate of 3.0 per cent, the metro economies were growing at 3.7 per cent.
- As a consequence, the eight metros increased their contribution to the SA economy from 39.9 per cent to 44.8 per cent over the same period.

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

We need acknowledge as government that the decisions we make are critical in creating an enabling environment for business to thrive. Part of our responsibility is to ensure that the environment is one that drives private sector development and growth. The bulk of employment is in the private sector.

- Over 80 per cent 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.



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The purpose of cities 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 connectedness and intergration.

City governments need to properly understand how to use the levers they have at their disposal 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.

In 2013 the National Treasury, the Department of Trade and Industry, and the South African Cities Network partnered to conduct a 'Doing Business' survey in our nine largest cities. The survey was conducted by the World Bank and the International Finance Corporation (IFC) according to a standard methodology which allows us to



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compare the performance of our cities with many other cities across the world. The survey was conducted during 2014 and the results are being released today.

The survey should serve as a reminder that our service delivery performance as local government has a direct effect on economic development. Rapid urbanization has increased the number of people living in settlements surrounding the country's major cities. The success or failure of local government determines whether millions of poor and marginalised people live in decent conditions, have a dignified life, and are able to enjoy a happy and secure family life. The protests we have witnessed all around us are a reminder that there is much room for improvement.

This is why government has adopted the National Development Plan (NDP), which is a roadmap on how we will create a prosperous country.

- The first reality is our demographic transition- a million young people leave school annually and we need a package of reforms that will include the youth in our society.
- The second is that we are a rapidly urbanising society. This means we need to meet the demands for housing, municipal services, public transport, clinics and commercial development.
- A third imperative is economic competitiveness. We need to invest in infrastructure, raise productivity and diversify our economy to create jobs and raise living standards.



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We must bear in mind that:

- A business which cannot get connected to electricity in a reasonable time and at a reasonable cost will not create many jobs.
- A business which cannot get building plan approvals within a reasonable time and at a reasonable cost will not create many jobs.
- A business which cannot get transfer of 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 launching a process whereby city governments will continuously seek to improve their processes, to become more competitive, and to facilitate city economic growth and development;

Each city government has something to learn, through international benchmarking and the domestic peer-learning processes which will now be launched;



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City governments will also need to work closely with provincial and national departments and other state agencies in order to ensure that overall performance on these indicators is improved.

Sub-national Doing Business surveys will be conducted on a regular basis, and we expect that the next set of results, to be released in 2018, will show significant improvement over these results.

In conclusion, let me say that the government of South Africa is committed to expanding economic opportunity for its citizens and improving the business climate in the country is a first step towards that goal. As the Doing Business in South Africa report highlights, there are many good practices already in place and these can and should be expanded throughout the country.

Thank you