National Treasury: Cities Support Programme

ToR to Review the Institutionalisation and Sustainability options for the SNDB Survey

20th March 2020
Outline of the Presentation

- Purpose of the Tender
- Outline of the Cities Support Programme
- Overview of the DB and SNDB Surveys and Reform Programmes
- Scope of work for the Contract
Purpose of the Tender

• To address the institutionalisation and sustainability of the Sub National Doing Business programme in South Africa

• To assist the SAn Government to make informed decisions regarding the future location and financing of the SNDB Programme, primarily focused on the SNDB Survey but also addressing ongoing reform support to the metros.

• The project is part of National Treasury’s Cities Support Programme, Economic Development Component

• The CSP’s Theory of Change is presented in the next slide
<table>
<thead>
<tr>
<th>Capable cities</th>
<th>Delivering cities</th>
<th>Compact, inclusive &amp; connected cities</th>
<th>Productive &amp; Sustainable Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance/ leadership</td>
<td>Cities implement and maintain integrated and resilient urban infrastructure, services and spatial transformation</td>
<td>Urban sprawl is contained within the urban edge</td>
<td>Cities are more competitive globally</td>
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<tr>
<td>Outcomes-based planning, monitoring and reporting</td>
<td>Cities have empowered and active communities</td>
<td>Cities have affordable and efficient public transport that is used by citizens</td>
<td>Cities are more resource efficient and generate less carbon emissions</td>
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<tr>
<td>Infrastructure and land delivery capabilities</td>
<td>Cities deliver functionally integrated, resilient housing and public transport programmes</td>
<td>Cities are well managed and regulated</td>
<td>Cities are more economically productive</td>
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<tr>
<td>City’s financial sustainability</td>
<td>Cities have sustainable finances and diversified sources of funding</td>
<td>Cities have diverse housing options and upgraded informal settlements</td>
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<tr>
<td>City economic development</td>
<td>Cities implement inclusive, spatialized economic development strategies</td>
<td>Citizens’ are more connected to job opportunities and skills</td>
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<tr>
<td>Enabling intergovernmental fiscal system</td>
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<tr>
<td>Fiscal transfers</td>
<td>Fiscal transfers are aligned to support city-led sustainable urban transformation</td>
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<tr>
<td>Fiscal instruments and frameworks</td>
<td>Fiscal frameworks, policies, incentives and grants are aligned to support sustainable urban financing and transformation</td>
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<tr>
<td>Enabling policy environment</td>
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<tr>
<td>Capacity building</td>
<td>Intergovernmental relations and coordination is strengthened to support cities’ transformation agenda</td>
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<tr>
<td>Policy, Plans, oversight alignment</td>
<td>National and provincial policies and plans support cities in implementing reforms and promote cities’ role in the transformation agenda</td>
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</tbody>
</table>
CSP Theory of Change

Cities Support Programme

Well governed cities ➔ Capable cities

Aligned policy, fiscal, regulatory and support mechanisms

Delivering cities
Productive and Sustainable cities
Compact, Inclusive and connected cities
Prosperous inclusive communities and growing economies

Fiscal and Governance

Human Settlements

Public Transport

Economic Development

Climate Resilience

Prosperous inclusive communities and growing economies

National & Provincial Government

Capable cities ➔ Prosperous inclusive communities and growing economies

Compact, Inclusive and connected cities

Well governed cities ➔ Delivering cities

Enabling environment for city transformation
Cities as Drivers of National Economic Development

- SA’s central economic policy goal is to accelerate growth to create jobs and reduce inequality and poverty
- 8 metros drive the national economy contributing more than half of employment and GDP
- Economic development is transversal - public & private investment lands within municipal spaces, however:
  - Return on investment is low
  - Private sector confidence & trust is low
- All municipalities face the challenge of stimulating economic growth and job creation
CSP Focuses on Building City Capabilities to Plan, Operate and Manage City Economic Spaces to enable Business Activity
Role of the Sub National Doing Business Reform Programme

- SNDB (‘Sub-National Doing Business’) Survey is the local equivalent of the annual World Bank’s DB (‘Doing Business’) Survey
- Both surveys measure the quality of the business environment and business regulation
- The annual World Bank DB report uses Johannesburg as a proxy for South Africa
- SNDB Survey has been conducted in 2015 and 2018

Why do these surveys matter?
- As government we always speak about the importance of job creation, but we do not seem to notice when our own processes get in the way
- The quality of business regulation and the institutions that enforce it are a major determinant of employment creation, private sector development and economic prosperity.
- Reducing the time taken to get business approvals, and the cost of doing business, is an important policy intervention to promote growth and job creation
- Administrative and regulatory process improvement is therefore essential for promoting inclusive economic growth
- The surveys measure improvements undertaken at national and city-level
- Business process reforms contribute to EODB for firms within city economic spaces
• In 2018 President Ramaphosa led SA’s 1st Investment Conference to attract USD 100 billion, investment to SA by 2023.

• In his February 2019 SONA, the President emphasised the importance of improving the Ease of Doing Business in SA, with the Doing Business SA Reform process led by Invest SA, National Treasury & the Presidency to address barriers inhibiting investment.

• The annual World Bank Doing Business Survey is the World Bank’s flagship publication, measuring the quality of the business environment and business regulation (“EODB”) in 190 countries.
  • SA has participated in DB survey since 2004, with Johannesburg as the largest business city (demographically) representing SA.

• Sub-National Doing Business (SNDB) is the local equivalent of DB, measuring the “ease of doing business” across 9 cities in South Africa.
  • Commissioned by NT IGR, the World Bank DB SA 2015 and DB SA 2018 provided an initial baseline & benchmark of business regulatory performance in SA’s 9 cities.
What does *Doing Business* measure?

*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.

“Job creation is one of the transformational gains that countries and communities can achieve when the private sector is allowed to flourish. Fair, efficient and transparent rules, which Doing Business promotes, improve governance and tackle corruption”

Kristalina Georgieva,
World Bank Chief Executive Officer
The 11 *Doing Business* areas of business regulation affect firms throughout their life cycle.

Metros are responsible for 2,5 *Doing Business* indicators – all in area of Getting a Location:
- Dealing with Construction Permits
- Getting Electricity
- Registering Property

National Departments and State Owned Enterprises are responsible for service delivery in the remaining 7,5 indicators:
- DTIC, CIPC, UIF, CF
- Deeds Office, Surveyor General, Human Settlement
- NERSA
- Transnet, SARS
- DTIC, National Treasury
How are DB score and ranking determined?

- Economies are ranked on their ease of doing business, from 1–190.
  - A high EODB ranking means the regulatory environment is more conducive to the starting and operation of a local firm
  - The rankings are determined by sorting the aggregate scores on 10 DB indicators, each consisting of several sub-components, giving equal weight to each DB indicator
  - The rankings for all economies are benchmarked.
  - Rankings are determined based on results of a survey undertaken by private sector respondents per DB indicator.

- Private sector respondents are those professionals and industry association representatives that deal with procedures and processes on a daily basis – e.g. conveyancers, developers, tax practitioners, OEMs, freight forwarders, customs clearance agents

- Public sector representatives are asked to submit a public verification response, although the private sector responses are drawn as primary data
DB and SNDB Limitations

- Many important policy areas are not covered by DB and areas covered are narrow in scope for global comparability – i.e. very specific case studies are used.
- DB does not measure the full range of factors, policies and institutions that affect EODB, e.g. it excludes:
  - market size, macroeconomic stability, the development of the financial system, quality of the labour force and the incidence of bribery and corruption.
  - Quantification of all costs and benefits of laws and regulations to society as a whole.
- DB does not survey firms as incidence of individual firms engaging in DB-related transactions is low, and firms are not familiar with legal information that is required by respondents.
- SNDB Survey follows similar data collection methods – driven by client demands and timelines:
  - Incorporate a “right of reply” period, which consists of a series of consultative working meetings with local authorities.
- Challenge of institutionalising the SNDB Survey is not unique to SA – other countries such as Mexico, China and Indonesia have grappled with it.
SA’s performance on WB Doing Business Survey

- SA has participated in DB survey since 2004, with Johannesburg as the largest business city (demographically) representing SA
- Data collection is mid Jan to 30 April every year
- DB survey published end October every year. DB 20 published 31 October 2019, DB 2021 survey underway, to be published end October 2020
- Over last 10 years SA declined 52 places, sliding from a rank of 32\textsuperscript{nd} (out of 181 countries) in DB 2009 to its current rank of 84th in DB 2020.
- Mauritius ranks 13\textsuperscript{th}, Rwanda 38\textsuperscript{th}, Kenya 56\textsuperscript{th}, Zambia 85\textsuperscript{th} and Botswana 87\textsuperscript{th}, while India has improved significantly climbing 23 positions in DB 2019 and a further four (4) positions to place 63\textsuperscript{rd} in DB 2020.
- President placed DB Reform as priority for his Investment Agenda in the 2019 SONA
- Stated target for SA to shift from 84th in DB ranking to top 50 (out of 190) within 3 years
<table>
<thead>
<tr>
<th>Indicator(s)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DB Ranking (1-190)</td>
<td>DTF (0-100)</td>
<td>DB Ranking</td>
<td>DTF</td>
</tr>
<tr>
<td>Overall</td>
<td>74</td>
<td>67</td>
<td>82</td>
<td>66.7</td>
</tr>
<tr>
<td>1. Starting a Business</td>
<td>131</td>
<td>80.47</td>
<td>136</td>
<td>79.97</td>
</tr>
<tr>
<td>2. Paying Taxes</td>
<td>51</td>
<td>81.09</td>
<td>46</td>
<td>80.02</td>
</tr>
<tr>
<td>3. Registering Property</td>
<td>105</td>
<td>59.03</td>
<td>107</td>
<td>58.43</td>
</tr>
<tr>
<td>4. Trading Across Borders</td>
<td>139</td>
<td>58.01</td>
<td>147</td>
<td>58.01</td>
</tr>
<tr>
<td>5. Dealing with Construction Permits</td>
<td>99</td>
<td>68.21</td>
<td>94</td>
<td>67.53</td>
</tr>
<tr>
<td>6. Resolving Insolvency</td>
<td>50</td>
<td>57.94</td>
<td>55</td>
<td>57.59</td>
</tr>
<tr>
<td>7. Getting Electricity</td>
<td>111</td>
<td>60</td>
<td>112</td>
<td>63.21</td>
</tr>
<tr>
<td>8. Protecting Minority Investors</td>
<td>22</td>
<td>70</td>
<td>24</td>
<td>70</td>
</tr>
<tr>
<td>9. Getting Credit</td>
<td>62</td>
<td>65.2</td>
<td>68</td>
<td>60</td>
</tr>
<tr>
<td>10. Enforcing Contracts</td>
<td>113</td>
<td>54.1</td>
<td>115</td>
<td>54.1</td>
</tr>
</tbody>
</table>
## SNDB SA 2018 Comparative City Performance

<table>
<thead>
<tr>
<th>Location</th>
<th>Dealing with construction permits</th>
<th>Getting electricity</th>
<th>Registering property</th>
<th>Enforcing contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Distance to frontier score (0–100)</td>
<td>Rank (1–9)</td>
<td>Distance to frontier score (0–100)</td>
<td>Rank (1–9)</td>
</tr>
<tr>
<td>Buffalo City (East London)</td>
<td>71.66</td>
<td>6</td>
<td>59.40</td>
<td>5</td>
</tr>
<tr>
<td>Cape Town (Cape Town)</td>
<td>75.48</td>
<td>1</td>
<td>79.81</td>
<td>1</td>
</tr>
<tr>
<td>Ekurhuleni (Germiston)</td>
<td>71.81</td>
<td>4</td>
<td>52.09</td>
<td>6</td>
</tr>
<tr>
<td>eThekwini (Durban)</td>
<td>73.65</td>
<td>2</td>
<td>69.40</td>
<td>2</td>
</tr>
<tr>
<td>Johannesburg (Johannesburg)</td>
<td>68.16</td>
<td>8</td>
<td>68.77</td>
<td>3</td>
</tr>
<tr>
<td>Mangaung (Bloemfontein)</td>
<td>71.25</td>
<td>7</td>
<td>59.82</td>
<td>4</td>
</tr>
<tr>
<td>Msunduzi (Pietermaritzburg)</td>
<td>73.17</td>
<td>3</td>
<td>47.59</td>
<td>8</td>
</tr>
<tr>
<td>Nelson Mandela Bay (Port Elizabeth)</td>
<td>71.70</td>
<td>5</td>
<td>42.19</td>
<td>9</td>
</tr>
<tr>
<td>Tshwane (Pretoria)</td>
<td>66.25</td>
<td>9</td>
<td>51.24</td>
<td>7</td>
</tr>
</tbody>
</table>
Doing Business SA Reform Initiative

- **Doing Business South Africa Reform** is a technical initiative led by Invest SA at DTIC in partnership with National Treasury & Presidency Project Management Office.

- **Doing Business Reform Vision**: To improve government business regulatory processes by optimising processes and using technology and digitisation to drive business process efficiencies, complemented by associated legislative reform.

- DB SA reform programme has established **5 technical working groups (TWGs)** – starting a business, dealing with construction permits, registering property, paying taxes & trading across borders. Plans underway to establish additional ones.
  - TWG members include government departments at national and city level, private sector, industry associations & government departments and agencies.
  - Aim is to achieve greater coordination across silos & inter-governmental spheres, as well as between government and private sector participants.
  - Partnering on reform initiatives allows for co-creation of solutions and greater accountability for their implementation to TWG peers.
SNDB Reform Initiative Responds to City Support Needs

- Gaining buy-in of political and administrative leadership
- Building Transversal management capabilities
- Strategic planning alignment
- Business Process Analysis to inform Reform Action Plans
- Business process optimization and Automation reforms
- Strengthened external Stakeholder engagement
SNDB Support Instruments

- Peer Learning
- Access to Global and SA expert resources
- Data specialist support to ensure data integrity
- Formal stakeholder communication platforms
- Knowledge sharing
- Annual best practice session
- Information Technology Systems
Project Scope of Works

• Develop and Propose an informed approach towards the Institutionalisation of the SNDB Survey and Reform programme to the San Government
• Explore key issues such as:
  – Would it make sense to “customise” the SNDB Survey methodology to broaden its scope?
  – Would it make sense to include a broader range of EODB factors and indicators in the Survey?
  – Does the WB SNDB Survey methodology allow such a broadening of scope?
  – What institutional options exist for conducting the Survey?
  – Which San institutions would be appropriate agencies to conduct the Survey and why?
  – How does SA maintain the global comparability of the Survey results if the scope is broadened?
  – How should SA protect the credibility of the Survey?
  – What should the institutional relationship be between the DB and SNDB Surveys and reform programmes?
Scope of Works: Main Activities

- Assess the perceived value of the SNDB Survey to Stakeholders
- Assess the perceived value of the SNDB reform support programme to stakeholders
- Assess the methodology and approach
- Review the institutionalisation options for the Survey
- Based on this research, develop recommendations for the San Govt regarding the best approach to be followed for the sustainability and relevance of the SNDB Survey and Reform programme