

The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

## COUNTRY FACTSHEET

MARCH 2020



# IBEP South Africa

### PROJECT OVERVIEW

The IBEP South Africa project seeks to address key investment climate and structural challenges faced by the country such as poor regulation, anti-competitive practices and negative investor perceptions. The project further aims to address investment and growth challenges by focusing on a range of reforms across three main components:

### COMPONENTS

#### Business Regulation

This component supports business environment improvements by addressing policy, legal, regulatory and administrative barriers to private enterprise growth and job creation. Activities involve pursuing Doing Business and sector-specific reforms as well as supporting capacity building of the related South African public sector agencies.

#### Investment Policy and Promotion

This component supports the generation and retention of FDI by removing policy and institutional barriers to entry as well as by streamlining administrative procedures to ensure an efficient and predictable regime for investors. It also seeks to strengthen the legal and institutional framework for FDI, enhance the investment incentives regime, and ensure investor retention through robust investor aftercare.

### REFORMS TARGETED

- 1 Improvements to the business environment by targeting reductions in compliance costs and/or in the time to comply with bureaucratic processes under the DB Starting a Business indicator
- 2 Improvements to the business environment by targeting reductions in compliance costs and/or in the time to comply with bureaucratic processes under the DB Paying Taxes indicator
- 3 Improvements to the business environment by targeting reductions in compliance costs and/or in the time to comply with bureaucratic processes under the DB Trading across Borders indicator
- 4 One reform to the business environment specific to the ICT sector (spectrum and ICT policies to reduce uncertainty and ensure the availability and development of ICT skills)
- 5 Legal/policy recommendations on FDI strategy and/or policy adopted (three instances)
- 6 Institutional framework reforms for Investment Policy and Promotion adopted (two instances)
- 7 Support the design and adoption of a Systemic Investor Response Mechanism (SIRM) to allow the government to better respond to investor grievances
- 8 One reform to the business environment specific to the ICT sector (spectrum and ICT policies to reduce uncertainty and ensure the availability and development of ICT skills)

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### Competition Policy and Market Regulation

This component will support the alignment of government interventions with principles that open markets and strengthen competition in key sectors in South Africa by developing tools to strengthen the enforcement of competition law, as well as by equipping policy makers with sustainable mechanisms to identify and reform distortions to competition caused by government interventions in markets.

<b>9</b>	Reform to boost competition in a sector with SOEs (e.g. adoption of competitive neutrality framework or other)	
<b>10</b>	Reform to embed pro-competition principles in the framework around the design and granting of industrial incentives	
<b>11</b>	Adoption and use of a database by the competition authorities in competition enforcement or advocacy	
<b>12</b>	Adoption and use of a database by the competition authorities in facilitating review of mergers & acquisitions transactions	

## RESULTS AS OF MARCH 2020

- Project recommendations on institutional, legal, and regulatory changes resulted in one reform related to the DB Starting a Business indicator (reform 1 in the table above). Following up on the 2017 DB Reform Memoranda and to the inter-Departmental Doing Business Technical Working Groups in 2018, the GoSA reduced the time to start a business from 45 to 40 days, which translated into an improvement in the Starting a Business indicator score under Doing Business 2019. This reduction stemmed from the proposal and subsequent decision to eliminate the acceptance of paper applications toward electronic registrations through BizPortal.
- The project supported the adoption of reforms reducing the time for paying taxes by supporting the government in adopting of an SME tax protocol as well as introducing adjustments to the South African Revenue Service risk engine (reform 2).
- The project provided recommendations to the Port of Durban (Transnet), which achieved a reform that will reduce the time for pre-shipment storage at the port by 67 percent by changing the mandatory pre-shipment stacking period from 72 to 24 hours (reform 3).
- In addition, the creation of the High-Level Office in the Presidency for Investment and Infrastructure has elevated the responsibility for investment generation at the national level to the presidency as proposed by the project. The project's technical support to the Presidential Investment Summits, including the design of the structure and content and facilitation of the Ministerial Panels on the Continental Free Trade Agreement, has been acknowledged by the presidency.
- Related to other reforms, a formal national IPA working group has been established and is being used to deliver peer-to-peer learning. The competition component has delivered inputs that have been fed into (i) the National Treasury's Economic Strategy, (ii) the planned SOE bill, and (iii) the national ICT strategy for the country. Additionally, the database for the Competition Authorities is being finalized. The project has facilitated peer learning events and 55 workshops that have hosted over 1,000 participants.
- **COVID-19:** Upon the outbreak of the COVID-19 pandemic, the project supported the adaptation of the electronic business registration portal, BizPortal, to provide essential service certification to businesses during the lockdown period.

## PROJECT COUNTERPARTS

Automotive Industry Development Centre (AIDC), Business Unity South Africa, Companies and Intellectual Property Commission (CIPC), Compensation Fund (CF), Competition Commission, Customs and Excise South Africa, Department of Agriculture, Forestry, and Fishing (DAFF), Department of Public Enterprises (DPE), Department of Trade and Industry, InvestSA, National Association of Automobile Manufacturers of South Africa (NAAMSA), National Association of Automotive Component and Allied Manufacturers (NAACAM), National Treasury, Public-Private Growth Initiative (PPGI), South African Revenue Service (SARS), South Africa Agriculture Development Agency (AGDA), Transnet, Unemployment Insurance Fund (UIF)

## CONTACT US

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