FACT SHEET: South Africa’s competitiveness at a glance

South Africa is a new democracy having attained its freedom in 1994. As part of its developmental trajectory, South Africa has developed a National Development Plan or what is referred to as Vision 2030 which will drive its economic and social development.

South Africa has also realised the importance of diversifying its traditional economic partnerships with developing countries. The BRICS markets are critical to this objective.

What is South Africa’s value proposition?

Highlights:

- Despite South African cities facing reputational challenges, they are becoming competitive- as seen with a significant increase in their overall CBI scores.
- Johannesburg, Cape Town and Durban each have select advantages over their competitors Rio de Janeiro, Beijing and Mumbai.
- All three cities are associated with ‘natural beauty’ and ‘cultural diversity’; in addition, the people are seen as ‘hardworking’, ‘respectful of traditions’, ‘happy’, ‘easy going’ and ‘energetic’.
- All three South African cities suffer from low ‘familiarity’, all ranking in the bottom-10 trailing Mumbai, Rio de Janeiro and Beijing. Positively, Cape Town and Johannesburg both outshine Mumbai on global contributions.
- Americans’ opinions on the three cities are more positive this year, ranking them higher on Potential.
- None of the cities are known for their products or brands.
South African cities:
A city's level of familiarity and favourability is closely related to its overall CBI ranking:
- The total familiarity across all the Panel countries for Johannesburg is 29.52%. This is indicative of a low familiarity and awareness of the city’s offerings. On average, India is more familiar with Johannesburg, placing the city in the top-half. The remaining three BRIC countries are less familiar with Johannesburg; China (26.63%), Russia (19.39%) and Brazil (11.92%).
- The overall familiarity of Cape Town is higher than that of Johannesburg, with India’s familiarity once again top of the ranking for the city. Russia, Germany and France each have high familiarity scores for Cape Town.
- India’s familiarity of Durban is 49.67%, lower than that of Johannesburg and Cape Town. The United Kingdom, China and Australia have higher familiarity of the city, but it is still very low overall in awareness.

**Rankings of the 2013 City Brand Index**

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<th>2013 Rank Order</th>
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**South African Cities' Performance against Competitor Cities**

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About Johannesburg:

- Johannesburg has overtaken Mexico City in the overall CBI 2013 ranking. This increase in score is significant as both these cities are associated with being ‘the most dangerous’ and ‘violent’ cities. Johannesburg is now being less associated with these attributes.
- South Africa’s largest city still ranks in the bottom-tier on the CBI 2013, however shows impressive momentum.
- Across all 50 cities, Johannesburg has made the second largest increase in CBI score.
- Johannesburg ranks in the bottom-tier in five of the 6 dimensions; this is evident that the city still faces challenges in growing its reputation but there are signs of growth.
- On the index Potential, youth particularly feel confident that Johannesburg is a good place to find a job, study and do business. They also find the city safer than Global citizens; however feel less informed about the city.
- Cape Town in 42nd place outranks the metropolis.
- Presence (43rd) and Potential (44th) are the weakest index scores for Cape Town. Thus citizens are not familiar with the city and their contribution to the world in the last 30 years, the culture, science or the way the city is run. In addition, the opinion panel do not view Cape Town to be a good place for educational qualifications, ease of finding a job and doing business.

About Durban:

- Durban which is ranked at 47th on the CBI
- Durban trailed behind Johannesburg and Cape Town on three dimensions, Presence (49th), Place (41st) and Pulse (49th).
- Durban fairs better than Johannesburg and Cape Town on Pre-requisite (37th), People (40th) and Potential (41st). Thus the opinion panel ranked the city as having satisfactory and affordable accommodation, amenities such as hospitals, schools, public transportation and sports facilities.

Conclusion:
Familiarity with a city is vital in understanding whether it can improve the total CBI score. A low score from a panel country is indicative of the potential to improve its reputation by increasing its exposure in that country; whereas a high familiarity to a city presents a challenge in overcoming already deep-rooted perceptions. It should be noted that self-reported knowledge and opinion is not an accurate reflection of a city; however familiarity is a fundamental foundation in building a positive reputation.
What is the City Brand Index?
- The City Brand Index research report is released every two years
- A total of 50 cities are included in the study
- The research on perceptions of the 50 cities is conducted in a core panel of ten countries
- Conducted biannually with GfK Roper beginning in the first quarter of 2009, the CBI measures the image of 50 cities.
- In 2013, approximately 5,000 adults ages 18 and up were interviewed in 10 core panel countries.

What is the value of the City Brand Index and why is it important
According to the 2012/13 Future Brand Country Brands Index¹
“Cities are undeniably the nerve centres of a country. They’re home to economic development, a major source of GDP and even a country’s most significant cultural export. Warranted or not, to the outside world, a country’s cities act as symbols and ambassadors to understand the entire country. Today, over 50% of the world’s population lives in cities.” (p97)

It further recognises that
“The city of tomorrow will place a much higher premium on quality of life for its residents - prioritizing walkability, 24-hour access, public spaces and inclusive transportation networks. Cities leading this paradigm shift are predominantly non-Western and include Medellin, Colombia; Johannesburg, Durban; Guangzhou, China; Hong Kong, China; Seoul, South Korea; Abu Dhabi, UAE; Zurich, Switzerland; and Copenhagen, Denmark.

Cities act as a true gateway to a nation, and are integral in shaping national identity. The quality and impact of these emerging cities will determine how tourists, investors and global citizens judge the countries they call home - and the brands behind them.” (p97)

Building sustainable cities
Research published in the Harvard Business Review (July-August 2013, p43) regarding sustainable cities indicates that by 2050 the number of people living in cities will have nearly doubled. It also suggests that business will primarily drive the growth of cities (with the support of government). The upward movement of South Africa’s three most well-known cities should inspire business - domestic and international - that investments in South African cities make good business sense - economically and developmentally.
What is the relationship between competitiveness, reputation and the National Development Plan?

- The National Development Plan is South Africa’s blueprint for economic development and social cohesion.
- The Plan presents a guiding vision for growth, 11 million new jobs, eradicating poverty and reducing inequality within the next 17 years.
- The NDP aims to eliminate poverty and reduce inequality by 2030. According to the plan, South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. It therefore proposes direction, identifies blockages, and proposes targets and timelines for developmental programmes and projects.
- It therefore aims to - amongst others - position South Africa as a key destination for foreign direct investment.
- Research shows that as development levels increase, employment and vulnerability tends to spread more evenly across all sectors.
- South Africa’s increased competitiveness and improved reputation - domestically and internationally - will be critical to the success of the National Development Plan.

Where is South Africa in terms of global Competitiveness?

Brand South Africa tracks a number of indices that indicate where we are in terms of global competitiveness.

2014/15 World Economic Forum’s Global Competitive Index

- As Brand South Africa prepares for the 2014 South African Competitiveness Forum, it is necessary to take a deeper look at the performance of the country in this year’s World Economic Forum Global Competitiveness Report.
- It is important to note that national competitiveness is not merely about rankings and numbers. As a term, it can be defined on a number of levels. It is, for example defined in the following way by the FutureGov forum (Asia):
  
  “A country’s competitiveness requires a good use of human and natural resources for a country to achieve some goal. In the case of SA, one can think of Vision 2030 and associated national human development goals of tackling poverty and unemployment among other key national priorities.”

- From a South African nation brand point of view, it means that improved national competitiveness can directly contribute to the creation of a competitive national identity which can, in turn, impact positively on internal development as well as external perceptions/the reputation of the nation brand.
Highlights:
The good news:
In this year’s report there are indications of positive movement in some of the WEF competitiveness pillars wherein SA has not been doing well, including:
  o Health & primary education (135 to 132);
  o Higher education & training (89 to 86);
  o Labour market efficiency (116 to 113).

A very important pillar where SA makes an improvement of six positions is Infrastructure (from 66 to 60). The above improvement in infrastructure is important in the context of the NDP and the National Infrastructure Plan roll-out. This can also be used as proof of an area where government has prioritised interventions, which is clearly bearing fruit in terms of over-all national competitiveness. South Africa continues with a gradual improvement over the years in the Institutions pillar, moving up yet again from 41 to 36 in 2014.

The WEF Global Competitive Index, South Africa and BRICS
South Africa outperforms BRIC peers in the following sub- indicators:

Labour Market Efficiency
  • Redundancy Costs, Weeks of Salary;
  • Effect of Taxation on Incentives to Work; and
  • Reliance on Professional Management

The country performs relatively well in its Ability to Retain and Attract Talent.

The obvious areas of concern are displayed in the following sub- indicators:
  • Cooperation in Labour-Employer Relations;
  • Hiring and Firing Practices; and
  • Flexibility of Wage Determination.

Financial Market Development
South Africa far outperforms its peer BRICS counterparts in the competitiveness pillar of Financial Market Development, ranking 7th/ 144. Brazil follows far behind in 53rd place.
South Africa’s performance is outstanding in the following sub- indicators:
  • Regulation of Securities Exchanges (1st);
  • Affordability of Financial Services (3rd); and
  • Availability of Financial Services.

In conclusion, although SA’s performance in this pillar has declined in all sub-indicators, it still outperforms its BRICS counterparts by far. Outstanding sub- indicator performances are that of the regulation of securities exchanges (1st place); financing through local equity market (3rd); and the availability of financial services (6th).
Institutions
South Africa ranks far about its BRICS peers in this pillar at 32\textsuperscript{nd} place, followed by China in 47\textsuperscript{th} place/ 144. South Africa continues to outperform its BRIC peers in the following sub-indicators:

- Property rights;
- Intellectual property protection;
- Judicial independence;
- Efficiency Of Legal Framework In Settling Disputes;
- Efficiency Of Legal Framework In Challenging Regulations;
- Transparency Of Government Policymaking;
- Business Costs Of Terrorism;
- Ethical Behaviour Of Firms;
- Strength Of Auditing And Reporting Standards;
- Efficacy Of Corporate Boards;
- Protection Of Minority Shareholders’ Interests; and
- Strength Of Investor Protection, 0- 10 (Best).

The strength of South Africa’s institutional competitiveness is undermined by the following (sub-indicators):

- Business Costs Of Crime And Violence in which South Africa performs least competitively;
- The reliability Of Police Services in which Russia performs the poorest.

Overall, South Africa’s pillar of institutional competitiveness ranks not only the most competitive amongst its BRICS counterparts, but also amongst the highest in the world at 32\textsuperscript{nd}/ 144 countries observed by the WEF GCI 2014/15. Eleven rankings behind is China’s at 47\textsuperscript{th} place. The resilience of our social sustainability has its strength in many of the sub-indicators, including the strength of auditing and reporting standards; the efficacy of corporate boards; and the protection of minority shareholders’ interests. Threatening SA’s institutional competence is the business costs of crime and violence; and the poor reliability of police services. Noteworthy is the very low sub-indicator of business costs of terrorism. In the 30\textsuperscript{th} position, South Africa is the safest place for doing business after India (at 23\textsuperscript{rd} place/ 144).
2014/ 15 Institute for Management Development
According to the IMD 2014, South Africa has improved its overall ranking and performance from number 53 in 2013, to 52 in 2014. The IMD has been assessing competitiveness since 1989 and provides long term measured assessments of the performance of 59 countries according to 329 criteria.

In terms of South Africa’s overall performance in the 2014 IMD report, the country has improved its ranking in two of the four pillars of the index, being:
- Economic Performance (57 to 56 in 2014) and
- Infrastructure (58 to 55 in 2014).

These pillars are clearly seen as the drivers of South Africa’s improvement (from one position) on the over-all report.

From the WEF 2013 and IMD 2014 reports, we learn that South Africa’s infrastructure; financial sector and corporate governance track records remain key competitive offerings to the world.

The IMD identified economic performance strengths of South Africa are:
- Cost-of-living index (Ranked 1)
- Export concentration by partner (Ranked 5)
- Gasoline prices (Ranked 11)
- Tourism receipts % (26)
- Direct investment flows inward % (28)
- Direct investment stocks abroad % (29)

The weaknesses as identified by the IMD report are the unemployment rate, youth unemployment, GDP per capita and the current account balance. However, these are not seen as threats to the future of the economy by the IMD, but relate more to cyclical market trends and prevailing conditions in the global economy.

2013/14 Ibrahim Index of African Governance
South Africa’s performance changes in the 2014 IIAG
SA’s over-all ranking moves up from 5th to 4th this year;
SA makes improvements in six of the sub-indicators in the report being:
- Accountability;
- Participation;
- Gender;
- Business environment;
- Infrastructure;
- Rural sector.
The most significant improvement is in the area of infrastructure. South Africa’s performance in infrastructure in both the IMD Global Competitiveness Yearbook, and the WEF Global Competitiveness Report improved significantly this year.

In the IMD report the country moves from 58 to 55 in the Infrastructure indicator; In the WEF report the country moves from 66 to 60 in the Infrastructure indicator; This means that three independent indices shows marked improvement in infrastructure performance in 2014; SA’s performance in Safety & Rule of law drops with one position to 8th this year. This is mostly driven by a big drop in its performance in the National Security sub-indicator In the category of Participation and Human Rights SA’s ranking drops from 3rd to 4th this year - mostly driven by a drop in the Rights sub-indicator (from 6th to 10th this year) In Category 3 of the IIAG (Sustainable Economic Opportunity) South Africa fares particularly well with an over-all ranking improvement from 5 to 2 in 2014; Sub-indicators in Category 3 wherein SA performs well include Public Management (1st); Business Environment (3rd); and as indicated above Infrastructure

2013/14 World Bank Ease of Doing Business Report
- Findings on SA performance in the DBI indicate that South Africa made starting a business easier by implementing its new company law, which eliminated the requirement to reserve a company name and simplified the incorporation documents. The DBI furthermore indicates that South Africa made transferring property less costly and more efficient by reducing the transfer duty and introducing electronic filing. South Africa also introduced a new reorganization process to facilitate the rehabilitation of financially distressed companies.

- South Africa’s improved its performance on the Trading Across Borders ranking. In the DBI 2012 South Africa ranked 144th, and improved with 29 positions to 115th in the DBI 2013. This is a significant improvement due to the fact that South Africa has decreased the time, cost, and red tape companies have to deal with to get products to port and shipped to international markets.

Over-all performance
- South Africa’s performance in this year’s Ease of Doing Business Index falls from 39th to 41st position out of 189 countries. Mauritius ranks 20th in DBI 2014, and Rwanda ranks at 32nd. South Africa is therefore the third highest ranking African country in DBI 2014.
General background to the DBI
The ease of doing business index ranks economies from 1 to 189. For each economy the ranking is calculated as the average of the percentile rankings on each of the 10 topics included in the Doing Business Index, being:

- starting a business,
- dealing with construction permits,
- getting electricity,
- registering property,
- getting credit,
- protecting investors,
- paying taxes,
- trading across borders,
- enforcing contracts, and
- resolving insolvency.

South Africa performance per criteria
- The DBI measures ease of doing business according to ten criteria.

- Each of these criteria are supported by sub-indicators.

- A year-on-year comparison between DBI 2013 and DBI 2014 reveals that South Africa’s biggest losses in this year’s index include over-all rank in - Starting a business, Registering property, and Getting credit. In the latter case the country suffered a big setback moving from first position in 2013, to 28th in DBI 2014.

- While the above mark some of SA’s losses in DBI 2014, the country makes good progress on the following indicators, being: Trading across borders; Dealing with construction permits; Enforcing contracts; and Paying taxes.

2013 United Nations Development Programme Human Development Report
South Africa has made several gradual, yet significant strides over the past few years not only in its overall HDR ranking as mentioned above, but also in the areas of Human Development Index (HDI) value; Life Expectancy; Mean Years of Schooling and Gross National Income as indicated in the table below.
Between 2011 and 2013/14, the country improved its HDI value by 0.039%, meaning that South Africans’ enjoy a longer, healthier life; increased knowledge and a more decent standard of living. During the same period, life expectancy has expanded by 4.1 years. The mean years of schooling have increased by 1.4 years while the expected years of schooling has persisted at 13.1 years over the past few years. The Gross National Income has therefore increased by $2194.

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