



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

NATIONAL ASSEMBLY

WRITTEN REPLY

PARLIAMENTARY QUESTION 421

DATE OF PUBLICATION: 26 JULY 2019

Mr M J Cuthbert (DA) to ask the Minister of Trade and Industry:

What (a) has he found to be the causes of the Republic's decline in the World Bank's Ease of Doing Business Report from position 32 in 2009 to position 82 in 2019 and (b) steps has his department taken to ensure that the Republic turns around its continued decline? NW1393E

Reply

The rankings of countries in the World Bank's Ease of Doing Business are a relative measure in that it measures a country's performance relative to the number of regulatory changes that other countries have undertaken. Johannesburg is used as the proxy for South Africa.

While South Africa has undertaken some reforms over the past decade, its ranking declined over the period. As the World Bank Survey at times affect investor perceptions of a country, there has been a focus on country improvement in the rankings. More importantly, some of the indicators used in the Survey coincides with our own domestic goals to make it easier for small and medium businesses to start up and stay in business.

President Ramaphosa announced South Africa's commitment to improving its investment climate and ease of doing business, and set a target to be in top 50 of the Ease of Doing Business Rankings. This goal was set in order to make South Africa an attractive investment destination. **the dti** through InvestSA signed a co-operation

agreement with the World Bank on the 11th March 2019 to address issues of investment climate reform over the next 2-3 years.

The national reform effort is being carried out collaboratively with relevant government departments, agencies and the private sector.

In order to operationalise the national reform initiative, Invest SA with the technical support of the World Bank prioritised five of the ten indicators based on the Doing Business report. The prioritised indicators are: (i) Starting a Business; (ii) Registering Property; (iii) Paying Taxes; (iv) Trading Across Borders and (v) Dealing with Construction Permits.

Specific reforms for each of the prioritisation indicators have been identified. These indicators were selected on the basis of their comparative low ranking in the World Bank's Survey as well as usefulness to local entrepreneurs. Technical Working Groups have been established on these indicators and comprise of members from both business and government, for the following indicators:

- Enforcing of contracts
- Getting access to electricity
- Resolving insolvency
- Getting credit
- Protection of minority shareholders

A road map has been developed with short term reform action plans (6-8 months) and medium to long term (18-24) months.

the dti together with National Treasury have been working with the World Bank and the private sector to increase the pool of respondents and have hosted workshops to familiarise respondents with the survey questionnaire as it is detailed and requires an understanding of the case study and the core assumptions related to the methodology.

We are further pioneering E-Government Services and to improve the process to starting a business.

Government is expected to go live with a business portal by October 2019. The new business portal will allow domestic firms to get company registration, domain name registration, B-BBEE certificate and SARS registration online at the same time. In addition, Invest SA is working with UIF and the Compensation Fund to integrate these processes into a single online platform which will be a first for South Africa.

Annex: How the World Bank Doing Business survey rank is measured

The annual World Bank Doing Business survey measures Johannesburg as the proxy city for SA and it surveys private sector practitioners responsible for engaging in business regulatory procedures in each of the 10 indicators measured in the Johannesburg geographic area (SA's largest city in terms of population density).

The Doing Business report presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score.

The ease of doing business ranking, ranks economies against each other in terms of reforms implemented; the distance to frontier (DTF) score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performing economy on each Doing Business indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking only shows how much the regulatory environment has changed relative to that in other economies.

More information on South Africa's ease of doing business scores may be found in the latest World Bank Doing Business 2019 report:

https://www.worldbank.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf.

-END-