



BRIEFING ON THE INVESTMENT CLIMATE REFORM PROGRAMME

PPGI

10 July 2019



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Invest SA

Who we are?

- **InvestSA** is a division of the South African Department of Trade and Industry (the dti), providing a one stop shop service to investors. We provide investment promotion, facilitation and aftercare, geared towards fast-tracking projects and reducing government red tape.
- **InvestSA** facilitates the increase in the quality and quantity of foreign and domestic direct investment by providing an investment recruitment, problem-solving and information service in order to retain and expand investments in South Africa .
- **InvestSA** actively markets, promotes and facilitates investment in key high yielding growth sectors of the South African Economy.

▪ **Investment South Africa's provides the following services to investors:**

Investment Information

- Economic Environment
- Regulatory Environment
- Legal Environment & Compliance
- Industrial Development & Financial Support
- Investment Guides

Investment Facilitation

- Inter-governmental coordination and facilitation
- Licencing, company registrations and work permits
- Municipal facilitation
- Incentives facilitation
- Location analysis and facilitation
- Critical infrastructure and utilities
- Broad Based Black Economic Empowerment (BBBEE) Facilitation
- Mediation and Arbitration
- Introduction to financial institutions and funding opportunities
- Priority sectors, designation and localisation
- Site visits and Business to Business Programs
- Partnerships with Stakeholders
- Company verifications
- Enterprise and supplier development
- Introduction to raw materials suppliers
- Advice and customs clearing
- Investment promotion and international investment missions
- Facilitation by **the dti** representatives abroad

Aftercare Services

- Advice on recruitment, talent & skills
- Advice on lifestyle amenities e.g location of housing, schools etc.
- Policy Advocacy
- Investor Surveys
- Business Forums and Investment Roundtables
- Retention & Expansion Services



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Introduction to the NICRP

- To improve South Africa's investment climate and ease of doing business to position 50, as per the President's State of the Nation Address, delivered 20 June 2019, within the next 2 years by 2021.
- Improve South Africa's rankings SA currently ranked 82. In 2006 SA was ranked in the top 30.
- Improve government business processes and turnaround times through automation so government can ultimately move to becoming e-government in keeping pace with global trends & practices over the next 5 years.

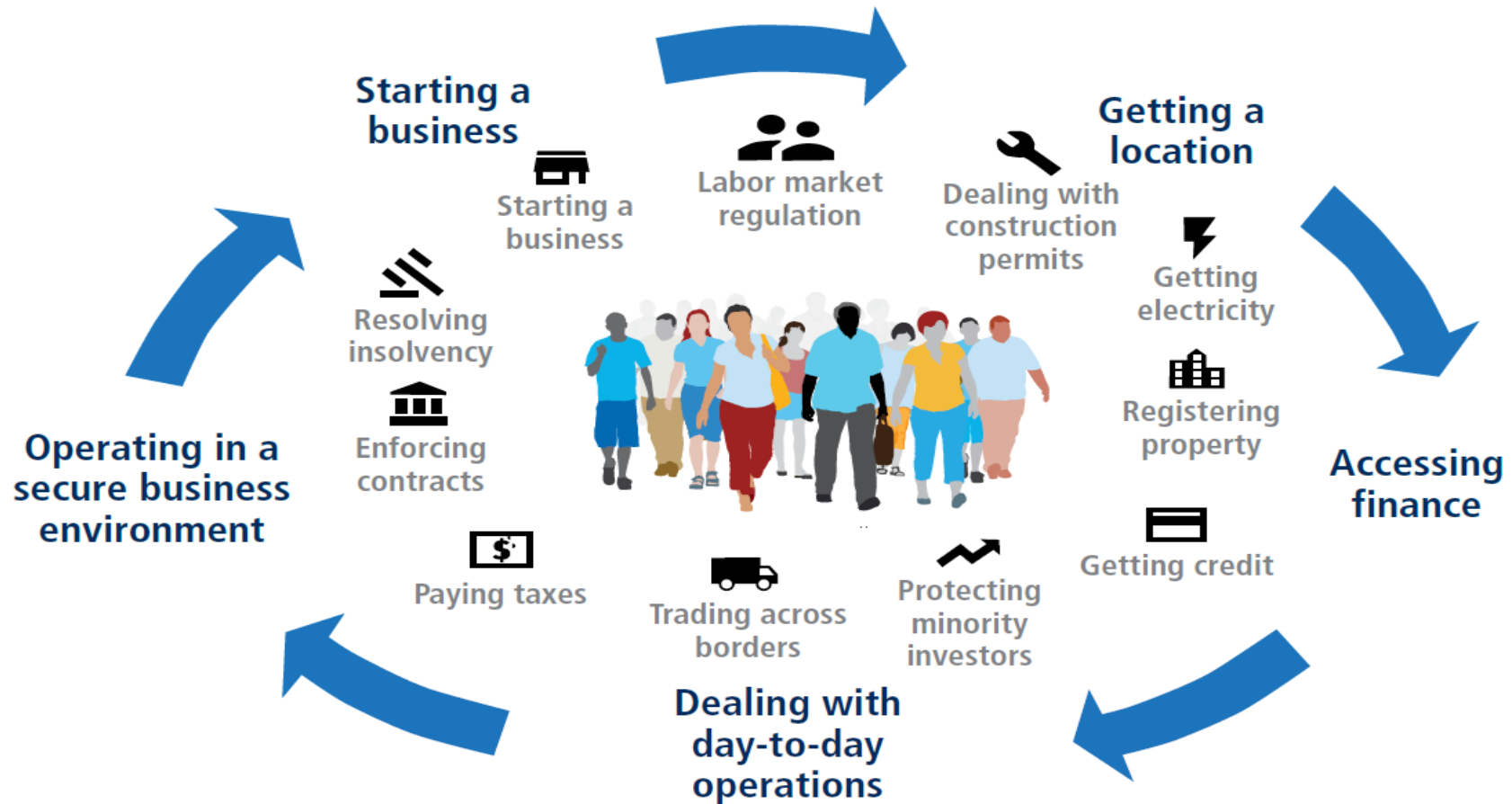


Problem Statement

- President Cyril Ramaphosa, in his SONA, 7 June 2018, committed to move South Africa to 50th position on the World Bank Survey over the course of the next 3 years, which requires government wide collaboration. This commitment was again mentioned in the SONA 20 June 2019.
- Of concern is that over the last 10 years South Africa has declined 50 places. South Africa is currently ranked 82.
- Improving South Africa's Doing Business performance is key to strengthening the country's investment performance, as annual DB results are used to position and market investment attractiveness to potential investors. Notably, DB results are also used by international credit rating agencies to benchmark the strength of a country's investment and business regulatory reforms and overall investment climate.

What Doing Business Measures

The **11 areas of business regulation** measured by *Doing Business* affect firms throughout their life cycle



What Doing Business Measures (cont'd)

The **11 areas of business regulation** measured by *Doing Business* affect firms throughout their life cycle

Doing Business indicators:

- Focus on **regulations** relevant to the life cycle of a small to medium-size domestic business.
- Are built on **standardized** case scenarios.
- Are measured for the largest **business city** in each economy, and the second largest business city in countries with more than 100 million inhabitants as of 2013.
- Are focused on the **formal** sector.

SA's RANKINGS ON EASE OF DOING BUSINESS INDICATORS

Indicator(s)	2017		2018		2019	
	DB Ranking	DTF	DB Ranking	DTF	DB Ranking	DTF
	(1-190) 74	(0-100)	82		82	
1. Starting a Business	131	80.47	136	79.97	134	81.22
2. Paying Taxes	51	81.09	46	80.02	46	81.13
3. Registering Property	105	59.03	107	58.43	106	59.32
4. Trading Across Borders	139	58.01	147	58.01	143	59.64
5. Dealing with Construction Permits	99	68.21	94	67.53	96	68.25
6. Resolving Insolvency	50	57.94	55	57.59	66	54.49
7. Getting Electricity	111	60.18	112	63.21	109	68.79
8. Protecting Minority Investors	22	70.00	24	70.00	23	73.33
9. Getting Credit	62	60.00	68	60.00	73	60.00
10. Enforcing Contracts	113	54.10	115	54.10	115	54.10

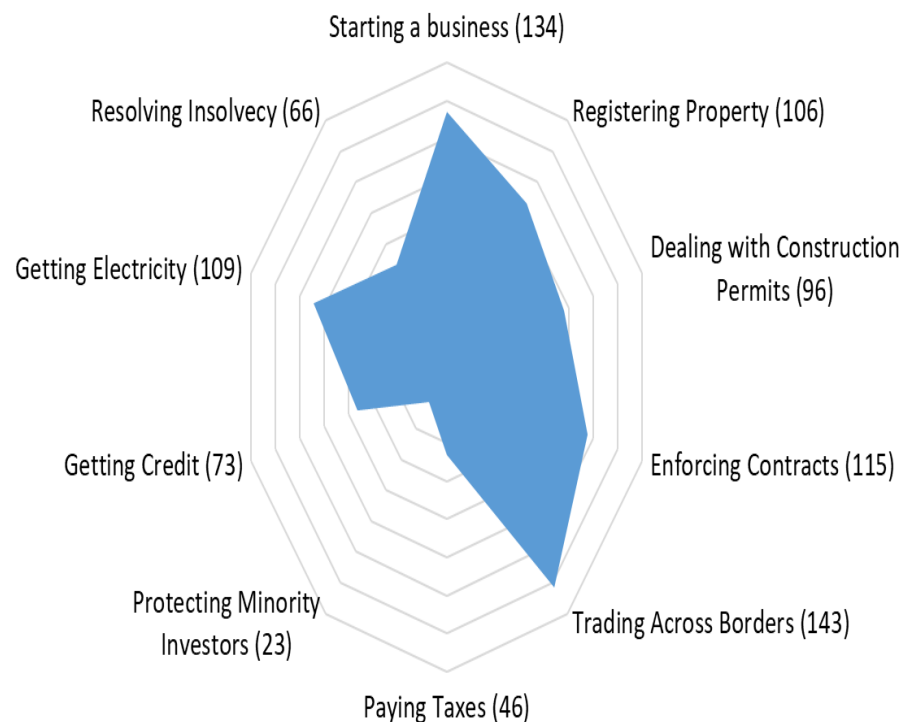
Declining rankings 2017-2019

South Africa is among the 5 top performing economies in Sub-Saharan Africa

Economy	Ease of Doing Business Rank	Overall DTF	Economy	Ease of Doing Business Rank	Overall DTF
Mauritius	25	77.54	Benin	151	50.47
Rwanda	41	73.4	Guinea	153	49.80
Kenya	80	65.15	Togo	156	48.88
Botswana	81	64.94	Comoros	158	48.52
South Africa	82	64.89	Zimbabwe	159	48.47
Zambia	85	64.5	Sierra Leone	160	48.18
Seychelles	95	61.41	Ethiopia	161	47.77
Lesotho	104	60.42	Madagascar	162	47.67
Namibia	106	59.94	Cameroon	163	47.23
Malawi	110	58.94	Burundi	164	46.92
Swaziland	112	58.82	Gabon	167	46.19
Ghana	120	57.24	São Tomé and Príncipe	169	44.84
Uganda	122	56.94	Sudan	170	44.46
Cabo Verde	127	56.24	Liberia	172	43.55
Tanzania	137	54.04	Equatorial Guinea	173	41.66
Mozambique	138	54.00	Angola	175	41.49
Côte d'Ivoire	139	53.71	Guinea-Bissau	176	41.45
Senegal	140	53.06	Congo, Rep.	179	39.57
Mali	143	52.92	Chad	180	38.30
Niger	144	52.34	Congo, Dem. Rep.	182	37.65
Nigeria	145	52.03	Central African Republic	184	34.86
Gambia, The	146	51.92	South Sudan	187	32.86
Burkina Faso	148	51.54	Eritrea	189	22.87
Mauritania	150	50.88	Somalia	190	19.98

Ranking on Doing Business topics - South Africa

(Scale: Ranking 190 center, Ranking 1 outer edge)

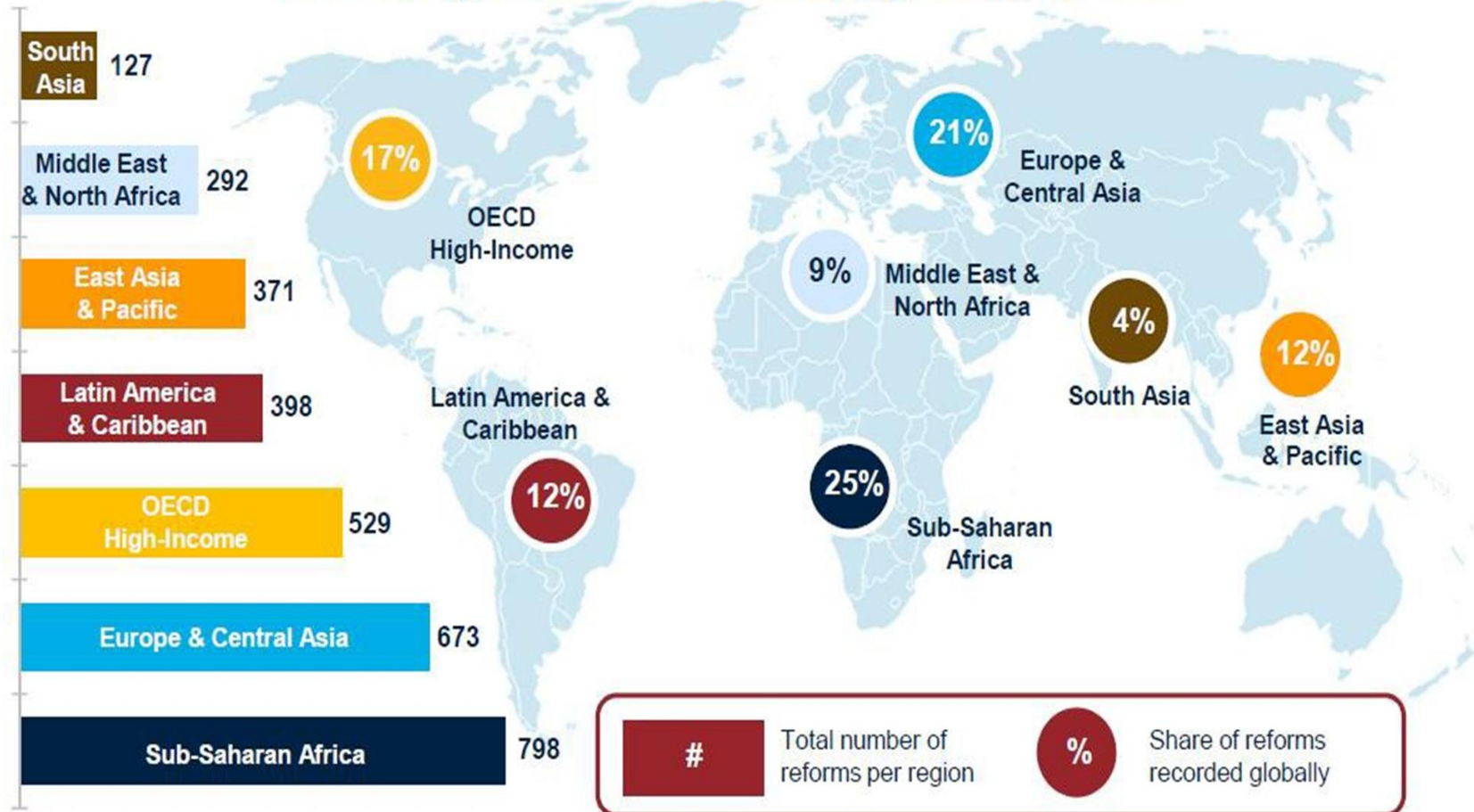


This diagram indicates SA's performance on each indicator. The worst performing indicators are Getting electricity, registering a property, trading across borders, enforcing contracts. National Treasury is undertaking a parallel process working at the sub-national level with cities and provinces to improve on these indicators.

While South Africa is among the top performing economy in sub-Saharan Africa, SA is quickly being outranked by its sub-Saharan counterparts and globally SA's ranking is declining steadily

INVESTMENT CLIMATE REFORM PROGRAMME

Total number and share of reforms recorded per region,
from *Doing Business* 2004 to *Doing Business* 2018



INVESTMENT CLIMATE REFORM PROGRAMME DASHBOARD

Q3 FY 2018/19 (1 Oct-31 Dec 2018) Quarterly Reform Progress: Doing Business Technical Working Groups

Reform	Progress	Reason	Timeframe	Responsibility	Status
STARTING A BUSINESS: DB 19 Rank 134 (out of 190), DB Score 81,22 (100 global best practice)					
Eliminate paper based applications for business registration through communicating the benefits of using the online portal and registering at Banks	CIPC eliminated paper based applications. UIF & Compensation Fund (CF) to a limited extent.	UIF & CF automation processes still ongoing	Short Term: timeframes t.b.c	UIF + CF	IN PROGRESS
Eliminate the requirement for certified ID copies	CIPC in the process of introducing a mobi-app that will eliminate the requirement for certified ID copies. - UIF has no requirement for ID. CF still to respond in this regard.	CIPC has 80 staff that are employed to verify certified IDs. These staff require re-training & redeployment.	Short Term: timeframes t.b.c	CIPC	NOT STARTED/ OVERDUE
Consider placing incomplete application forms 'on hold' for a limited period of time and allow the applicant to resolve the issue	Incomplete application resolved within 10-15 days. Applications with all supporting documents are processed in 10-15 minutes.		Complete	CIPC	COMPLETE
Include SDL and VAT registration as part of online registration with CIPC	Work in progress with SARS	Capacity constraints in SARS have delayed introduction	Short Term: timeframes t.b.c	CIPC & SARS	IN PROGRESS
Reduce the number of days for UIF registration by introducing online	U-filing Phase 1 (registration & user name) was meant to have been completed in August 2018, but has experienced complications. Launch date has been delayed until March 2019. Timing of U-filing Phase 2 - integration with CIPC/ SARS/ CF on single electronic platform has not communicated	Delays in launch of U-filing phase	Short Term: March 2019	UIF	NOT STARTED/ OVERDUE
Introduce electronic registration at the Commissioner in Deference to the Compensation for Occupational Injuries and Disease Act	Electronic CF registration on new C-filing system launched in April 2018	C-filing only covering employed registered with CIPC, still to extend to not sole proprietors. Next stage to integrate C-filing with U-filing onto CIPC platform for single integrated electronic platform	Short Term: timeframes t.b.c	CF	IN PROGRESS
Introduce a single platform (interface) for business registration by integrating the incorporation process with the registration for all taxes,	CIPC & SARS ready to integrate into a single electronic platform.	UIF & CF automation has been delayed & problematic. Both institutions have not been irregular participants in task team	Medium Term: timeframes t.b.c	CIPC, SARS, UIF, CF	NOT STARTED/ OVERDUE



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Required Reforms



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Starting a Business: Short term/Long term Recommendations

South Africa ranks 134th out of 190 economies on the Starting a business indicator. It takes 7 steps, 45 days and costs 0.2% of income per capita, and there is no paid-in min capital requirement

Suggested Short- term Reforms (6 months - 8 months)

- Eliminate paper based applications for business registration through communicating the benefits of using the online portal and registering at Banks
- Eliminate the requirement for certified ID copies
- Consider placing incomplete application forms 'on hold' for a limited period of time and allow the applicant to resolve the issue
- Include SDL and VAT registration as part of online registration with CIPC
- Reduce the number of days for UIF registration by introducing online registration processes' that are user friendly

Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)

- Introduce electronic registration at the Commissioner in Deference to the Compensation for Occupational Injuries and Disease Act
- Introduce a single platform (inter face) for business registration by integrating the incorporation process with the registration for all taxes, the (2) Unemployment Insurance Fund, and the (3) Employees' Compensation Fund
- Introduce a One Stop -Shop for business registration
- Introduce electronic authentication

Implementing the above-mentioned short-term recommendations would drop South Africa's procedure count from 7 to **4**, reduce days from 45 to **26**, placing it in **68th** place on the index. Implementing the medium and long term recommendations, would further reduce the procedures to **3**, days to **5** and ranking to **9th** position globally on this indicator

Dealing with construction permits: Short term/Long term Recommendations

South Africa ranks 96th out of 190 economies in the world on the ease of Dealing with construction permits indicator. It takes 20 steps, 149 days and costs 1.6% of warehouse value to build a warehouse. On the building quality control index, South Africa scores 11 out of possible 15 points.

Suggested Short- term Reforms (6 months - 8 months)

- Develop user-friendly guidelines to improve transparency and predictability
- Develop a checklist that must be met before an application is accepted
- Set up a one -stop -shop for obtaining a construction permit and streamline procedures
- Improve and upgrade the IT systems
- Improve communication with private sector
- Engage in peer-to -peer learning at the subnational level

Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)

- Differentiate projects by risk and offer expedited series for low-risk commercial buildings
- Consider alternative types of inspection systems during construction
- Introduce an online permitting system
- Implement a Building Information Modeling (BIM) system
- Increase qualified resources at the municipality
- Consider Introducing Mandatory Latent Defect Liability and Latent Defect Liability Insurance
- Review the National Building Regulations and Standards Act of 1977

Implementing the above-mentioned short term recommendations would reduce South Africa's procedures from 20 to **16**, days from 149 to **106** and would increase the quality index score by **1** point, placing it **33rd** globally. Implementing long and medium term recommendations would further drop procedure count to **14**, days to **76**, and increase building quality control index to **14** points, placing it **7th** globally on this indicator

Getting electricity: Short term/Long term Recommendations

South Africa ranks 109th out of 190 economies in the world on the Getting electricity indicator. It takes 4 steps, 84 days and costs 146.6% of income per capita to connect to electricity in Johannesburg. On the Reliability of supply and transparency of tariff index, South Africa scores 0 out of possible 8 points.

Suggested Short- term Reforms (6 months - 8 months)

- Streamline and fully automate the approval process for an electricity connection
- Improve transparency and adhere to service standards according to National Rationalized Service Standards, (NRS)
- Reduce the burden of the security deposit

Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)

- Strengthen efforts to measure power interruptions and duration more effectively by developing and working on the Outages Management System through the Distribution Management System, (DMS)
- Introduce GIS to map electricity distribution systems

If South Africa implements the above-mentioned short-term recommendations, its procedure count on this indicator will drop to **3**, days will drop to **54**, which will place it on the **94th** position globally on this indicator. Should South Africa implement all the medium and long-term recommendations, it will increase its score on the quality index to **8** points, and would rank **21st** globally on this indicator.

Registering property: Short term/Long term Recommendations

South Africa ranks 106th out of 190 economies globally on the Registering property indicator. It takes 7 steps, 23 days and costs 7.6% of property value to transfer a property in Johannesburg. On the quality of the land administration index, South Africa scores 13.5 out of possible 30 points.

Suggested Short- term Reforms (6 months - 8 months)	Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)
<ul style="list-style-type: none">• Adopt electronic issuance of rates clearance certificates• Streamline and reduce other certification requirements• Streamline administrative processes at the Deed's office• Implement a specific and separate mechanism for filing complaints at the deeds registry• Increase transparency of the land administration with the wide publication of fee schedules, documents for registration and service standards online	<ul style="list-style-type: none">• Study the possibility to reduce the property transfer duty• Consider reducing the cost of professional bodies in the transfer process• Make it optional to use third parties during the property transfer process• Automate deeds registry records• Develop an integrated registry system for electronic registration (National Deed's Registry)

Should South Africa implement all of the above short-term recommendations, its procedure count on this indicator would drop to **4**, days to **16**, and its score on the quality index could increase by **1** point, placing the country in **74th** position globally. Should South Africa implement all of the above mentioned medium and long term recommendations, its days would drop to **15**, index could increase by **6.5** points and its ranking would increase to **44th** position globally.

Paying Taxes: Short term/Medium - Long term Recommendations

South Africa ranks 46th globally out of 190 economies on the ease of Paying taxes indicator. It takes 7 payments and 210 hours to comply with tax requirements in South Africa. The total tax rate is 28.9% of profit, while the country's score on the post-filing index is 55.45 out of 100 points.

Suggested Short- term Reforms (6 months - 8 months)	Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)
<ul style="list-style-type: none">• Enhance taxpayer perception and cost compliance surveys• Improve and promote the use of the institutional website, and increase taxpayer outreach• Continue to provide continuous training to SARS staff	<ul style="list-style-type: none">• Reduce the likelihood of VAT audits• Reduce the time taken to obtain a VAT refund• Initiate a mapping exercise to understand how cases are selected for an audit

Should South Africa implement all of the above short and medium term recommendations, its score on the post-filing index could increase from 55.45 to **80**, which would bump up South Africa's ranking on this index to **25th** position globally.

Getting credit: Short term/Medium - Long term Recommendations

South Africa ranks 73th on the ease of getting credit. It scores 5 out of possible 12 points on the strength of legal rights index, and 7 out of possible 8 points on the depth of credit information index.

Suggested Short- term Reforms (6 months - 8 months)	Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)
<ul style="list-style-type: none">Distribute 2 years or more of historical data and do not erase negative information such as late payments once the loans are repaid	<ul style="list-style-type: none">Implement an integrated or unified legal framework for secured transactionsImplement an integrated, electronic, notice based collateral registryCreate a movable assets collateral registry indexed by borrower and unified geographically and with an electronic database indexed by debtors' names searchable onlineProtect secured creditors' rights by providing clear grounds for relief from the stay and/or set a time limit for it when debtors enter a court supervised reorganization procedure

Should the country implement the above mentioned short-term recommendation, score on the credit information index would increase from 7 to a maximum score of **8** points and its ranking would go up from 68 to **55th** position on this index. Should the country implement all of the medium and long-term recommendations, score on the legal rights index could increase from 5 to **10**, and the country's ranking would be **12th** globally.

Trading across borders: Short term/Medium - Long term Recommendations

South Africa ranks 143th out of 190 economies globally on the Trading across borders indicator. For export, it takes 68 hours and costs 170\$ for documentary compliance and 100 hours and 428\$ for border compliance. For import, it takes 36 hours and costs 213\$ for documentary compliance and 144 hours and 657\$ for border compliance.

Suggested Short- term Reforms (6 months - 8 months)	Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)
<ul style="list-style-type: none">• Create a single border management structure and under take joint inspections• Enhance the Preferred Trader Program• Adopt the new Customs Legislation	<ul style="list-style-type: none">• Improve logistics at Durban Port• Extend rail links bet ween Durban and Johannesburg (This would likely go beyond 18 months)

Should South Africa implement the short-term recommendations, the time under border compliance could drop from 100 to **70 hours** in export procedures and from 144 to **100 hours** in import procedures. Time measured under documentary compliance could be reduced from 68 to **50 hours** in export procedures, and from 36 to **30 hours** in import procedures. The country's ranking would go up form 147th position to **121st** globally. Should the country implement all of the medium and long-term recommendations, the time measured under border compliance could reduce from 100 to **50 hours** in export procedures, and from 144 to **80 hours** in import procedures. Time measured under documentary compliance could be reduced from 68 to **36 hours** in export procedures, and from 36 to **18 hours** in import procedures. The country 's ranking on this indicator would have gone up from 147 position to **88th** globally

Enforcing contracts: Short term/Medium - Long term Recommendations

South Africa ranks 115th globally out of 190 economies on the ease of Enforcing contracts indicator. It takes 600 days and costs 32.2 (% of claim value) to process a trial. On the quality of judicial processes index, the country scores 7 out of 18 points.

Suggested Short- term Reforms (6 months - 8 months)	Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)
<ul style="list-style-type: none">• Conduct a mapping exercise to identify points of delay in commercial cases• Expand the use of electronic filing to commercial cases	<ul style="list-style-type: none">• Set up commercial division of the court• Allow for the use of Alternative Dispute Resolution• Increase the number of judges to increase efficiency of enforcing contracts• Allow for the electronic filing of cases

Should South Africa implement all of the above short and medium term recommendations, the time to process a trial could decrease from 490 to **300 days**, the country's performance on the Quality of judicial process could improve an additional **6** points to score **13** out of possible 18 points. The ranking on this indicator would have risen to **24th** globally in DB18

Resolving insolvency: Short term/Medium - Long term Recommendations

South Africa ranks 66th globally out of 190 economies on the Resolving insolvency indicator. It takes 2 years, costs (% of estate) 18 % and the recovery rate for insolvency proceedings is 34.4 (cents on the dollar)

Suggested Short- term Reforms (6 months - 8 months)	Suggested Medium- term to Long- term Reforms (8 months - 18 months) and (cumulative impact)
<ul style="list-style-type: none">• Raise awareness of the reorganization (business rescue) proceedings among stakeholders to increase their willingness to consider them as a viable option• Adopt a set of non-binding principles for out of court workouts to be used by debtors and creditors	<ul style="list-style-type: none">• Consider streamlining and adding cohesion to the current framework• The reorganization (business rescue) proceedings should be evaluated in light of best practices with regards to creditors' rights• Promote smooth conversion from liquidation into reorganization proceedings• Reduce the cost of dealing with insolvency proceedings (auctioneer's fees, etc.)• Enhance efficiency and streamline the procedural requirements

Should South Africa implement all of the above short and medium term recommendations, there would be an increase in performance from 12.5 to **15** points on the Strength of legal rights index and there would be a change in the outcome from piecemeal sale to sale as going concern. The cost of insolvency and reorganization proceedings would also be reduced. The Recovery rate would increase from 34.4 to **45 cents** on the dollar and the the ranking to **30th** place globally

Action required

Indicator	Actions required
Starting a Business	Data integration between CIPC, CF, UIF, SARS and Home Affairs for virtual Ones Stop Shop. Ensure appropriate budgetary and human resource allocations. Commissioners to meet weekly.
Registering a Property	DG DRDLR and DG Presidency to accelerate promulgation of the EDRS Bill. DG DRDLR to mandate the Chief Registrar Deeds and Surveyor General to complete reform action plan. Accelerate implementation of process optimization and e-lodgement in current FY.
Paying Taxes	Complete Reform Action Plan. Reduce time taken to get a VAT refund
Trading Across Borders	Complete Reform Action Plan. Requires participation from Department of Home Affairs, Agriculture, SARS, SAPS, SABS, NRCS, Transnet. To create single border management structure and undertake joint inspections. Transnet to improve Durban Port logistics and extend rail links between JHB and Durban.
Dealing with construction permits	Amendment of the National Building Regulations responsibility of the dti. City of Jo'burg: Streamlining of their processes and deploying an electronic system SABS to make accessible SANS 10400.

BENEFITS OF REFORMING

- ✓ If South Africa implements all short-term measures, its Doing Business score would increase from 64.89 to **69.31**
- ✓ If South Africa implements all the short-term measures, its position would rise to **60th** place globally
- ✓ If South Africa implements both the short-term as well as medium and long-term reform efforts, its Doing Business score would soar to **81.77**
- ✓ If South Africa implements both the short-term as well as medium and long-term reform efforts, it would occupy **10th** position on the ease of *doing business* index

Stakeholders Consulted

Presidency, Economic Advisor	E & Y
National Treasury	City of Jo'burg
SARS	eThekweni
Department of Rural Development and Land Reform	SACAP
The Office of the Chief Registrar Deeds	City of Cape Town
Transnet	Department of Labour
South African Freight Forwarders Association	SALGA
PwC	UNISA
SAICA	

Recommendations

- The programme has been operational since 2017 at national level addressing initially 4 indicators with a new indicator added in 2019. Sub-national programme through city support has been operational since 2014.
- The City of Johannesburg is a proxy for South Africa (national ranking) and needs to improve in the sub-national rankings of dealing with construction permits, registering property, getting electricity, enforcing contracts and trading across borders. All metro's need to improve on these rankings, particularly the City of Johannesburg for SA's overall ranking to improve.
- The success of the ICRP programme is dependent on the high level collaboration, commitment and consistency from government departments and agencies. It is critical that an inter- governmental task team which includes the participation of business is formalised which provides support at a high level to implement necessary reforms.
- The ICRP has been designed to take SA to the top 50 to create an enabling climate for investment. According to the World Bank if SA undertakes reform on the ease of doing business rankings it can move up 20 positions in the short term and 50 positions in the medium to long term. SA needs to be in the top quartile in the next 2-3 years. Improvements in the rankings are not guaranteed and depends on SA's reform efforts relative to what other countries may be doing.
- Cluster and Presidency to assist in securing participation from various government stakeholders and across all spheres of government.
- The programme also requires a communication strategy that sends out specific messaging about the changes so that they are communicated to public at large.

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