Where to do business in South Africa

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Abstract

Doing business in South Africa is challenging in many ways and recently the deterioration of infrastructure and services provision at the local level have come to influence business location decisions. This paper sets out to build an index that describes the factors that determine the competitive advantages of local economies. This idea is inspired by UNCTAD's Foreign Direct Investment (FDI) Potential Index for countries, but linked to the theories of Geographical Economics and applied at municipal level in South Africa. Principle Component Analysis is used to combine measures of the size and sophistication of the local economy, the local business and government institutions, and the broad macro forces that influence it all. We call the result the *Where to do business (WTDB) index*.

1. Introduction

Economic activity does not take place on the featureless plains of macroeconomic models. It is unevenly distributed across South Africa and the world. Producers and consumers choose to locate in specific places. In South Africa, a big part of the discourse about local economies is currently about the deterioration of infrastructure and public services provision across South Africa. That is an important part, but only a part of the factors that determine the choice where to do business.

1.1. Problem Statement

This paper sets out to build an index of where to do business in South Africa. It builds on insights from the Geographical Economics literature that describes the factors that determine the competitive advantages of places. Local institutions matter as well, and the paper adds a specific focus on the role of local business networks.

1.2. Method

The empirical method for constructing the index is principal component analysis. The *Where to do business index* is calculated at the local municipality level and the data are sourced from HIS Markit's REX database. For all the observations the latest available year is 2021.

1.3. Outline

The structure of the paper is as follows. Section two gives a brief overview of the Geographical Economics literature that provides the basis for the empirical work that follows. Section 3 explores the role of organised business in local level institutions and how Chambers of Commerce can contribute to

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the competitiveness of a local economy. Section 4 presents a description of the data and factor analysis used to construct the *Where to do business index*. Section 5 concludes.

2. Review of the classic Geographical Economics literature

Geographically, economic activity tends to be unequally distributed and concentrated. Similarly, economic growth rates vary significantly between localities. To examine this, one should distinguish between concentration, specialisation, and agglomeration of economic activity.

Specialisation examines a region or locality's economic structure. As Brakman *et al*. (2001:131) put it, it is the question of whether or not a location's share in the production of cars or apparel is relatively large to the share of other locations in the production of cars or apparel. In contrast, concentration and agglomeration refer to the question of how economic activity as a whole (a specific industry or the whole manufacturing sector) is distributed across space. In this the distinction is a matter of degree. Concentration considers a few well-defined sectors and agglomeration considers the location across space of a much larger part of economic activity, for example the manufacturing sector as a whole (Brakman *et al*., 2001:129). Thus, explaining the spatial distribution of economic activity, and the determinants of the growth of economic activities across different localities, is about explaining agglomeration.

When the Geographical Economics literature argues that geography matters for agglomeration and growth, it is not only so-called first-nature geography that is important. The analysis goes beyond climate, disease, burden, or distance. Explanations of the ways that economic agglomerations are formed appeal to nature (the unevenness in the distribution of resources), to non-market institutions (such as externalities that give rise to endogenous spatial inhomogeneities), as well as to imperfect competition (Fujita & Thisse, 2002:45).

Porter (1998) linked the ideas of first-nature geography, external economies, distance, and market size with an emphasis on competitiveness leading to growth. He argued that globalisation has changed the importance of the location of production in space. National and international markets for factors are more efficient and competition is less factor intensive. Modern, flexible technologies are often less scale-intensive and are coupled with outsourcing and close relationships with suppliers. There is earlier access to huge foreign markets. This has diminished the importance of factor endowments and the size of local markets. Porter (1998) argued that location now affects competitive advantage through its influence on productivity and productivity growth. This occurs within the context of clusters.

A cluster is a critical mass of producers in a particular location – the result of the process of localisation. Porter (1998) discussed several ways in which location affects the business environment, competition, and growth. These are, to a large extent, the reasons for localisation that Krugman later advanced (1991, 1995, 1998). The first influence is that of the factor conditions of a location. These range from basic inputs such as physical infrastructure, to information. In clusters, the proximity of producers leads to spillovers that improve factor conditions. This improves the flow of information and the success of innovation. This is also true for related and supporting industries. They provide specialised inputs and information, and facilitate complementarities amongst firms. Materials, components, machinery, and services are supplied more efficiently and at lower cost when producers are concentrated in a particular locality. Location plays a role in firm strategy and rivalry. Rivalry that involves imitation and differentiation improves competition and leads to growth. When firms are clustered together, the rivalry is more intense. In the final instance, the demand conditions in a locality may influence the business environment, competition, and growth. Sophisticated and demanding customers at home press firms to improve and differentiate. A cluster may provide such a group of customers.

Thus, Porter (1998) saw the enduring competitive advantages in a global economy as localised. Advantages arise from concentrations that follow from highly specialised skills and knowledge, institutions, rivals and sophisticated customers in a particular region or locality. Proximity allows special access and relationships, better information and other advantages in productivity and productivity growth. Agglomeration is seen as the primary long-run source of economic growth and prosperity.

Empirical studies of the determinants of spatial economic growth may be grouped into three strands (Brakman *et al*., 2001:128). The first is that of regional and sub-national growth studies that test the determinants of spatial economic growth. This approach is often related to the market-potential approach. The second strand is studies that focus on cities as centres of economic activity. The main questions here relate to city size distribution and optimal city size. The third strand involves the testing of the predictions of the core model of Geographical Economics. From the different tests of the determinants of the spatial variation of per capita income, wages, industry employment or production, a number of commonalities are clear. Firstly, first-nature geography is a significant explanatory variable, working either through endowments or distance. Secondly, externalities are put forward by Geographical Economics model as explanations of agglomeration and they are significant second-nature geography explanatory variables, but the empirical tests are typically for the market access or home-market effect.

Using this literature as a basis this paper sets out to build a measure agglomeration that captures the idea of local competitive advantage. This idea is inspired by UNCTAD's Foreign Direct Investment (FDI) Potential Index for countries (2007), but here it is about the locality's potential as a place to do business.

3. The local role of organised business

As the concept of an index that captures the local business environment is relatively new in South Africa, it is possible to explore terrain over and above the conventional criteria of investment potential, or ease of doing business, considering factors specific to South Africa and its municipalities. This means considering including a possible additional institutional mechanism that could play a relevant role in business decision-making about location. Given the challenges faced at governance level in South Africa, it therefore becomes necessary to examine the extent to which business may have to cope with an extended role in the local economy.

Conceptually, of course, when economists construct economic models – such as seeking to establish criteria for identifying optimal areas for doing business – the natural preference is to want to deal with variables that are easily quantified. As a result, they must often make assumptions that allow them to sidestep the many non-quantifiable aspects of human behaviour and human relationships. The result is that the individuals and institutions that exist are often too simple to give an adequate profile of the circumstances that prevail in the real world, such as for example the value created by the existence of organized entities. The answer must lie in seeing business decision-makers as adaptive organisms that are willing to access whatever data is needed with which they assess alternative courses of action, including location.

The issue of business location is a wide-ranging subject covering small, medium, and large enterprises from all sectors of the economy, basically underpinned by market-driven considerations. It has long been obvious that some business activities – whether from the mining, manufacturing, or service sectors – tend to congregate in particular parts of South Africa. Hence a great deal of attention in economic literature is given to the study of the reasons for the location of economic activity. In the case of sectors like mining or agriculture the location of business activity is often inevitably 'place-bound', or close to an economic 'heartland'. However, in general the obvious orthodox factors driving location in most economies around the world revolve mainly around the cost ratios of transport of raw materials, of workers or of finished goods.

What we do now know generally about business decision-making is that (1) usually a multi-dimensional method is frequently employed by firms to assess investment options, and (2) that outcomes of these options are envisaged with various levels of uncertainty. While most firms may mobilize various technical tools to unpack the investment possibilities there are, as previously suggested, also variables that do not lend themselves to easy modelling. Clearly, it would be advantageous if decision-makers as far as possible could make the future less unpredictable. If they are sufficiently aggressive, they would devote a greater proportion of time and energy to the task of gathering information about the locality and gaining access to data variables about the area.

The confidence with which businesspeople make their decisions must, to some extent, therefore inevitably depend on the broad 'state of opinion' they find about the locality and its prospects, or 'where to do business'. In passing it is interesting to note that, in compiling an article on 'Ease of Doing Business Index: An Analysis of Investors' Practical View', the authors employed a cross-sectional survey design drawn from 47 companies registered with the Lagos Chamber of Commerce and Industry, which it says is the most representative of the organized private sector group in Nigeria (Babatkude et al., 2021). It hints at the existence of an organized business network as being a potential resource, or as a 'search engine'.

And in the real world, although competitive forces may exist, the interdependence of economic links thus suggests that an 'industry' or a 'sector' can thus also be seen as a social grouping, that is, a set of firms who are conscious of a common interest – either nationally or locally. This common interest is often reflected in the creation of a trade association or Chamber of Commerce, which will represent the relevant businesses to the relevant authorities and other outside bodies. In some instances, when the number of firms with similar interests gravitate to a locality, the sense of common interest may become strong, even though they are competing. In other words, there is potential through collaboration to enlarge and access external economies of scale through joint or collective access to information.

At a practical level a survey of organized business in the Vaal Triangle of South Africa a few years ago outlined the expectations of several Chambers of how they saw their role in the area and what their priorities were in serving their members. It also provided a useful literature review. The research highlighted the problem issues facing business chambers and their ability to influence the course of events in their area. It also provided a valuable narrative of the strengths and weaknesses of these chambers at the coalface of their representational role in dealing with their respective local authorities (Landsberg et al., 2016)

It should be emphasized, though, that the conceptual framework for collaboration here should, of course, always be focused on conventional advocacy and lobbying by business, not business connections being used for collusive, corrupt, or state capture purposes. In the extensive evidence of state capture and corruption interrogated by the recent Zondo Commission into State Capture in South Africa (Judicial Commission of Inquiry into State Capture, 2022) there have been no instances of legitimate organized business being accused of such activities.

Firms are more likely to behave ethically and act against corruption if they are confident that their competitors also adhere to the same ethical standards. Business associations and Chambers of Commerce can potentially offer a good platform for firms operating in a given sector or location to collectively engage in the fight against corruption and hence level the playing field. They can, inter alia, encourage more transparency and accountability in government decision-making, as well as promote good business integrity.

Orthodox organised business institutions at national, sectoral, or local level should therefore always be so structured and governed to eliminate any scope for dubious behaviour. These remain the basic parameters within which to view the potential role of the organised business network. Does it meet general criteria that add value to business decision-making and help in particular to identify a favourable location in which to do business? And in an environment in which the business mandate may well inevitably extend beyond the immediate balance sheet of the firm or enterprise what mechanism(s) – such as local Chambers of Commerce – may exist to assist in managing such additional obligations?

In focusing on the possibility of a local index of where to do business – the business criteria which would therefore be relevant at higher levels would therefore be largely replicated at lower tiers of government. They would, however, have to be adapted accordingly. In this process the enterprise or firm would need to manage some of the special local challenges when making decisions in a nonetheless uncertain future environment. The way in which a business will respond to these uncertainties remains of importance in shaping its strategies

Clearly it will be to the advantage of the firm or enterprise if they can diminish them, as this will enhance the chances of making more favourable business and investment decisions in the future. Among the several ways in which uncertainty can be minimized are the use of more elaborate search techniques,

including access as suggested to collective information about the locality that is being considered. This may not only help to reduce uncertainty but also assist in protecting the firm against it. The question to be addressed here is whether the existence of local business structure can thus additionally contribute to an assessment of a favourable regional or local investment environment?

It is also true that the uncertain policy environment in South Africa has been particularly important to business confidence and the investment climate in the country. Hardly any current global or local economic assessment about the South African economy have appeared without the inclusion of the words 'policy uncertainty' in them. Policy uncertainty in South Africa has been regularly calibrated through the NWU Business School's Policy Uncertainty Index published quarterly since 2016. Business therefore needs to access all the information needed in their investment and location decisions that will enable them either to minimize the level of policy uncertainty or to identity areas in which it is less acute.

The World Bank Group recently introduced a new concept of investment competitiveness, defined as the ability of countries not only to attract but also retain and integrate private investment into their respective economies. The supporting World Bank study (World Bank Group, 2017) stresses that strengthening investment competitiveness requires establishing a favourable business environment, which includes developing more and better linkages with local, regional, and global economies. Investors attach greater value to mechanisms that help them to expand their businesses than to policies used by governments simply to attract investment in the first place. As many as 68 per cent of multinational corporations now see information on the availability of local suppliers and links to these suppliers as critically important in their location decisions. This creates another opportunity for both well-organised and professionalised local business associations and bilateral national chambers to add value to this process, using their networks.

A narrow approach would also not be in line with the traditional philosophical commitment of Chambers of Commerce to open markets and to uphold the competitive system. Fortunately, empirical research confirms that in a wide range of developed and developing countries most business associations' activities are in reality market supportive and contribute to economic efficiency. Under certain conditions business associations and chambers can even contribute to economic development without intending to do more than defend their members' interests, just as trade unions can do.

Briefly, the approach here is to interrogate the following questions:

- argue the question as to what extent an effective 'organized business network' of one kind or another can help to shape the environment or location within which business may wish to locate itself?
- identify who is there in a town or city who is committed and can be relied upon to promote that particular business environment or location?
- examine whether good local government-local business relations can assist in contributing to perceptions of an attractive business location?

This is therefore in part an exploratory paper to see whether this collective or collaborative factor can be captured in a new locality index for doing business.

4. Empirical analysis

The construction of a composite indicator of the agglomeration forces that make a specific locality a better place to do business draws on the notion that the competitive advantage of a local economy is a construct that cannot be directly measured, but analysis can identify groups of variables that measure the construct. This idea is inspired by UNCTAD's Foreign Direct Investment (FDI) Potential Index for countries (2007) and Zietsman *et al*.'s (2006) Growth Potential Index for towns in the Western Cape.

4.1 Data and factor analysis

For the construction of the Where to do business index per local municipality the data are sourced from HIS Markit's REX database. For all the observations the latest available year is 2021.

The following measures were included in the analysis that follows:

- The municipal level Gross Domestic Product.
- The size of municipality in square kilometres.
- The total population.
- The total number of households.
- The population density.
- The share of exports and imports in local value added.
- The Human Development Index.
- The share of the population with post-matric qualifications.
- A local infrastructure index.
- The share of middleclass households in the municipality.
- The local economic growth rate, average for the period 1996 to 2016.
- The unemployment rate.
- The murder rate.
- A dummy variable indicating whether there is a local chamber of business.
- Local municipal finance data, including the ratio of grants to subsidy income, the share of rates income to total income, the ratio of rates income to grants income, the debt ratio, the debt to revenue ratio.

The choice of these indicators follows Le Roux Booysen (2003) who used similar measures to construct so-called reconstruction and development indices per province. The focus is on the level of local municipality using the 2016 demarcation and includes the metropolitan municipalities but excludes district councils. The analysis was undertaken using IBM SPSS Statistics 27.

The method for constructing the index is principal component analysis. This approach helps to screen the data, extract the factors, determine the communality, and calculate the factor scores. The factor scores are then used as index values for further analysis.

The first step was to screen the data using a correlation matrix. The analysis requires measures that correlate fairly well with coefficients greater than 0.5 (Field, 2009) . The second step in the analysis is to determine whether principal component analysis is appropriate. Table 2 presents the test statistics for KMO and Bartlett's test for sphericity. KMO is a measure of sampling adequacy and represents the ratio of the squared correlation between variables to the squared partial correlation between variables. The statistic ranges between 0 and 1. A value close to 1 indicates that patterns of correlations are relatively compact and principal component analysis should yield distinct and reliable factors (Field, 2009). Here the KMO statistic is .852 and it is possible to continue with the analysis. Additional analysis of the anti-image correlation matrix shows the diagonal elements to be greater than .05 and the off-diagonal elements to be small. Thus, principal component analysis is appropriate for this data.

Table 1: KMO and Barlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.852
Bartlett's Test of Sphericity	Approx. Chi-Square	8886.634
	df	231
	Sig.	.000

(Authors' own calculations)

Bartlett's measure tests the null hypothesis that the original correlation matrix is an identity matrix (Field, 2009). The test statistic is significant, which means that one rejects the null hypothesis that the R-matrix is an identity matrix. Thus there are relationships between the variables that can be included in the analysis. Again, the conclusion is that principal component analysis is appropriate.

The extraction of the factors identified four factors with an Eigen value greater than one. The factors explains 76 per cent of the variance of the service delivery.

The communalities represent the amount of variance in each variable that can be explained by the factors that has been retained. Table 2 presents the communalities after extraction. It is clear that the factors explain a large part of the variance in most of the measures save for the chamber dummy, murder rate, area, current ratio, and the full period economic growth rate, but can be retained in the analysis.

Table 2: Communalities

	Initial	Extraction
Chamber dummy	1.000	.392
Total population	1.000	.945
Total nr households	1.000	.959
HDI	1.000	.897
Post matric education	1.000	.749
Population density	1.000	.897
Infrastructure index	1.000	.849
Unemployment rate	1.000	.721
Share of middle-class households	1.000	.810
GVA	1.000	.977
Economic growth rate 1996 - 2018	1.000	.574
GDP	1.000	.977
Export share	1.000	.823
Import share	1.000	.936
Area km2	1.000	.448
Murder rate	1.000	.293
Rates income	1.000	.957
Grants to subsidy income	1.000	.903
Rates to grants income	1.000	.702
Current ratio	1.000	.553
Debt ratio	1.000	.670
Debt to revenue	1.000	.713
Extraction Method: Principal Component Analysis.		

(Authors' own calculations)

Finally, varimax extraction was used to obtain the component matrix to maximise the variance explained by the factors (Field, 2009). Component scores smaller than 0,5 were excluded in the rotated component matrix shown in Table 3.

Table 3: Component matrix

	Component			
	1	2	3	4
GDP	.975			
GVA	.975			
Rates income	.967			
Total nr households	.960			
Total population	.949			
Import share	.932			
Population density	.916			
Grants to subsidy income	.900			
Export share	.867			
Post matric education	.651			
Chamber	.404			
Infrastructure index		.853		
Share of middle-class households		.828		
HDI	.415	.818		
Unemployment rate		-.674		.472
Debt ratio		.541	-.539	
Area km2		.437		
Murder rate		-.401		
Rates to grants ratio			.606	
Debt to revenue ratio		.578	-.603	
Current ratio		-.433	.473	
Economic growth rate 1996-2018				-.674
Extraction Method: Principal Component Analysis.				
a. 4 components extracted.				

(Authors' own calculations)

There are four component groupings of the measures that we classify as follows. Component 1 captures the size of the market, component 2 the sophistication or development of the market, component 3 reflects the financial health of the local government, and component 4 the macroeconomic forces of growth and unemployment.

A number of measures load on two factors and with contrasting signs. A high unemployment rate is negatively related to the other factors that measure the development of the market, so is a high murder

rate. High debt ratios and debt-to-revenue rations are found in more developed markets, but are negatively related to the financial health of the local government. The opposite is the case for the current ratio. Though it is practice to remove measures with double loadings we believe that they do help to explain variation and in directions that concur with expectations.

Factors three and four unfortunately does not provide much useful information for the subsequent building of the index. Factor three will rank municipalities with high rates to grants ratios and current ratios higher and those with higher debt ratios and higher debt to revenue ratios, lower. It does not quite capture the complexity of the challenges facing local government finance. A quick inspection of a ranking of the factor scores shows a high ranking for very small rural municipalities in the Western and Northern Cape and does not say much about doing business there. Other measures of local government financial health and governance will have to be included in further iterations of this work. In the case of factor 4, the negative loading on unemployment dominates the outcome and a ranking shows large rural municipalities with high unemployment rates coming up tops. This also does not add useful information about where to do business.

Based on the analysis above the final step was to calculate factor scores. The factor score is a composite score of the attractiveness of a local municipalities to business in. In this case the regression method was used to calculate the factor scores. These scores are uncorrelated and have a mean of zero. The average of the first two factors scores constitutes the *Where to do business index*. The following sub-section presents preliminary analysis of the index results.

4.2 Results and interpretation

This sub-section presents the index results and simple checks of the index. Figure 2 shows a scatter plot of the aggregate index and the local economic growth rate over the period 1996 to 2018. It is clear that there is a positive relationship between having a higher WTDB index score and faster average economic growth over the period.

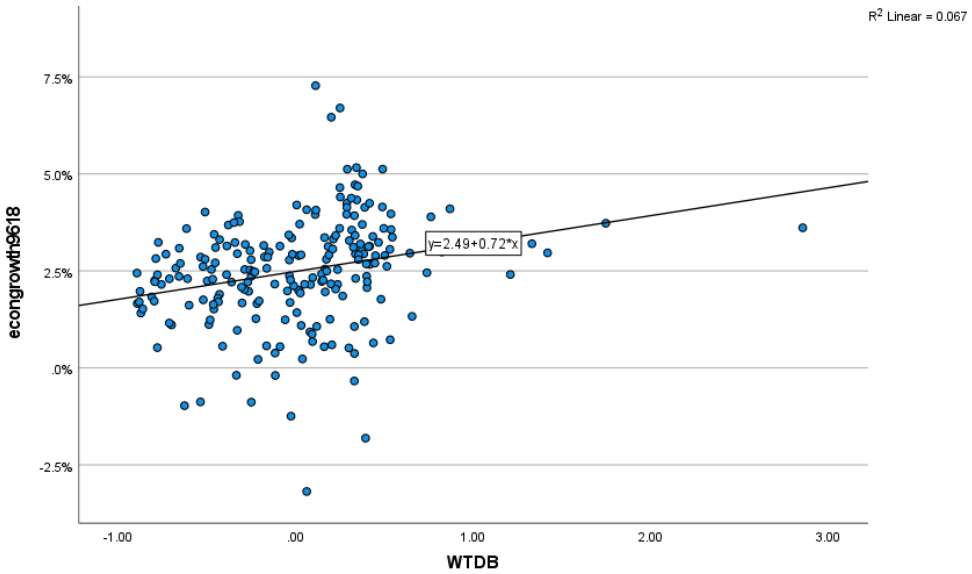

Figure 2: Economic growth and the WTDB index

Figure 3 shows a 2D-dotplot of the aggregate index number split by whether the municipality has a chamber of business or not. It is clear that the majority of municipalities do not have chambers of commerce, but for those that do, the average index score is slightly higher.

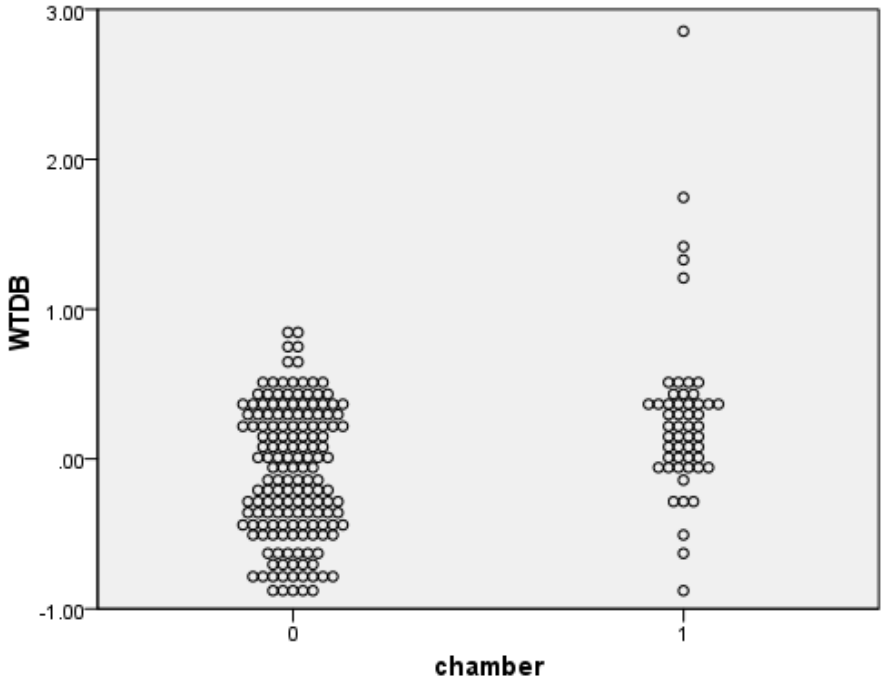

Figure 3: WTDB and chambers of commerce

Table 4 shows the ranking of municipalities by the constructed measures of the size of the market, the sophistication of the market, and the provisional index score.

Table4: Index rankings

Size of the market	Sophistication of the market	WTDB
City of Johannesburg	Overstrand	City of Johannesburg
City of Tshwane	uMngeni	City of Cape Town
City of Cape Town	Midvaal	eThekwini
Ekurhuleni	Stellenbosch	City of Tshwane
eThekwini	Mogale City	Ekurhuleni
Nelson Mandela Bay	Saldanha Bay	Overstrand
Polokwane	City of Cape Town	uMngeni
Emfuleni	Cape Agulhas	Nelson Mandela Bay
Mangaung	Knysna	Msunduzi
Madibeng	Drakenstein	Stellenbosch
City of Mbombela	Msunduzi	Midvaal
Msunduzi	eThekwini	Mogale City
Rustenburg	Hessequa	Buffalo City
Bushbuckridge	Buffalo City	Saldanha Bay
Buffalo City	Nelson Mandela Bay	Drakenstein
Emalahleni	Mossel Bay	Mangaung
Greater Tubatse/Fetakgomo	George	Knysna
Thulamela	Steve Tshwete	Cape Agulhas
King Sabata Dalindyebo	Sol Plaatje	Hessequa
Greater Tzaneen	JB Marks	City of uMhlathuze

The results show the dominance of the large metro cities and many of the larger cities and towns in the Western Cape and KwaZulu-Natal. Though many of the names make sense, one should caution that these are preliminary results that still require further investigation.

5. Managerial Implications

The point of departure in this paper is that, over and above the existing macro and micro data available to business in deciding where it may be best to locate and do business, there is a gap that needs to be filled by the creation of a Where to do business index in South Africa. It can be seen as a valuable new tool to evaluate the advantages and disadvantages of various cities and towns, as now calibrated by such an index

An index along these lines which identifies localities most favourable to business and investment activity will therefore add value to decision-making in the following six ways:

Firstly, apart from its business and economic value, there are also a number of overall socioeconomic reasons distinctive to South Africa that enhance the role that such an index can play in the location of business activity in general and investment in particular. It identifies particular areas where local economic development may be facilitated. This then requires a sharper focus on local criteria for business investment. Drawing on available Geographical Economics literature and fresh sources the paper opens up new dimensions for consideration, including those of local business institutions and the existence of a business-friendly environment at local level.

Secondly, the index aims to enhance – but also to compress – the flow of information that is relevant to identifying optimal business locations and hence to guide decision-making accordingly. While all firms could potentially benefit from a Where to do business analytical tool, it is especially useful to SMMEs, whose size is usually inadequate to assist them in their investment analysis. This may also be true of larger firms when the size of the investment is small in relation to the value of the resources which the enterprise has at its disposal. This is all especially relevant when assessing the economic potential of smaller towns and localities.

Thirdly, in the long run the success of a firm or enterprise is related to its return on investment and on its existence within an environment of economic sustainability. To make the best business decisions the firm must therefore reduce level of uncertainty that may surround a particular city, town, or locality. The firm must thus either devote more time and resources to the task of gathering information about the local environment, or it can now access up-to-date and readily available Where to do business data. It is clearly to the decision-maker's advantage if the local future can be made more predictable in this way. It is, of course, uncertainty about a particular locality to which the new index is addressed that is that is relevant here, not uncertainty generally.

Fourthly, it may well be that a decision-maker should continue to collect information about a locality until he or she is of the view that the gathering costs exceed the benefit that can be obtained from its use. However, this is not always a very cost-effective way to go, as no consistent or stable relationship has been found between the cost of searching for data and the value of the knowledge gained. The existence of a readily available and reliable Where to do business index now helps to bridge that gap and reduce the transaction costs of gathering certain pertinent information.

Fifthly, the availability of a Where to do business index therefore improves the accuracy of predictions as to locality. It helps an enterprise to access information which allows more accurate predictions about the profitability of various business proposals that are being considered. This reduces the likelihood that projects will be selected that turn out to be unprofitable or unsustainable and reject opportunities that may have been more lucrative or aligned with local economic developments. The confidence with which decision-makers take decisions must depend reliable sources of information which are credible.

Sixthly, from the point of view of overall governance in South Africa the existence of an updated Where to do business index offers a useful spin-off that could (a) help to act as an 'early warning system' to higher authorities monitoring local government as to changes in the investment attractiveness of various metropolitan centres and towns and (b) inject a useful additional 'competitive' element into the performance of cities and towns in serving their citizens and business.

The concept of a Where to do business index in South Africa therefore represents an innovative opportunity to mobilize the local data available in ways that promote good decision-making by business as to its optimal location.

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