the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

THE WORLD BANK
Working for a World Free of Poverty

New Report Assesses South Africa's Investment Climate:
Greater emphasis on productivity and competitiveness needed to boost economic growth and job creation

Johannesburg, SOUTH AFRICA, July 29, 2010 – South Africa's business environment compares favourably to that of its peer group of upper- to middle-income economies globally. This is according to the findings of the report, titled 'South Africa: Second Investment Climate Assessment – Improving the Business Environment for Job Creation and Growth'. The findings call for greater efforts to raise the market share of efficient, high-performing enterprises, enhancing productivity, and increase export competitiveness for job-led, sustainable economic growth.

The report was released by the Minister of Trade and Industry, Dr Rob Davies and World Bank Country Director for South Africa, Ruth Kagia, at a 'Development Dialogue', which took place at the Kopanong Conference Centre in Benoni, Ekurhuleni, today.

The report, which was prepared by a World Bank team, in collaboration with the South African Department of Trade and Industry (**the dti**), presents the results of a 2008 survey of 1 056 manufacturing industries, 68% of which are located in Johannesburg, 14% in Cape Town, 12% in Durban, and 6% in Port Elizabeth. Of these, 231 businesses were revisits from an earlier 2003 survey. The report provides survey-based analytical advice to policy-makers, business leaders and civil society, with a view to strengthening business competitiveness in South Africa.

The report's key messages, among others, are that:

- South Africa could improve productivity and competitiveness by increasing the market share of efficient producers. Given the high concentration of South African industry, this requires further efforts to enhance competition through more activist and innovative policies.
- Investments in employee training in small, medium and micro-sized enterprises (SMMEs) should be increased with better targeted government support.
- South Africa could do more to improve access to finance by SMMEs and support productive informal enterprises.

"The findings of the report are very interesting, particularly where they refer to the business environment in South Africa – the ease of doing business, regulatory framework, and all the different steps that need to be gone through when one is doing business in this country – which actually compare favourably to those of other peer countries. South Africa has scored particularly well in this regard. We take note, as government, that this is one of our competitive advantages as a country. It is something that we want to preserve and in fact improve upon because it's clearly important. Furthermore, we acknowledge the challenges identified in the report, such as small business development and access to finance, and our Department is working to address the challenges. We welcome the report as a tool of dialogue, discussion and debate," said Minister Davies.

"Improving the investment climate in South Africa is critical for economic growth and job creation. For Africa's largest economy, a better business environment will generate large spill-overs benefits across the African continent. The challenge is to identify bottlenecks and take concrete actions," added Kagia.

For the purpose of the survey, the comparator group of emerging economies is Argentina, Brazil, Chile, China, Malaysia, and Thailand. These countries are natural peers of South Africa, as all are relatively high-performing, resource-rich middle-income countries, which have experienced significant export-driven industrialisation.

World Bank Senior Economist, Taye Mengistae, who is also the lead author of the report, said "the report's findings provide a wealth of information to inform policy-making, for achieving shared and sustainable growth."

ISSUED JOINTLY BY the dti AND THE WORLD BANK

Media contacts:

the dti:

Sidwell Medupe

+27 73 522 6801. MSMedupe@thedti.gov.za

World Bank:

Mmenyane Seoposengwe
+27 12 348 8895. mseoposengwe@worldbank.org