



SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

SALGA

Inspiring service delivery



SALGA Municipal Investment Competitiveness Index

August 2022

Acknowledgements

The following entities/individuals are acknowledged for the role they played throughout the research process:

DNA Economics team led by *Mr Yash Ramkolowan, Sajid Sherif and Zaakirah Ismail for conducting the research on behalf of SALGA;*

Strategic guidance provided by *Mr Xolile George (former SALGA CEO); Ms Khomotso Letsatsi (Cluster Head: Municipal Finance, Fiscal Policy and Economic Growth) and Mr Zamokuhle Gwala (Portfolio Head: Economic Growth and Investments) as well as the SALGA Governance structures responsible for Economic Development.*

The SALGA Project Team led by *Ms Vailet Mukotsanjera- Kowayi (SALGA Senior Advisor Municipal Trade and Investment) and assisted by SALGA Economic Development provincial senior advisors and advisors) namely Ms Dihapilwe Mkenku, Ms Thelma Maseko, Ms Zimasa Vazi, Mr Gaethijwe Letlhaku, Ms Natasha Khoahla, Ms Tebogo Moya, Ms Thabiso Mgxabayi, Ms Lungile Mbatha, Ms Morongwa Raboshakga, and portfolio administrators (Ms Faith Khumalo and Ms Junia Mashele) for the seamless contract and project management including the project design; coordination of steering committee meetings; coordination of the face to face interviews; focus groups discussions; the inputs in the research sampling frame, research instrument, the research plan and review of the report.*

The SALGA MICI project steering committee comprising of *Mr Zamokuhle Gwala, Ms Vailet Mukotsanjera-Kowayi, Ms Rebecca Matsie, Ms Rachel Manxeba, Ms Mapule Letshweni, Mr Kutlwano Chaba, Mr Nkosinathi Mthethwa, Ms Thelma Maseko, Ms Lungile Mbatha and Mr Gaethijwe Lethlaku*

The national, provincial and local government officials, representatives of chamber of business, trade and investment promotion in addition to development agencies and other stakeholders that participated in the face-to-face and focus group discussions (FGDs) of the study.

Contents

FIGURES.....	4
TABLES.....	5
ABBREVIATIONS	6
EXECUTIVE SUMMARY.....	7
1 INTRODUCTION	15
1.1 CONCEPTUALISATION	15
1.2 PRACTICAL CONSIDERATIONS.....	19
2 MICI SUBINDICES AND INDICATORS	21
3 MICI METHODOLOGY	26
3.1 DATA COLLECTION AND SAMPLING METHODOLOGY.....	26
3.2 NORMALISING THE DATA TO A STANDARD SCALE	27
3.3 AVERAGING THE DATA BY SUBINDEX.....	28
3.4 WEIGHTING THE RESPECTIVE SUBINDICES	29
3.5 CALCULATING THE MICI FROM SUBINDEX COMPONENTS.....	29
3.6 RANKING MUNICIPALITIES	29
4 MICI RESULTS.....	31
4.1 COMPARING RESULTS FOR MIIF CATEGORY B1 MUNICIPALITIES	31
4.2 RESULTS FOR MIIF CATEGORY A MUNICIPALITIES	34
4.3 RESULTS FOR OTHER MIIF CATEGORY B MUNICIPALITIES	36
4.4 OVERALL COMPARISON	42
5 RECOMMENDATIONS AND WAY FORWARD.....	46
ANNEX 1. INTERNATIONAL SUBNATIONAL INDICES	48
A1.1 ORIGINS AND BROADER GLOBAL CONTEXT	48
A1.2 DETAILED REVIEW OF SELECTED SUBINDICES.....	50
A1.3 PRIMARY DATA COLLECTION METHODS	60
A1.4 STANDARDISING THE DATA	61
A1.5 AGGREGATING DATA INTO SUBINDICES.....	61
A1.6 ESTIMATING SUBINDEX WEIGHTS	62

A1.7	CONSTRUCTING THE OVERALL INDEX.....	62
A1.8	RANKING MUNICIPALITIES.....	63
ANNEX 2.	SOUTH AFRICAN SUBNATIONAL INDICES	64
A2.1	SUBNATIONAL DOING BUSINESS INDEX	64
A2.2	GOVERNMENT PERFORMANCE INDEX	66
A2.3	MUNICIPAL FINANCIAL STABILITY INDEX AND MUNICIPAL IQ REPORT CARD.....	68
A2.4	OUT OF ORDER	69
ANNEX 3.	SOUTH AFRICAN MUNICIPAL CONTEXT	70
A3.1	TYPES OF MUNICIPALITIES	70
A3.2	MUNICIPAL ROLES AND RESPONSIBILITIES	71
A3.3	INTEGRATED DEVELOPMENT PLANNING AND LOCAL ECONOMIC DEVELOPMENT	75
A3.4	LOCAL GOVERNMENT INITIATIVES.....	77
ANNEX 4.	LIST OF INDICATORS FOR SELECTED SUBNATIONAL INDICES	86
ANNEX 5.	MICI RESULTS (SCORE) SUMMARY	101
ANNEX 6.	PILOT QUESTIONNAIRE USED FOR MICI	106
REFERENCES.....		109

Figures

Figure 1: Steps to follow when calculating the MICI.....	8
Figure 2: Steps to follow when calculating the MICI	26
Figure 3: MIIF category B1 results for Subindex 1 – Subindex 3	32
Figure 4: MIIF category B1 results for Subindex 4 – Subindex 5, and overall MICI.....	33
Figure 5: MIIF category A subindex and overall MICI results.....	35
Figure 6: MIIF category B2 results for Subindex 1 – Subindex 2.....	36
Figure 7: MIIF category B2 results for Subindex 3 – Subindex 4 and overall MICI	37
Figure 8: MIIF category B3 results for Subindex 1 – Subindex 2.....	38
Figure 9: MIIF category B3 results for Subindex 3 – Subindex 4 and overall MICI	39
Figure 10: MIIF category B4 results for Subindex 1 – Subindex 2	40
Figure 11: MIIF category B3 results for Subindex 3 – Subindex 4 and overall MICI.....	41
Figure 12: Overall summary: Subindices 1 - 2	42
Figure 13: Overall summary: Subindices 3 - 4.....	43
Figure 14: Overall summary: Overall MICI	44
Figure 15: MFSI and Municipal IQ Report Card indices	68

Tables

Table 1: Summary of MICI subindices and indicators	9
Table 2: List of international subnational indices.....	16
Table 3: Comparison of primary / survey data collection approaches by SNDB and subnational indices.....	18
Table 4: Summary of index indicators	22
Table 5: Firm response per Municipality	27
Table 6: El Salvador MCI subindices.....	51
Table 7: Kosovo MCI subindices	52
Table 8: Vietnam PCI subindices	53
Table 9: Croatia RCI subindices	54
Table 10: Mongolia PCI subindices	55
Table 11: Philippines CMCI subindices	57
Table 12: SNBI indicators by subindex.....	65
Table 13: Government Performance Index indicator list and description	67
Table 14: Number of municipalities according to MIIF categorisation.....	70
Table 15: Constitutional functions of municipalities.....	71
Table 16: Constitutional functions of provinces	73
Table 17: Selection of local government initiatives.....	78
Table 18: Illustration of potential Circular 88 indicators that could be used in MICI.....	83
Table 19: Summary of Circular 88 indicators (excluding the 97 compliance indicators).....	84
Table 20: El Salvador MCI indicators by subindex.....	86
Table 21: Kosovo MCI indicators by subindex.....	88
Table 22: Vietnam PCI indicators by subindex.....	89
Table 23: Croatia RCI indicators by subindex.....	94
Table 24: Philippines CMCI indicators by subindex	97

Acronyms

BER	Business Environment Ranking
CMCI	Cities and Municipalities Competitiveness Index
DBI	Doing Business Index
GCI	Global Competitiveness Index
GPI	Government Performance Index
MCI	Municipal Competitive Index
MFSI	Municipal Financial Stability Index
MICI	Municipal Investment Competitiveness Index
MIIF	Municipal Infrastructure Investment Framework
NDP	National Development Plan
PCI	Provincial Competitiveness Index
RCI	Regional Competitiveness Index
SDBI	Subnational Doing Business Index



Executive summary

The Municipal Investment Competitiveness Index (MICI) is a policy tool developed to better understand localised factors inhibiting business growth and dampening the overall business climate at the municipal level. Its introduction follows the institutionalisation of several subnational indices in Asia and other developing countries. These subnational competitiveness indices are based on the understanding that good governance, efficient institutions and effective supply and demand dynamics are necessary for a flourishing private sector.¹

As such, the MICI is envisaged to help municipalities create a better environment for promoting investment and local economic development. Such tools have the added benefit of stimulating healthy competition among subnational governments, thereby creating an environment for learning and improvement. The MICI will enable municipalities to:

- Diagnose their strengths and weaknesses;
- Compare their performance to other municipalities;
- Identify reforms required for enhancing the business climate; and
- Measure the impact of their efforts in future iterations of the MICI.

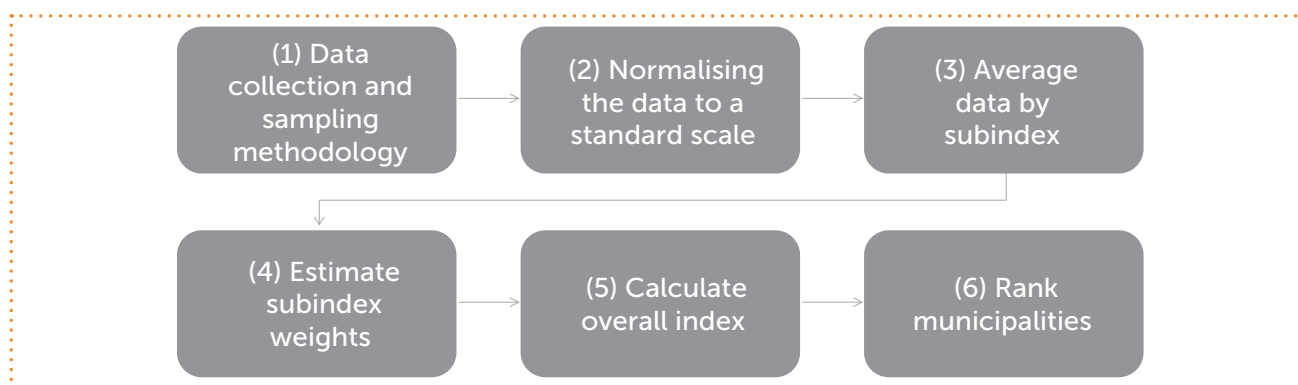
The MICI has been designed with several considerations in mind:

- The MICI looks beyond municipalities' narrow (exclusive) responsibilities, to also include factors and indicators that require an integrated development approach. This is done in acknowledgement that many of the functions that support a strong business climate are shared with other spheres of government. Given that the MICI aims to assess the desirability for businesses of locating in specific areas, it is important to assess municipalities on a holistic basis, rather than focus on narrower mandates.
- Almost all the international subindices reviewed make use of business surveys that are used together with "hard" data from official and other secondary sources. For the most part indicators from these surveys are "perception-based" in nature and are used to compliment the "hard" (or more quantitative) data derived from national statistics offices and other "official" sources.
- The MICI has been conceptualised by SALGA as an index that purposefully looks beyond the larger metropolitan municipalities. The overarching key factor in the MICI is therefore maximising municipal coverage, given the availability of data. Currently, this implies that there are significant limitations on the data and indicators that can be used in the MICI.
- The MICI incorporates category A and B municipalities, ensuring comprehensive geographic coverage while also allowing for direct comparison between municipalities of different sizes. This approach covers municipalities that are at the coalface of delivery and avoids introducing any complexities that might arise from also including category C municipalities.

1 (Bland & Vaz, 2017)

Figure 2 maps out the methodology followed to calculate the MICI.

Figure 1: Steps to follow when calculating the MICI



(RTI International, 2012)

A summary of the MICI's current subindices and indicators is provided in the following table. Hard indicators refer to those indicators developed utilising secondary data and are typically quantitative in nature. Soft indicators refer to those that have been created through the implementation of a pilot survey. The pilot survey has been undertaken for MIIF (Municipal Infrastructure Investment Framework) category B1 municipalities ("secondary cities"). The purpose of this pilot is to test the value and process of implementing a business perceptions survey. This is in acknowledgement of the importance of perceptions surveys in other international subindices that have been developed and implemented again. This also allows for a better understanding of how the incorporation of a perceptions-based survey is likely to influence the overall results of the MICI, before any future roll-out of a country-wide survey instrument for the MICI.

The results for this version of the MICI are therefore split into two:

- The inclusion of the indicators derived from the business survey result in 30 indicators across 5 subindices for MIIF category B1 municipalities
- Excluding the business survey indicators results in 16 indicators across 4 subindices across category A and B municipalities.

Table 1: Summary of MICI subindices and indicators

Subindex (no. of indicators)	Description	Indicator	Description	Data type	Missing values*	Data sources	Time period
Subindex 1 (8) Municipal enabling factors	Measures municipalities' ability to create an enabling environment and contains measures that assess whether municipalities are carrying out their legislated mandates and conducting themselves appropriately.	Managerial vacancies	Vacant managerial positions (%)	Hard	2	Stats SA - Non-financial census - Table 1.2	2019
		Audit outcomes	Auditor General reporting on MFMA requirements (outcome)	Hard	5	AGSA - MFMA report - Annex 1	2018/19-2019/20
		Suspect expenditure	(Unauthorised expenditure + Irregular expenditure + Fruitless and wasteful expenditure) / Total expenditure (%)	Hard	16	AGSA - MFMA report - Annex 1 & NT municipal finance	2017/18-2019/20
		IDP submitted	Submission of Integrated Development Plan (Yes/No)	Hard	0	Stats SA - Non-financial census - Table 18	2019
		Financial distress	Number of indicators (out of 13) where municipal is showing signs of financial distress	Hard	0	NT State of Local Government Report	2019/20
		General performance rating	Perception on municipal business environment performance	Soft		Firm-level questionnaire	2022
		Professionalism and helpfulness rating	Perception on professionalism and helpfulness of municipal staff	Soft		Firm-level questionnaire	2022
		Supportive municipality for business	Perception of whether municipality makes it easier to do business	Soft		Firm-level questionnaire	2022

Subindex (no. of indicators)	Description	Indicator	Description	Data type	Missing values*	Data sources	Time period
Subindex 2 (8) Infrastructure and service delivery	Assesses the local infrastructure environment, extending beyond the municipality's responsibilities.	Repairs as % of PPE	Repairs and maintenance, as a % of property, plant & equipment	Hard	5	NT municipal finance database – Table A9	2017/18 – 2019/20
		Asset renewal as % of depreciation	Renewal and upgrading as a % of depreciations	Hard	31	NT municipal finance database – Table A9	2017/18 – 2019/20
		Water service levels	Water supplied inside the yard or less than 200m from the yard as % of total consumer units	Hard	3	Stats SA - Non-financial census - Table 8	2019/20
		Sewerage and sanitation service levels	Flush toilets as % of total consumer units	Hard	1	Stats SA - Non-financial census - Table 9	
		Infrastructure maintenance and service resolution	Perception rating on infrastructure maintenance / repairs efforts and speed of resolving water / electricity problems	Soft		Firm-level questionnaire	2022
		Transparent prices	Perception rating on price clarity of municipal services	Soft		Firm-level questionnaire	2022
		Quality and cost of core service infrastructure	Perceived cost and quality of roads, water, electricity, waste management, water and sanitation	Soft		Firm-level questionnaire	2022
		Quality and cost of non-core service infrastructure	Perceived cost and quality of rail network, telecommunications and internet connectivity	Soft		Firm-level questionnaire	2022

Subindex (no. of indicators)	Description	Indicator	Description	Data type	Missing values*	Data sources	Time period
Subindex 3 (3)	Measures the outcomes of local government's (and other spheres of government's) efforts at improving the economic situation. While these indicators are not exclusively influenced by municipalities' efforts, their local economic development activities are geared towards driving these outcomes.	Unemployment rate	Strict unemployment rate (%)	Hard	1	Quantec	2020
		Gross value added (GVA) per capita	GVA (nominal) / Population (number)	Hard	3	Quantec	2020
		Gross fixed capital formation (GFCF) per capita	GFCF (nominal) / Population (number)	Hard	3	Quantec	2020



Subindex (no. of indicators)	Description	Indicator	Description	Data type	Missing values*	Data sources	Time period
Subindex 4 (7)	Assesses the broader environmental factors that influence the business climate.	Bachelor's degree	Population with bachelor's degree or higher / 1,000 population	Hard	1	Quantec	2020
		Inequality	Gini coefficient (current income per capita)	Hard	1	Quantec	2019
		Burglaries and robberies	Burglaries and robberies at non-residential premises / 1,000 population	Hard	1	Quantec / SAPS	2021
		Other public and property crimes	Bank robberies, cash in transit robberies, public violence and property-related crime / 1,000 population	Hard	1	Quantec / SAPS	2021
		Severity of crime	Perception rating on severity of local crime impact	Soft		Firm-level questionnaire	2022
		Hiring	Perception on ease of hiring from local labour force	Soft		Firm-level questionnaire	2022
		Skills	Perception on skills of local labour force	Soft		Firm-level questionnaire	2022
Subindex 5 (5)	Quantifies how municipalities support or inhibit business activity and the constraints (or lack thereof) businesses face.	Compliance with regulations	Perception on acceptability of time and cost of compliance	Soft		Firm-level questionnaire	2022
		Help desk and communication	Perception on effectiveness of municipal helpdesk on business related challenges	Soft		Firm-level questionnaire	2022
		Assistance turnaround time and complaints resolution	Perception on turnaround time for getting assistance with business related challenges and time spent on following up on complaints	Soft		Firm-level questionnaire	2022
		Inside contacts and informal payments	Agreement rating on necessity of knowing someone to resolve a problem and commonness of soliciting informal payments or bribes	Soft		Firm-level questionnaire	2022

* Missing values refers to the number of local municipalities for which there is no data. This may be because the underlying data is not available for that municipality or the available data has been found to be inconsistent and has been discarded. For the soft indicators, there is no missing data as this only covers the 19 MIIF category B1 municipalities included in the pilot survey.



Three key recommendations also emanate from the development of this version of the MICI.

First, the pilot survey suggests that there may be significant value add from incorporating perception-based business responses in future versions of the MICI. Incorporating such an approach, however, has significant cost and sustainability issues: such a survey would need to be both statistically representative and cover effectively all municipalities included in the MICI. At the same time, however, there is clear merit in such an approach.

The pilot results show that business perceptions can play a significant role in moderating scores from a hard data only approach. This is especially true where much of the hard data originates from municipalities themselves, as is the case with many of the hard indicators for which data is available. The value-add of incorporating business survey data is increased given that there currently no existing “hard” data indicators (that substantively extend coverage beyond the metropolitan municipalities) for measures relating to the cost and burden of adhering to regulations and other “red tape” issues.

The key questions around such a survey relate to how to ensure wide coverage across municipalities and that the survey instrument across all municipalities to ensure comparability. While several municipalities have undertaken satisfaction surveys, these are not done in a uniform manner either from a time or content perspective. This provides SALGA with an opportunity to take the lead in the development of such a survey process, and which would also ultimately benefit the municipalities themselves.²

A second key recommendation relates to the availability and incorporation of better collated information and data within the MICI. National Treasury commenced in 2017 with a process of expanding the performance and compliance reporting requirements for all municipalities, through its issuing of Circular 88 (see section A3.4.8 for a detailed review of this). While currently in a pilot phase for non-metropolitan municipalities, this process currently envisions data being regularly produced, submitted and collated for more than 200 different indicators relating to municipal performance, outputs and outcomes.

Some of this data is to be sourced from outside municipalities (such as from Statistics South Africa, for socioeconomic data), but most indicators are to be derived from improved internal municipal systems. This suggests that in the near future, the availability and quality of information on municipal performance may increase exponentially.

SALGA is represented on Reporting Reforms Steering Committee under which Circular 88 falls, and it should be the case that a large number of indicators emanating from this process will find its way into the MICI. At the same time, these new reporting requirements will also require municipalities to undertake regular satisfaction surveys. Aligning these reporting requirements with the need to incorporate perceptions-based information in the MICI may be beneficial for all stakeholders.

Finally, the international review suggests that the sustainability of these indices is largely dependent on strong buy-in from all stakeholders, both public and private. Sustainability also requires balancing the regularity of such an index with the implied costs of updating the underlying hard and soft data. The ability to update data is also dependent on the producers of this data and synchronising periodic updates of such an index will be important.³ Given this, it is proposed that the MICI be updated and produced no more frequently than every two years. This will strike the necessary balance between sustaining the index, allowing sufficient time for new data (and indicators) to surface and tracking municipal performance over time.

² *In addition to information from the survey, municipalities may be less burdened by requirements imposed on them to undertake satisfaction surveys, if this was being done globally (i.e. for all municipalities) on a regular basis.*

³ *For example, Statistics South Africa has indicated that it is exploring the publication of its municipal survey statistics every two years, as opposed to every year.*



1 Introduction

Meeting the developmental objectives set out in the National Development Plan (NDP) 2030, such as reducing unemployment and inequality, requires inclusive economic development. Inclusive economic development, in part, necessitates addressing uneven geographical development, especially since development efforts have disproportionately focused on cities, thereby leaving other areas behind. Therefore, addressing South Africa's most pressing development challenges requires understanding and responding to challenges across the country.

While development encompasses many areas, a thriving private sector is the most sustainable way to ensure unemployment is abated and poverty eradicated. The Municipal Investment Competitiveness Index (MICI) is a policy tool developed to better understand localised factors inhibiting business growth and dampening the overall business climate at the municipal level. Its introduction follows the institutionalisation of several subnational indices in Asia and other developing countries. These subnational competitiveness indices are based on the understanding that good governance and efficient institutions are necessary for a flourishing private sector.⁴

As such, the MICI is envisaged to help municipalities create a better environment for promoting investment and local economic development. Such tools have the added benefit of stimulating healthy competition among subnational governments, thereby creating an environment for learning and improvement. The MICI will enable municipalities to:

- Diagnose their strengths and weaknesses;
- Compare their performance to other municipalities;
- Identify reforms required for enhancing the business climate; and
- Measure the impact of their efforts in future iterations of the MICI.

1.1 Conceptualisation

The review of international subindices has informed the approach undertaken to develop the MICI for SALGA. Table 2 lists the 13 identified sub-national indices and indicates the conceptual approach, the number of subindices, the total number of indicators, and how the data were collected. Annex 1 provides a detailed assessment of coverage and compilation for many of these indices.

4 (Bland & Vaz, 2017)

Table 2: List of international subnational indices

Index	No. of subindices	No. of indicators	Number of times implemented	Data sources
El Salvador MCI	8	57	At least 3	Most data collected from surveying businesses & mayors
Kosovo MCI	10	65	At least 5	Telephonic business survey & a comprehensive desktop research
Vietnam PCI	10	128	At least 10	Mail-out business surveys & statistical / administrative offices
Croatia RCI	17 (2 groups)	87	At least 3	Telephonic business survey & stats from ministries / agencies
Mongolia PCI	16 (4 groups)	148	At least 3	Business surveys, Executive opinion surveys, Stats agencies
Philippines CMCI	50 (5 groups)	173	At least 2	Only hard data – collected as part of national systems
Bulgaria LBEI	-	10	1	Business surveys and hard data
Bangladesh DEGI	10	50	1	Business surveys and hard data
Cambodia PBES	10	65	2	Business surveys and hard data
Indonesia LEG	10	-	2	Business surveys and hard data

Source: (Bland & Vaz, 2017), (Economic Policy and Competitiveness Research Center, 2019), (Institute for Market Economics, 2011), (Tong, Merchant-Vega, Terpstra, & Malesky, 2012), (Lenardić, 2010), (Malesky E., 2007), (Malesky, et al., 2018), (Merchant-Vega, et al., 2011), (Singh, Kumar, & Somasundaram, 2009), (RTI International, 2012), (USAID, 2020).

The last seven indices listed in this table have been implemented twice at most, and since discontinued. As such, there is limited information on these. A hyphen (-) indicates that the information was not available.



There are two key takeaways from this analysis, discussed further in the following sections.

1.1.1 Looking beyond narrow municipal responsibilities

The first key takeaway from the analysis is that many other subnational competitiveness indices extend beyond just the measurement of municipal (local government) regulations, roles, and responsibilities. While recognising that good governance and efficient institutions are necessary for a flourishing private sector, many of these indices aim to incorporate an assessment of the broader environment in which businesses operate.

Thus, these indices aim to measure the overall competitive climate, termed by Bland & Vaz (2017) as the “business environment” approach, covering aspects such as labour knowledge and skills, as well as infrastructure and socioeconomic factors that influence competitiveness. This is as opposed to the narrower focus on the functioning of regulatory institutions and the consequential burden that businesses face as a result (the so-called “economic governance” approach).

Within the South African context there are also a few reasons why a MICI should not focus primarily on a municipality’s exclusive roles and responsibilities. First, many of the business-climate-related functions municipalities undertake are shared with other spheres of government. Second, even for clearly delineated functions across spheres of government, there are differences in the type of implementation across municipalities.

Finally, the integrated development approach implies that it is important for municipalities to understand where improvements can be made, even in areas where they do not have exclusive authority. Given that the MICI aims to assess the desirability for businesses of locating in specific areas, it is important to assess municipalities on a holistic basis, rather than focus on narrower mandates.

1.1.2 The use of perceptions surveys

The second key takeaway is that all except one of the identified subnational surveys incorporate indicators derived from business surveys.⁵ For the most part indicators from these surveys are “perception-based” in nature and are used to compliment the “hard” (or more quantitative) data derived from national statistics offices and other “official” sources. A key contemplation in this regard is the difference between these business surveys and the assessments conducted by the historically authoritative World Bank subnational doing business (SNDB) indices. This is summarised in Table 3.

⁵ The exception is Philippines, which has utilised an extensive national data systems capability to include data for more than 150 indicators.

Table 3: Comparison of primary / survey data collection approaches by SNDB and other subnational indices

	World Bank's SNDB	Other subnational indices
Research coverage	Focus is typically on a narrow set of "core" indicators, with the aim of developing real world "benchmarks" for each indicator.	Coverage is typically wide but focused on collecting easy to understand metrics or perceptions.
Instrument type	Detailed, in-depth standardised "case studies" for each indicator is used to collect information and feedback. Case studies include various assumptions to provide context to respondent and to ensure benchmarks are comparable.	Standardised questionnaire completed by businesses, either through telephonic, in-person or web-based engagement. Questions are typically short and simple, requesting a response based on a perception scale or operational metric.
Sample size and collection methodology	Relies on multiple sources of information that include a review of relevant laws and regulations, completion of the case studies by sector "experts" and professionals, government input and World Bank Group specialists. For the South Africa 2018 SNDB report, between 15 and 30 contributors provided input for each municipality covered.	Typically aims to achieve statistically representative sample of businesses in each municipality. For example, El Salvador MCI and Vietnam PCI collected data from more 8,500 firms in each country in 2013. However, sample size can vary significantly by country and survey.

The difference in the two approaches stems from the ultimate objective of each approach. The SNDB purposefully avoids trying to collect any "perception" based information.⁶ Rather, it focuses on developing actual benchmarks for the indicators it covers. For example, in terms of its indicator on registering property, the SNDB aims to develop a realistic benchmark for the number of procedures required to register a property, the number of days required to do this and a realistic assessment of the cost of registration.⁷

6. The World Bank has explicitly attempted to dispel the notion of the Ease of Doing Business as being based on firm surveys collecting perception-based information, noting this as "Misconception #6": "The Doing Business approach to data collection contrasts with that of enterprise or firm surveys, which capture perceptions and experiences of businesses. The Doing Business data are based on domestic laws, regulations as well as administrative requirements. For several indicators cost, time and procedures components are based on actual practice rather than the law on the books." For more see here: <https://archive.doingbusiness.org/en/methodology/common-misconceptions>.
7. Even for the indicators which can be seen as more "perception-based" this is based on actual underlying benchmarks. For example, the SNDB's building quality control index is based on a set of factual questions relating to building regulations, quality control and insurance requirements within that particular jurisdiction.



By contrast many of the surveys covered in other subnational indices aim to capture business views (perceptions) of different aspects that impact on their business and broader operations. These surveys are typically much wider in terms of breadth and coverage, and often aim to achieve sufficient representation to be considered statistically significant. Survey questions are typically simple and straightforward. For example, a question related to crime may simply assess a firm's perceptions of whether crime in their area of operation has increased, decreased or remained unchanged. These surveys are usually undertaken to compliment the more quantitative indicators incorporated in the subnational indices.

1.2 Practical considerations

The MICI has been designed with the aim of balancing what are two opposing aspects. On the one hand, data availability remains a key limitation, especially when moving beyond the larger metropolitan municipalities. On the other hand, the MICI has been intentionally conceptualised by SALGA as an index that purposefully looks beyond the larger metropolitan municipalities. The overarching key factor in the MICI is therefore maximising municipal coverage, given the availability of data.

In gathering the data for the respective indicators, we have used data for the latest time available. Where possible the latest data has been utilised, but for some indicators the data for up to t-2 periods has been used to widen coverage. Where there is no data for a specific municipality, the subindex and index score are generated excluding that data point.⁸

A general distinction is made between “hard” and “soft” indicators. In the context of the MICI's design hard indicators refer to quantitative and other indicators derived from secondary data sources. These sources include National Treasury's local government database, Statistics South Africa's municipal surveys, South African Police Service crime statistics and Quantec (primarily for socioeconomic data at municipal level).⁹ The data is typically published annually and is available for close to all South African municipalities.¹⁰

Given the legislative structure of municipalities in South Africa, there are also questions as to whether such an index should cover all municipal categories. Given that the MICI aims to assess the business climate, a more sensible approach is to cover those municipalities that are at the coalface of delivery. Thus, the MICI incorporates category A and B municipalities, ensuring comprehensive geographic coverage while also allowing for direct comparison between municipalities of different sizes.¹¹

From a soft data perspective, it was not practical to incorporate a survey-based approach that would include a sample of businesses from all 200-plus municipalities through the pilot survey. The pilot survey has therefore focused on testing the feasibility of such a survey, focusing on Municipal Infrastructure Investment Framework (MIIF) category B1 municipalities. Soft data in this round of the MICI is therefore only available for these 19 municipalities. The analysis that follows in section 4 therefore contrasts the results with and without soft data for these 19 municipalities but shows the results *without* soft data for all other municipalities.

8. In certain instances, the available data may also not be utilised due to potential inconsistencies identified in the data.

9. It is worth noting that though these are described as “hard” indicators, both National Treasury and Statistics South Africa collect large parts of this municipal data through data requests from, or surveys of, municipalities themselves. This data, is therefore, somewhat reliant on the accuracy of reporting by municipalities themselves.

10. It would be ideal if all data was also free and publicly available. However, socioeconomic data at a municipal level is not produced regularly, and National Treasury's own municipal socioeconomic profiles make use of Quantec data. See here for these profiles: https://lg.treasury.gov.za/ibj_apps/portal/Municipal_Socio_Economic_Profiles.

11. For some indicators used in the MICI, the performance of category C municipalities is used as a proxy for category B municipalities. This is especially in relation to service delivery in terms of water and sanitation.



2 MICI subindices and Indicators

Following stakeholder consultations and discussions with SALGA, we consider 5 subindices with a total of 30 indicators. The subindices were guided by both the international and South African review of subnational indices, the South African local government initiatives, and existing data. Table 4 summarises the indicators within the respective subindices, including a description of the indicators, the missing values, the time as well as the data sources.

Subindex 1: Municipal enabling factors (*8 indicators*) quantifies how the local business environment is influenced by the municipality. It measures the municipalities' ability to create an enabling environment and contains measures (soft and hard data) that assess whether municipalities are carrying out their legislated mandates and conducting themselves appropriately.

Subindex 2: Infrastructure quality and service delivery (*8 indicators*) is based on the acknowledgement that infrastructure is an important pull factor for investment. The indicators included here assess the local infrastructure environment, extending beyond the municipality's responsibilities. It is important to do so as municipalities must work with other spheres of government to create an environment conducive to attracting investment. It also considers whether municipalities are doing their part in maintaining and investing in new infrastructure and resolving service delivery matters.

Subindex 3: Economic development (*3 indicators*) measures the outcomes of local government's (and other spheres of government's) efforts at improving the economic situation. While these indicators are not exclusively influenced by municipalities' efforts, their local economic development activities are geared towards driving these outcomes.

Subindex 4: Workforce and social environment (*7 indicators*) assesses the broader environmental factors that influence the business climate. While municipalities are only partially responsible for certain indicators listed in this subindex, these are important factors that influence business investment decisions. Where municipalities are not responsible for a specific indicator, they must make recommendations to other spheres of government.

Subindex 5: Red tape and efficiency costs (*4 indicators*) directly quantifies how municipalities support or inhibit business activity and the constraints (or lack thereof) businesses face. For the most part, municipalities are exclusively responsible for influencing their scores on this subindex.

Subindex 3 consists only of hard indicators, while Subindex 5 consists only of soft indicators. The latter is especially important to note for the current iteration of the MICI, only MIIF category B1 municipalities will have 5 subindices, since the pilot survey covers only these municipalities. For all other MIIF categories the MICI will consist of only 4 subindices.

Table 4: Summary of index indicators

Subindex (no. of indicators)	Indicator	Description	Data type	Missing values*	Data sources	Time period
Subindex 1 (8) Municipal enabling factors	Managerial vacancies	Vacant managerial positions (%)	Hard	2	Stats SA - Non-financial census - Table 1.2	2019
	Audit outcomes	Auditor General reporting on MFMA requirements (outcome)	Hard	5	AGSA - MFMA report - Annex 1	2018/19-2019/20
	Suspect expenditure	(Unauthorised expenditure + Irregular expenditure + Fruitless and wasteful expenditure) / Total expenditure (%)	Hard	16	AGSA - MFMA report - Annex 1 & NT municipal finance	2017/18-2019/20
	IDP submitted	Submission of Integrated Development Plan (Yes/No)	Hard	0	Stats SA - Non-financial census - Table 18	2019
	Financial distress	Number of indicators (out of 13) where municipal is showing signs of financial distress	Hard	0	NT State of Local Government Report	2019/20
	General performance rating	Perception on municipal business environment performance	Soft		Firm-level questionnaire	2022
	Professionalism and helpfulness rating	Perception on professionalism and helpfulness of municipal staff	Soft		Firm-level questionnaire	2022
	Supportive municipality for business	Perception of whether municipality makes it easier to do business	Soft		Firm-level questionnaire	2022

Subindex (no. of indicators)	Indicator	Description	Data type	Missing values*	Data sources	Time period
Subindex 2 (8) Infrastructure and service delivery	Repairs as % of PPE	Repairs and maintenance, as a % of property, plant & equipment	Hard	5	NT municipal finance database – Table A9	2017/18 – 2019/20
	Asset renewal as % of depreciation	Renewal and upgrading as a % of depreciations	Hard	31	NT municipal finance database – Table A9	2017/18 – 2019/20
	Water service levels	Water supplied inside the yard or less than 200m from the yard as % of total consumer units	Hard	3	Stats SA - Non-financial census - Table 8	2019/20
	Sewerage and sanitation service levels	Flush toilets as % of total consumer units	Hard	1	Stats SA - Non-financial census - Table 9	
	Infrastructure maintenance and service resolution	Perception rating on infrastructure maintenance / repairs efforts and speed of resolving water / electricity problems	Soft		Firm-level questionnaire	2022
	Transparent prices	Perception rating on price clarity of municipal services	Soft		Firm-level questionnaire	2022
	Quality and cost of core service infrastructure	Perceived cost and quality of roads, water, electricity, waste management, water and sanitation	Soft		Firm-level questionnaire	2022
	Quality and cost of non-core service infrastructure	Perceived cost and quality of rail network, telecommunications and internet connectivity	Soft		Firm-level questionnaire	2022
Subindex 3 (3)	Unemployment rate	Strict unemployment rate (%)	Hard	1	Quantec	2020
Economic development	Gross value added (GVA) per capita	GVA (nominal) / Population (number)	Hard	3	Quantec	2020
	Gross fixed capital formation (GFCF) per capita	GFCF (nominal) / Population (number)	Hard	3	Quantec	2020

Subindex (no. of indicators)	Indicator	Description	Data type	Missing values*	Data sources	Time period
Subindex 4 (7) Workforce and social environment	Bachelor's degree	Population with bachelor's degree or higher / 1,000 population	Hard	1	Quantec	2020
	Inequality	Gini coefficient (current income per capita)	Hard	1	Quantec	2019
	Burglaries and robberies	Burglaries and robberies at non-residential premises / 1,000 population	Hard	1	Quantec / SAPS	2021
	Other public and property crimes	Bank robberies, cash in transit robberies, public violence and property-related crime / 1,000 population	Hard	1	Quantec / SAPS	2021
	Severity of crime	Perception rating on severity of local crime impact	Soft		Firm-level questionnaire	2022
	Hiring	Perception on ease of hiring from local labour force	Soft		Firm-level questionnaire	2022
	Skills	Perception on skills of local labour force	Soft		Firm-level questionnaire	2022
Subindex 5 (5) Red tape and efficiency costs	Compliance with regulations	Perception on acceptability of time and cost of compliance	Soft		Firm-level questionnaire	2022
	Help desk and communication	Perception on effectiveness of municipal helpdesk on business related challenges	Soft		Firm-level questionnaire	2022
	Assistance turnaround time and complaints resolution	Perception on turnaround time for getting assistance with business related challenges and time spent on following up on complaints	Soft		Firm-level questionnaire	2022
	Inside contacts and informal payments	Agreement rating on necessity of knowing someone to resolve a problem and commonness of soliciting informal payments or bribes	Soft		Firm-level questionnaire	2022

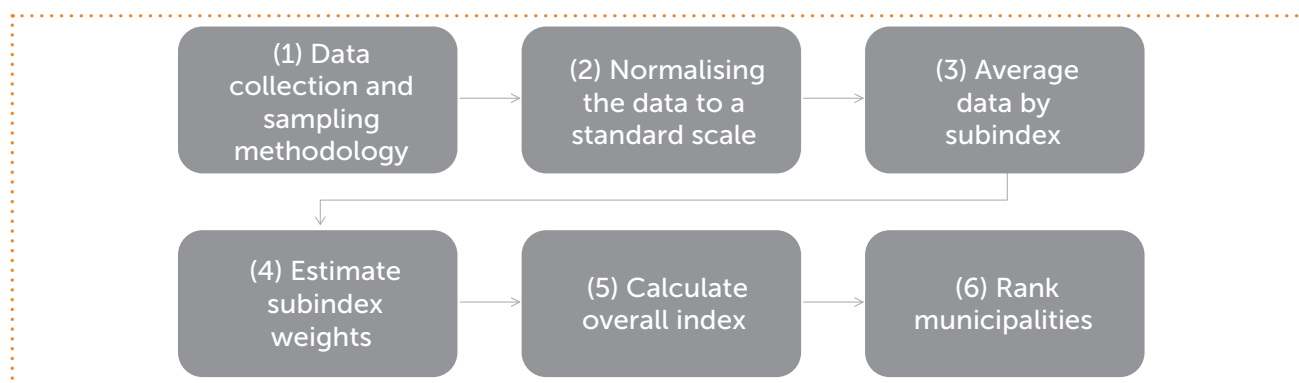
* Missing values refers to the number of local municipalities for which there is no data. This may be because the underlying data is not available for that municipality, or the available data has been found to be inconsistent and has been discarded. For the soft indicators, there is no missing data as this only covers the 19 MIIF category B1 municipalities included in the pilot survey.



3 MICI methodology¹²

Figure 2 maps out the methodology we follow to calculate the MICI.

Figure 2: Steps to follow when calculating the MICI



(RTI International, 2012)

3.1 Data collection and sampling methodology

3.1.1 Hard data

The hard data was drawn from multiple sources such as: Statistic South Africa's (Stats SA) Non-financial Census database, the National Treasury's (NT) Municipal Financial database, the Auditor General of South Africa's (AGSA) Municipal Finance Management Act (MFMA) reports and Quantec.

3.1.2 Soft data

The soft data was collected by Ask Afrika from a telephonic survey of firms based and operating within a municipality. To test the future feasibility of a full-scale survey across all municipalities, a pilot survey was conducted including firms from the 19 secondary cities (category B1 within the MIIF framework).¹³ The B1 municipalities were strategically chosen, given that it represents a complete group within the MIIF framework. This allows for ranking and comparison of a distinct category of municipalities, even within the pilot phase. Table 5 shows the firm response summary for each of the B1 municipalities.

12. Adopted as per various other subindex methodologies: (KYIV, 2020) (Lenardić, 2010) (Malesky, et al., The Vietnam Provincial Competitiveness Index 2017, 2018) (Municipal IQ, 2021) (Philippines Department of Trade and Industry, 2021a) (USAID, 2020) (RTI International, 2013)

13. Given the costly nature of large-scale surveys, it was agreed that the pilot survey would target approximately 300 firms across different municipalities.

Table 5: Firm response per Municipality

Municipality	Number of firms surveyed
City of Matlosana	16
City of Mbombela	21
Drakenstein	27
Emalahleni (MP)	16
Emfuleni	22
George	15
Govan Mbeki	20
J B Marks	18
Madibeng	15
Matjhabeng	16
Mogale City	22
Msunduzi	21
Newcastle	15
Polokwane	18
Rustenburg	17
Sol Plaatje	24
Stellenbosch	16
Steve Tshwete	15
uMhlatuze	16
Total	350

The questionnaire comprised around 40 questions to respective firms (see Annex 6). Each of the questions for the respective indicators were proposed in the following way: "Rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree". This allows for responses to be easily standardized. Where respondents indicated that they "Don't know", this was treated as a missing variable. Firm responses were averaged to reflect the overall value for the municipality within an indicator. Further, where questions were needed to be combined to create an indicator, responses were averaged out.

3.2 Normalising the data to a standard scale¹⁴

It is important to note that the indicators presented included in the MICI are measured in different metrics (some variables are measured in percentage terms, while others are measured in Rand value). It is common practice to normalize all the variables to bring them down to a similar scale if they are of different ranges. The normalisation transforms each indicator into a value between 0 and 10. This ensures that the index is composed of similarly defined indicators.

Data normalization, in this case, is the process of rescaling one or more attributes to the range of 0 to 10. This means that the largest value for each attribute is 10 and the smallest value is 0. We make use of the Min-Max scaling approach to standardize the MICI indicators to a 10-point scale. More formally:

¹⁴ (Code Academy, 2014)

Equation 1: Min-Max scaling approach

$$y = (x - \min) / (\max - \min)$$

When the value of x is the minimum value for a respective indicator, the numerator will be 0, and hence y is 0. On the other hand, when the value of x is the maximum value for a respective indicator, the numerator is equal to the denominator and thus the value of y is 10. If the value of x is between the minimum and the maximum value, then the value of y is between 0 and 10.

When applying this to the MICI, the choice of formulae depends on whether the indicator signals a good or bad outcome. For example: If we take investment on the other hand, the higher the value the better the outcome, so we would employ the first formula. If we take unemployment, the higher the value the worse the outcome, so we would employ the second formula.

Where: The higher the value, the better the outcome, we use Equation 2.

Equation 2: Standardisation where a higher value is better

$$\text{Standardised score} = \left(\frac{\text{Score}_i - \text{Score}_{\min}}{\text{Score}_{\max} - \text{Score}_{\min}} \right) \times 10$$

Where: The lower the value, the better the outcome, we use Equation 3.

Equation 3: Standardisation where a higher the value is worse

$$\text{Standardised score} = 10 - \left(10 \times \left(\frac{\text{Score}_i - \text{Score}_{\min}}{\text{Score}_{\max} - \text{Score}_{\min}} \right) \right)$$

For soft data, we don't employ any normalisation techniques given that the data is already collected based on a standardized 10-point scale. However, where a question represents a better outcome for lower scores, we employ the following formula:

Equation 4: Standardisation for soft data

$$\text{Standardised score}_{\text{new}} = 10 - (\text{indicator value})$$

3.3 Averaging the data by subindex

Post the standardization technique employed in section 3.2, the standardised data are then aggregated into their respective subindices. To average the data by subindex, we simply average all the standardized indicators within a subindex.

3.4 Weighting the respective subindices

The review of other international subindices highlighted two extremes on a continuum in terms of the approaches that can be used for weighting subindices within the overall index. The most complex approach is to undertake a regression estimation in order to derive weights for each subindex, based on their explanatory power in relation to a specific dependent variable. This dependent variable, which typically focuses on an aspect of economic activity or business outlook, is often derived from business surveys. Given the nature of the pilot survey, which focused on 19 of the more than 200 municipalities, such an approach was deemed infeasible for this version of the MICI. The MICI was therefore derived using a standard, equal approach, with each subindex equally weighted within the overall MICI.

3.5 Calculating the MICI from subindex components

In calculating the overall index, the final index score is simply the average of each of the subindices as follows:

Equation 5: Calculating the MICI

$$Index = SI1/5 + SI2/5 + SI3/5 + SI4/5 + SI5/5$$

3.6 Ranking Municipalities

Using the calculated MICI scores, we then rank municipalities within each respective MIIF category, while also providing a snapshot overview for all municipalities.





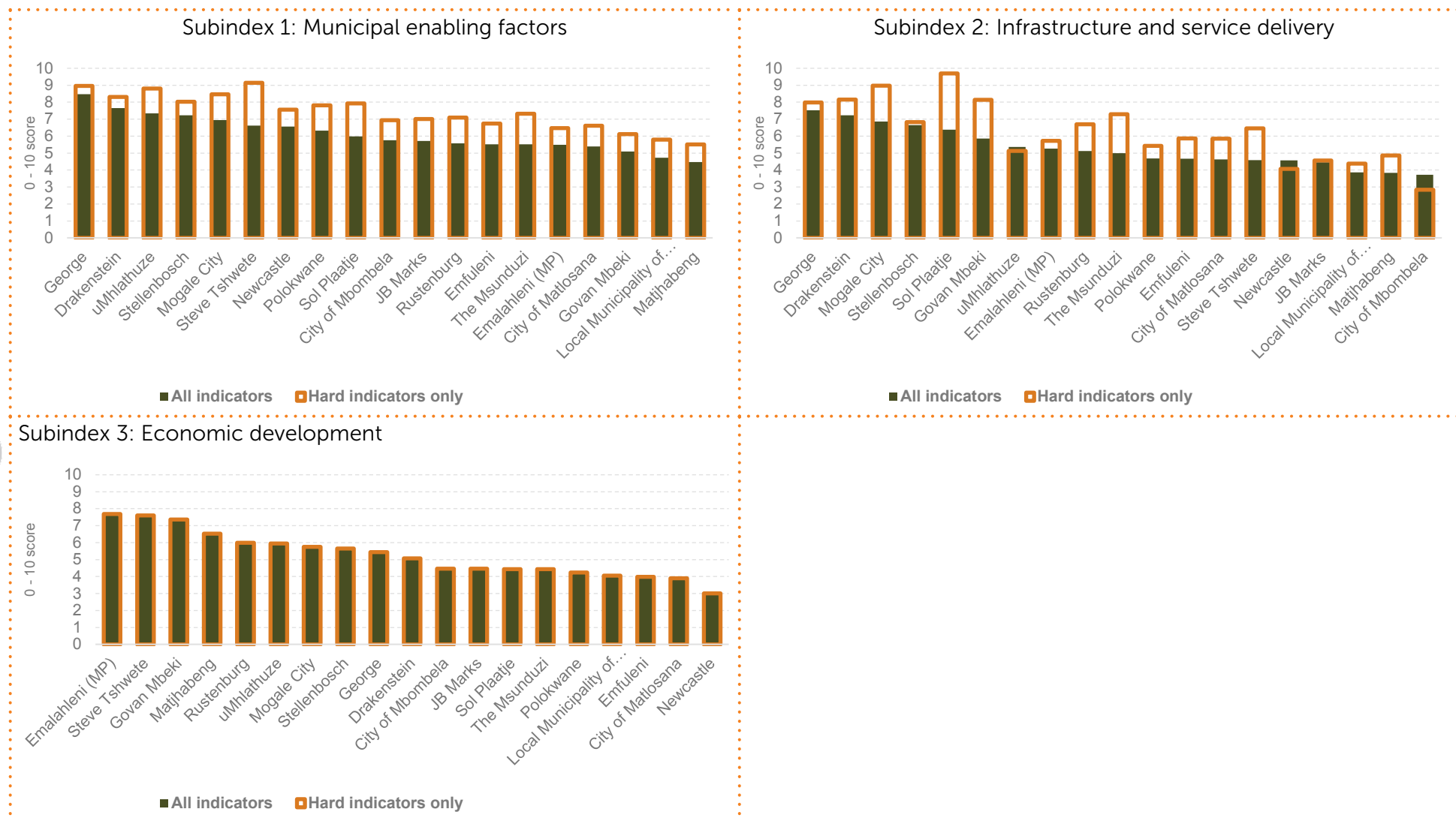
4 MICI results

The MICI results are presented by MIIF category in the following sections. A full summary of scores is provided in Annex 5.

4.1 Comparing results for MIIF category B1 municipalities

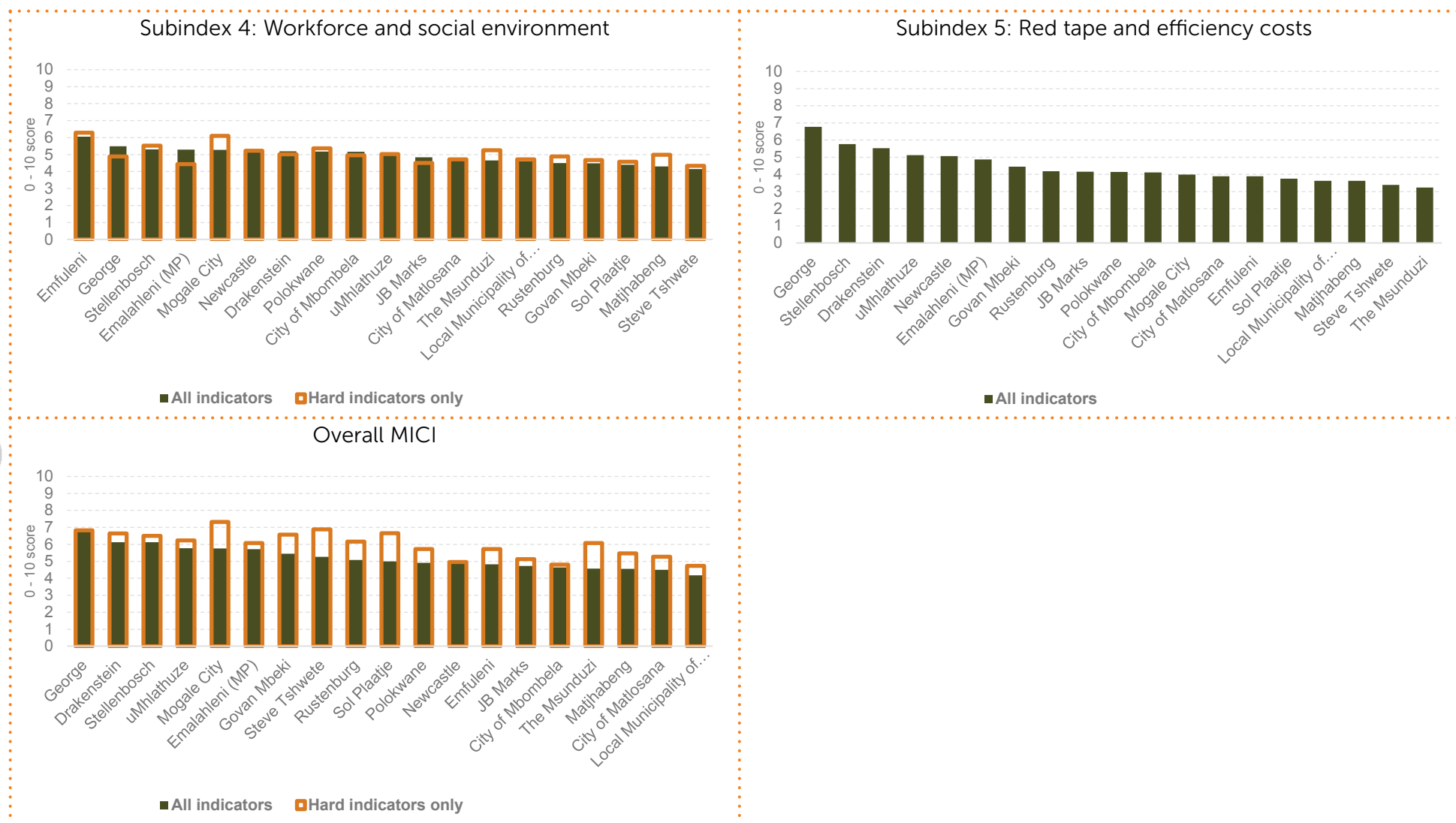
The results for MIIF category B1 municipalities is shown in Figure 3 and Figure 4. These results compare the municipality scores with and without the soft indicators collected from the pilot survey. There are a number of strong performing municipalities across all subindices. This includes George, Drakenstein and Emfuleni. In terms of the economic development subindex, strong performers include Emalahleni and Steve Tshwete.

Figure 3: MIIF category B1 results for Subindex 1 – Subindex 3



Note that Subindex 3 consists only of hard indicators.

Figure 4: MIIF category B1 results for Subindex 4 – Subindex 5, and overall MICI



Note that Subindex 5 consists only of soft indicators.



There is a significant contrast in municipal scores when soft indicators are excluded from the MICI. This contrast is especially notable in Subindex 1 and Subindex 2 where perception-based indicators collected from the pilot survey effectively reduce the scores for all municipalities. This highlights the importance of complementing hard data with soft data.

The use of only hard indicators, which itself may be skewed by the accuracy of municipal reporting, may not adequately account for the “lived” experiences of businesses operating in these municipalities. Conversely the use of only soft indicators may introduce a significant amount of bias into such an index.

The impact of the soft indicators on the municipal scores is less noticeable for Subindex 4. For Subindex 3 there are no soft indicators included, while Subindex 5 has no hard indicators. The variance in Subindex 5, which has only soft indicators, is also striking. Businesses in George have a significantly more positive perception of the regulatory cost and burden they experience, compared to firms in The Msunduzi, which scored the lowest in this Subindex.

Given the dampening effect of the soft indicators on municipal Subindex scores, municipalities overall MICI scores are also significantly lower, compared to their scores with no soft indicators included. Overall, for the MIIF category B1 municipalities, George had the best MICI score, with the Local Municipality of Madibeng scoring the worst.

4.2 Results for MIIF category A municipalities

Figure 5 provides a summary of the MICI results for MIIF category A municipalities. The City of Cape Town scores highest in terms of Subindex 1 and Subindex 3, whereas eThekwin scores highest in Subindex 2. The City of Johannesburg scores highest in Subindex 4, as well as scoring highest in the overall MICI. Buffalo City and Mangaung were among the worst performers across the Subindices, as well as being the worst performers overall within the MIIF category A municipalities.

Figure 5: MIF category A subindex and overall MICI results



4.3 Results for other MIIF category B municipalities

Figure 6: MIIF category B2 results for Subindex 1 – Subindex 2

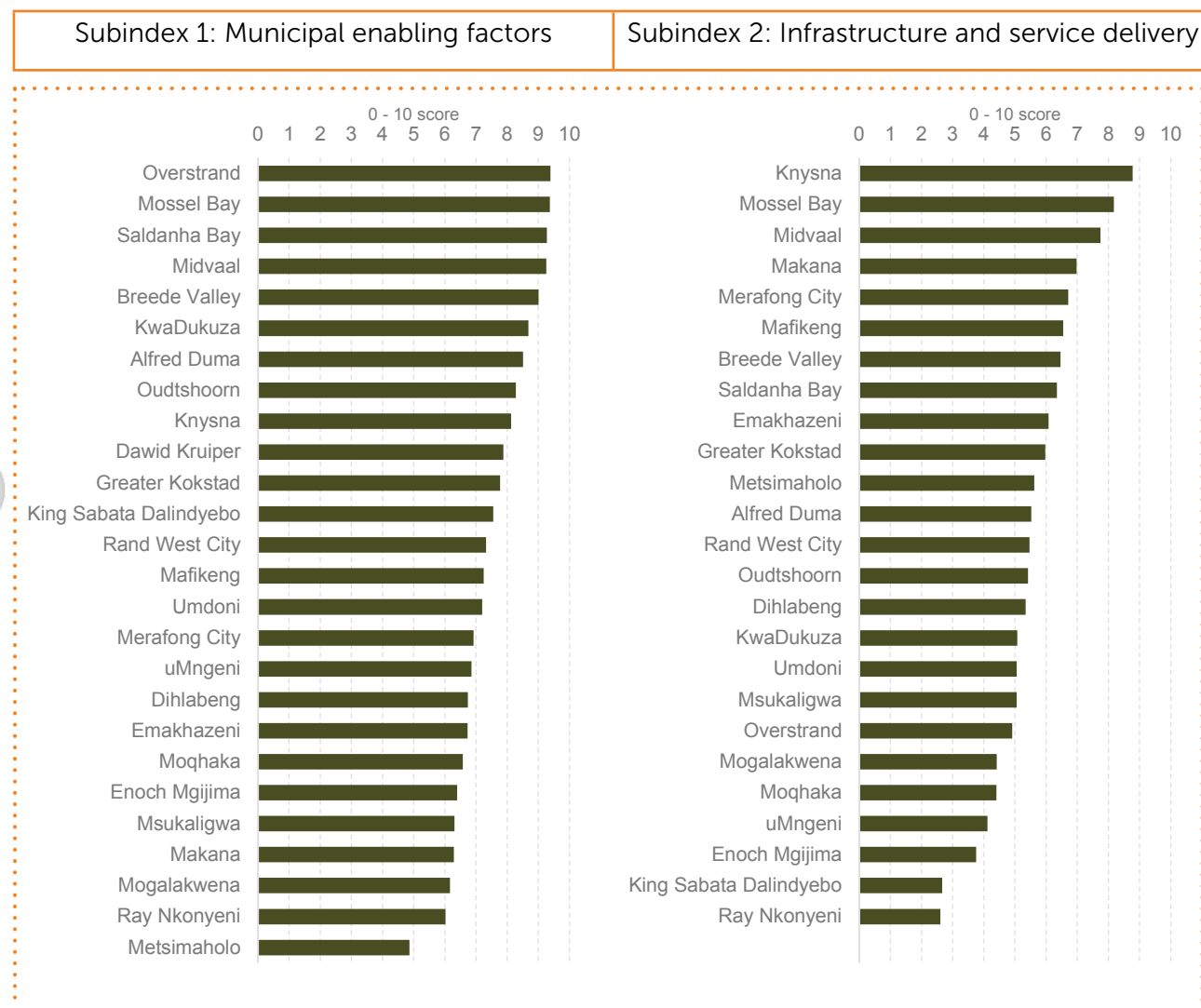


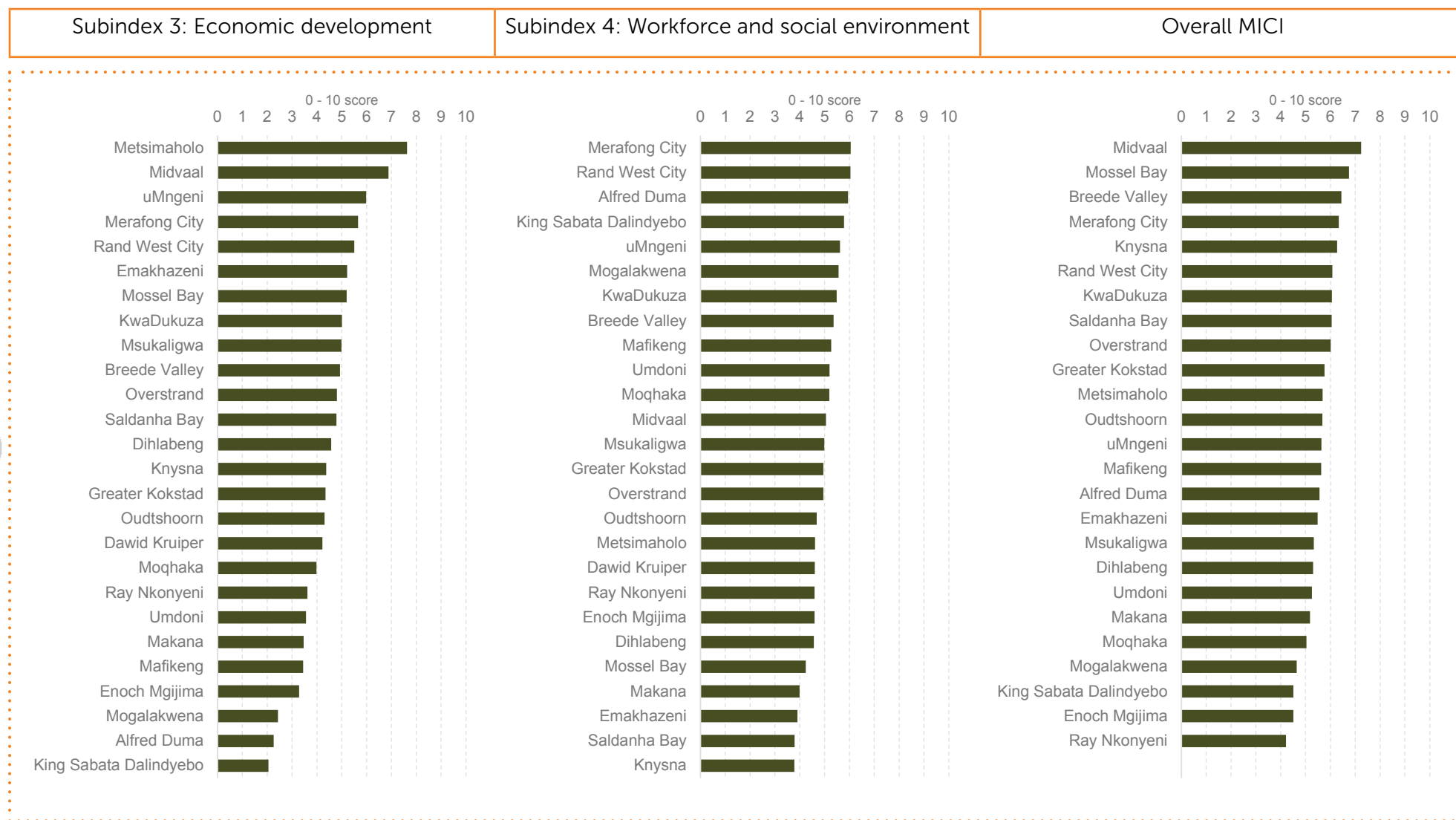
Figure 5 and Figure 6 provide a summary of the results for MIIF category B2 municipalities. Overall, municipalities including Midvaal, Breede Valley and Mossel Bay are the strongest performers.

Ray Nkonyeni, Enoch Mgijima and King Sabata Dalindyebo are the worst performers overall. It is worth noting the wide variance in performance across almost all subindices. This is especially true of the infrastructure and service delivery and economic development subindices.

There is also a relatively wide variance in the municipal enabling factors subindex, suggesting significant room for improvement for the poorer performing municipalities.

* In sufficient data for some municipalities and no score is provided.

Figure 7: MIIF category B2 results for Subindex 3 – Subindex 4 and overall MICI



* In sufficient data for some municipalities and no score is provided.

Figure 8: MIIF category B3 results for Subindex 1 – Subindex 2

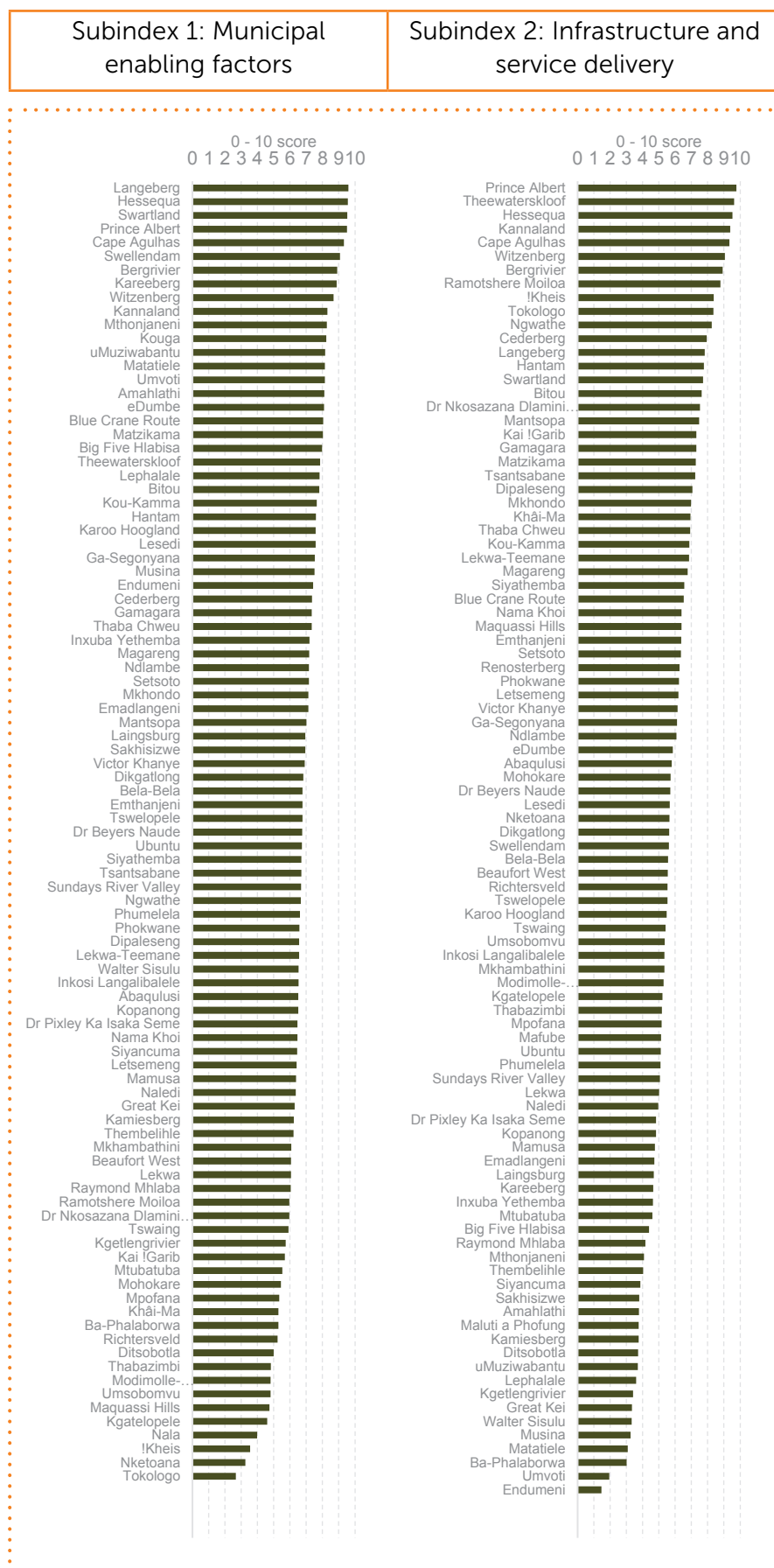


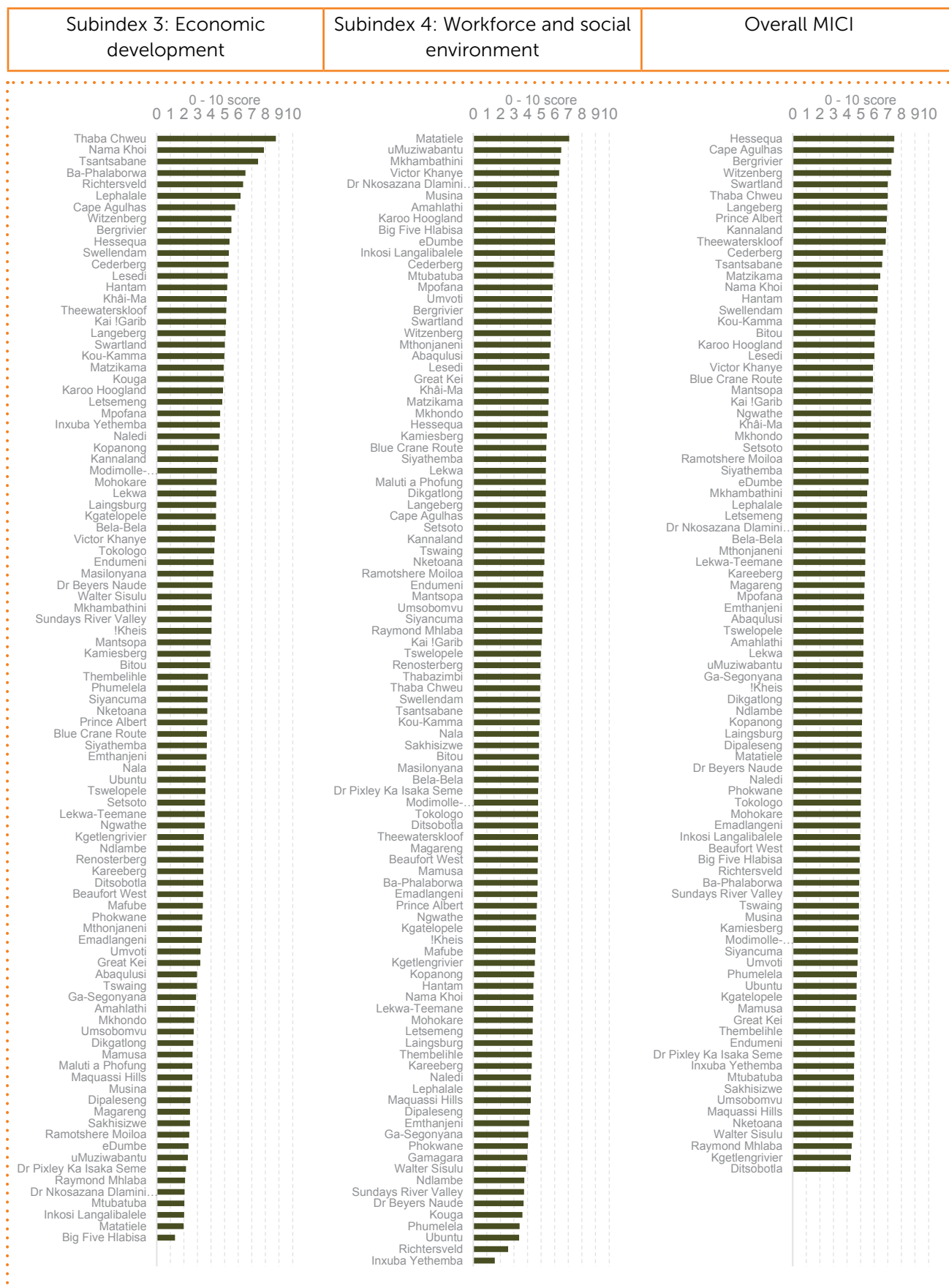
Figure 8 and Figure 9 and provide a summary of the results for MIIF category B3 municipalities. Standout performers in this category of municipalities include Hessequa, Cape Agulhas and Bergervier.

At the other end of the performance scale, overall, are Distobotla, Kgetlengrivier and Raymond Mhlaba.

Given the large number of municipalities in this MIIF category it is not surprising that there is a significant gap between the best and worst performers across all subindices. y.

* In sufficient data for some municipalities and no score is provided.

Figure 9: MIIF category B3 results for Subindex 3 – Subindex 4 and overall MICI



* In sufficient data for some municipalities and no score is provided

Figure 10: MIIF category B4 results for Subindex 1 – Subindex 2



Figure 10 and Figure 11 provide a summary of the MICI for MIIF category B4 municipalities.

Overall standout performers in this MIIF category include Mandeni, uMshwathi and Nkomazi.

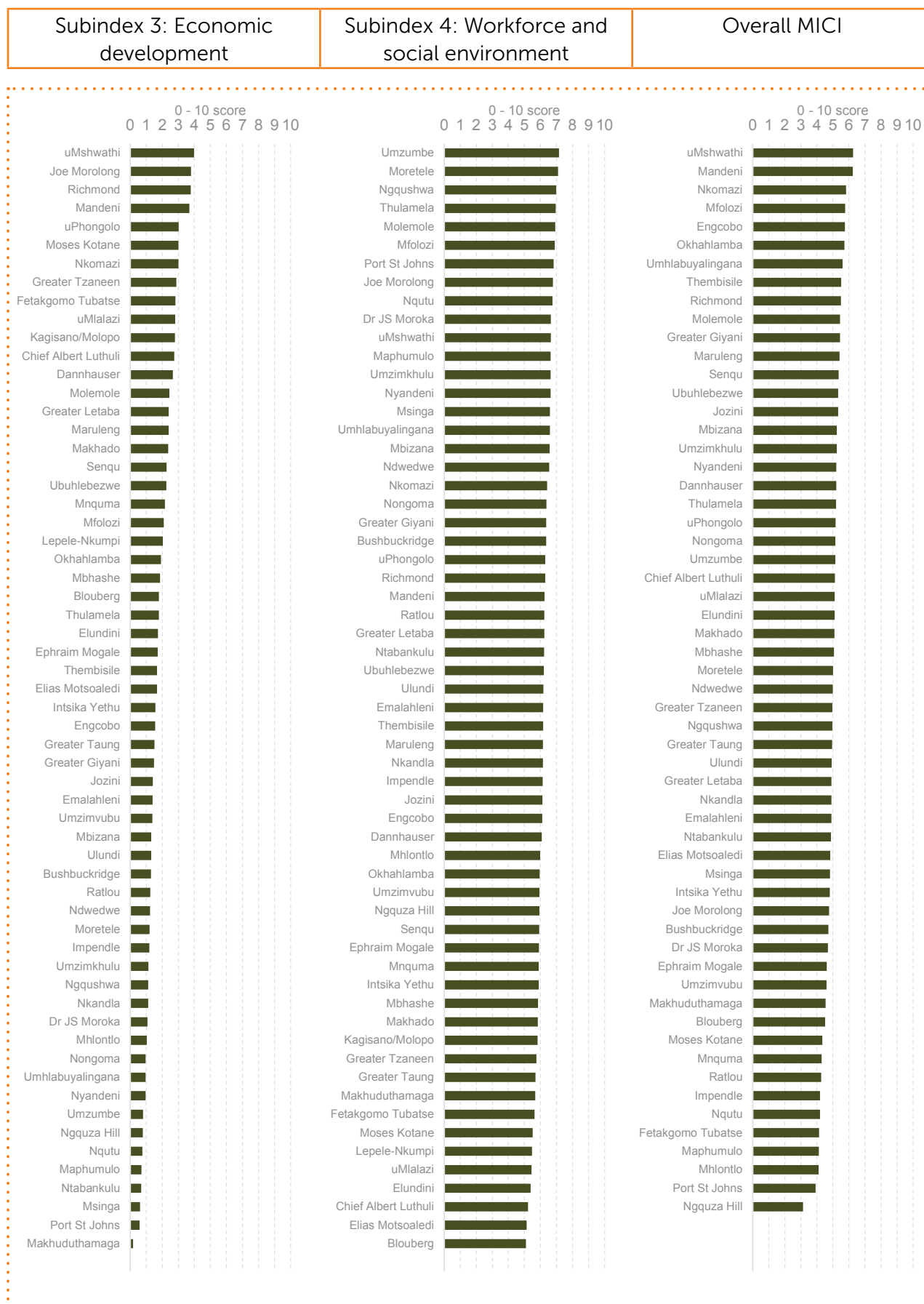
Conversely, Nquza Hill, Port St Johns and Mhlontlo are the worst overall performers in this MIIF category.

Nyandeni appears to score particularly poorly in terms of the infrastructure and service delivery subindex.

It is also worth highlighting that the overall score for the economic development subindex is particularly low, a reflection of the overall economic position of citizens in municipalities within this category.

* In sufficient data for some municipalities and no score is provided.

Figure 11: MIIF category B3 results for Subindex 3 – Subindex 4 and overall MICI



* In sufficient data for some municipalities and no score is provided.

4.4 Overall comparison

While the primary objective of the MICI is to compare “like for like” municipalities, it has been designed in such a way that an overall comparison can be undertaken. This is illustrated in the following heatmaps, where green indicates better performance / scores and red indicates worse performance / scores.

Figure 12: Overall summary: Subindices 1 - 2

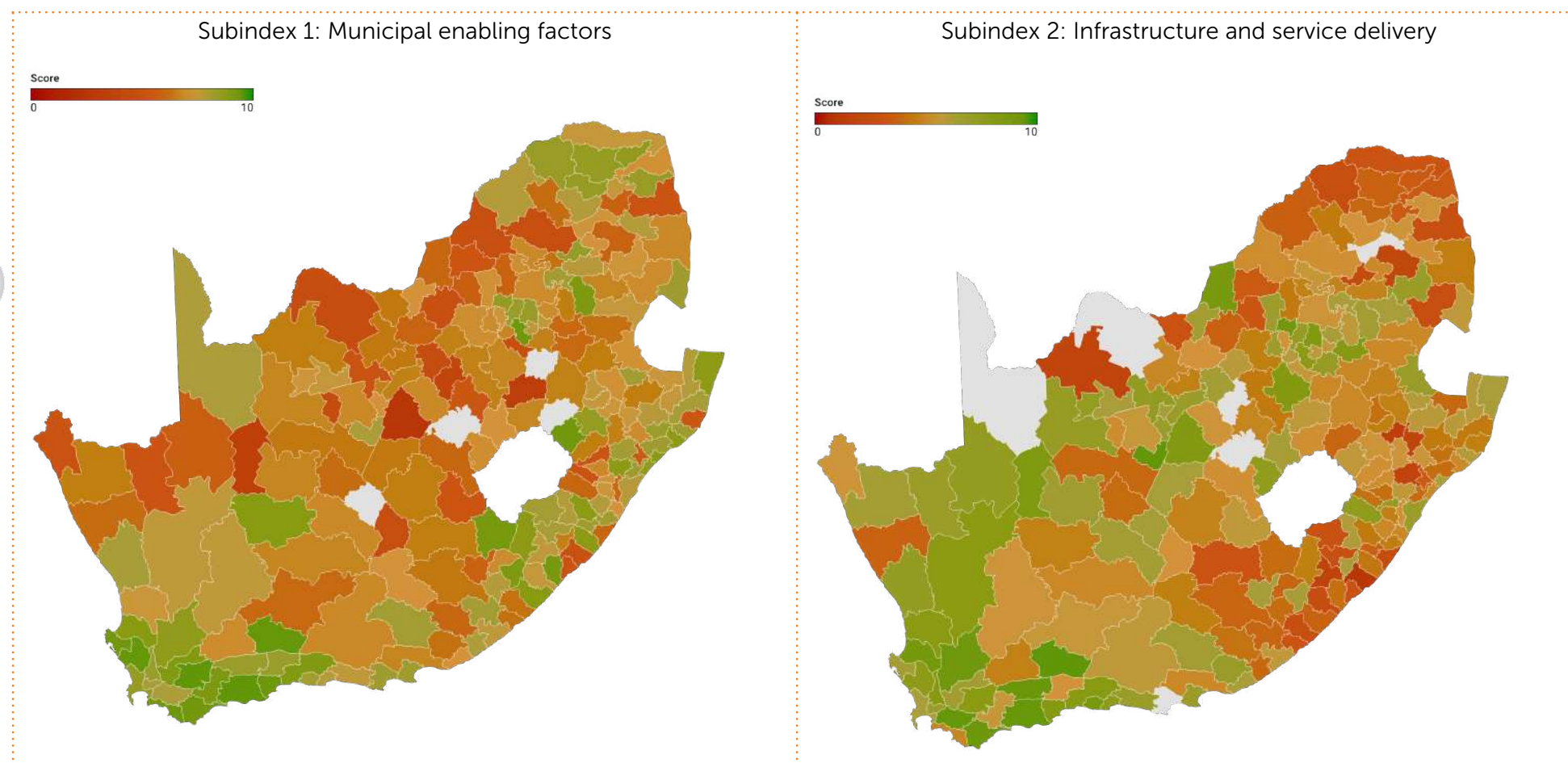
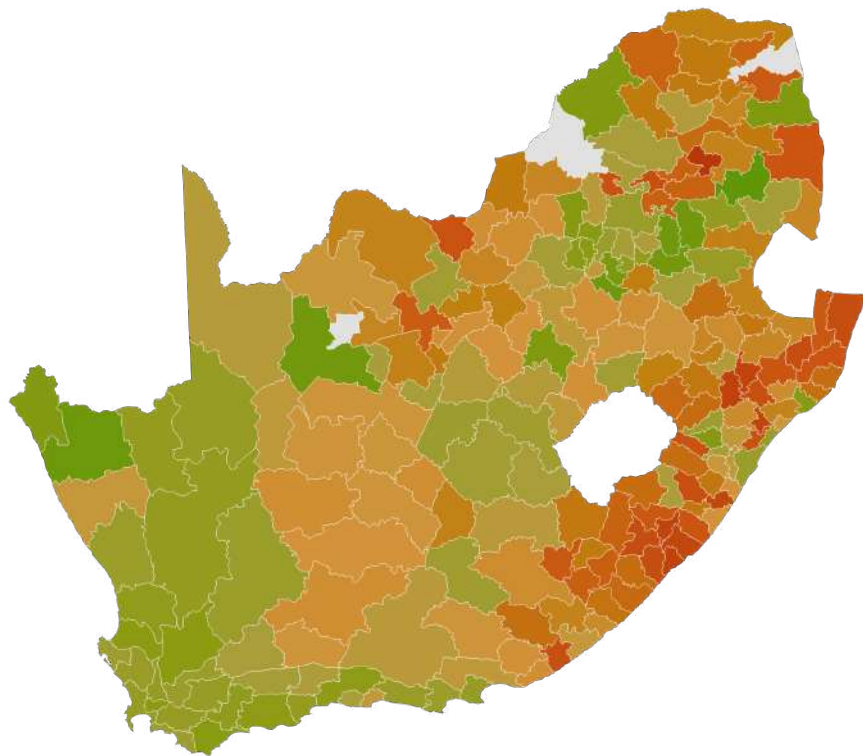


Figure 13: Overall summary: Subindices 3 - 4

Subindex 3: Economic development



Subindex 4: Workforce and social environment

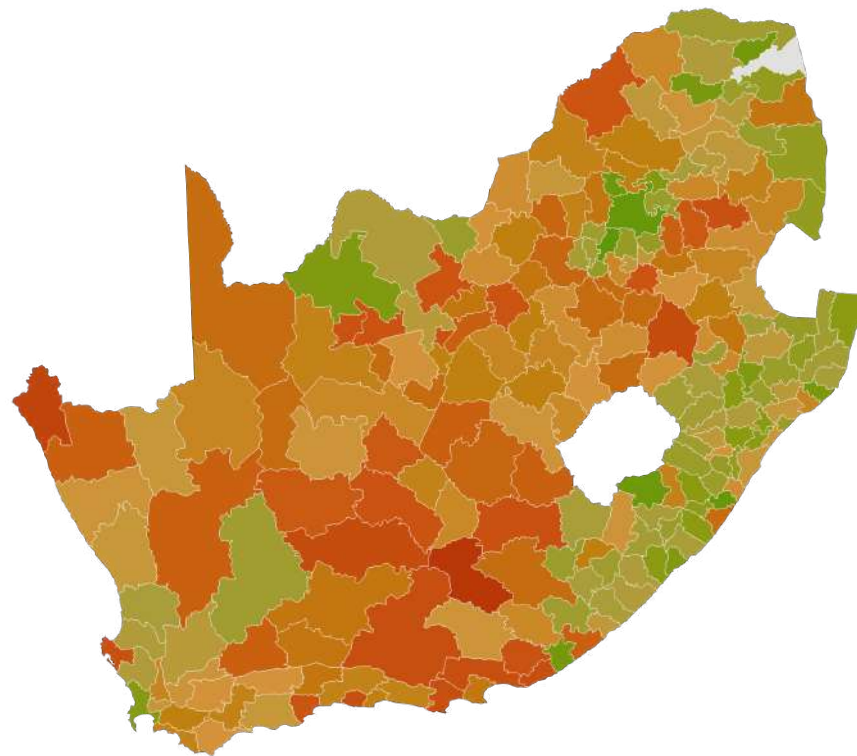
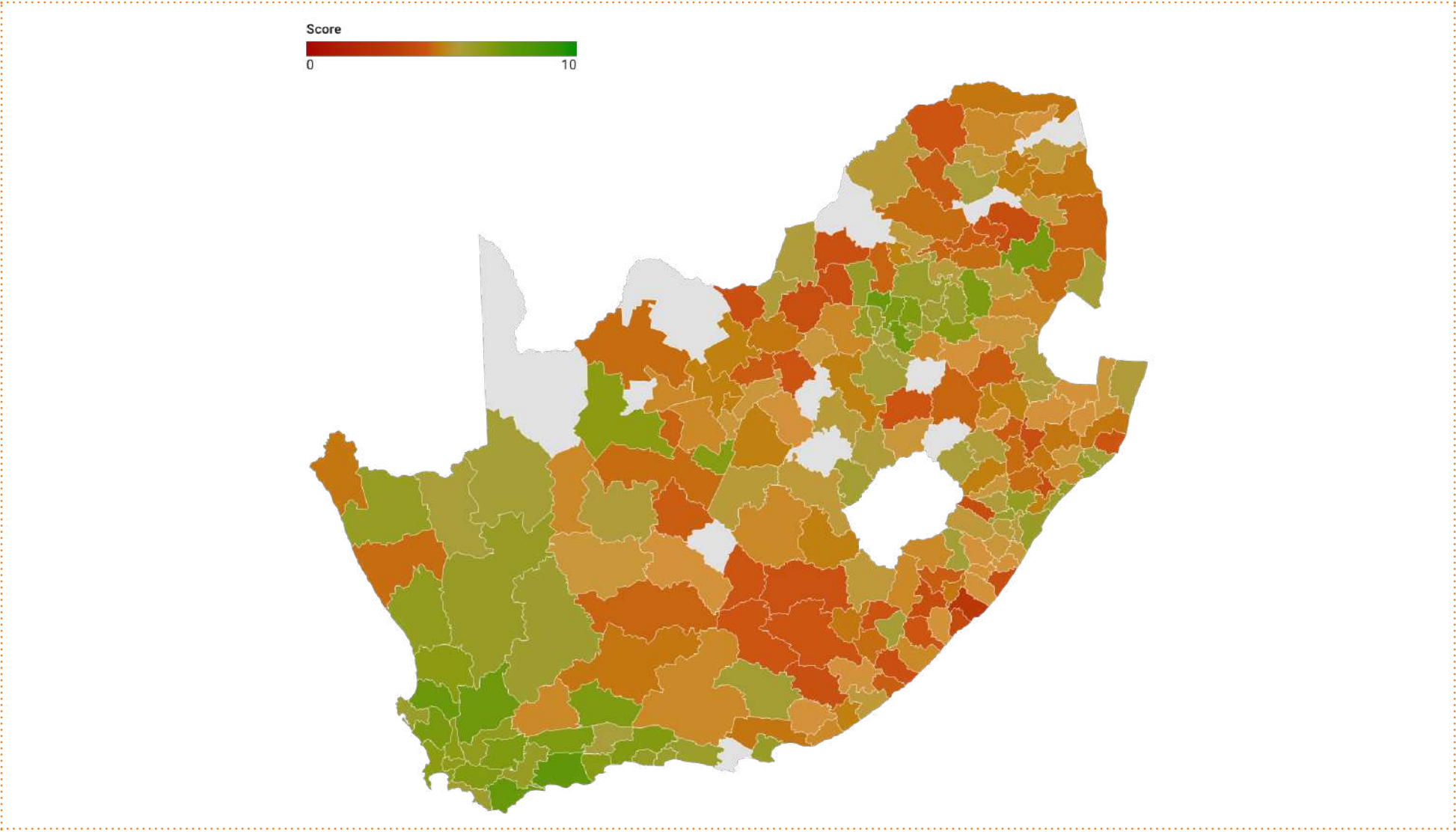


Figure 14: Overall summary: Overall MICI





Recommendations



5 Recommendations and way forward

There remain several data limitations that impact on the type of indicators that can be included in this version of the MICI. This relates broadly to the availability of data that extends beyond the metropolitan municipalities. In addition, the quality of available data for non-metropolitan municipalities means that there are small number of municipalities which are not fully covered in the MICI.

Nevertheless, the MICI that has been developed provides a useful starting point upon which future versions can be built. This version of the MICI has been able to provide an overall comparison of the competitive environment across 200 of the 213 Category A and B municipalities. In addition to this coverage, the index has looked beyond the financial indicators and metrics that are typical of other municipal indices in South Africa. The broader perspective should be useful for municipalities to identify key areas within which integrated development should be prioritised to foster a competitive business environment.

Three key recommendations also emanate from the development of this version of the MICI.

First, the pilot survey suggests that there may be significant value add from incorporating perception-based business responses in future versions of the MICI. Incorporating such an approach, however, has significant cost and sustainability issues: such a survey would need to be both statistically representative and cover effectively all municipalities included in the MICI. At the same time, however, there is clear merit in such an approach.

The pilot results show that business perceptions can play a significant role in moderating scores from a hard data only approach. This is especially true where much of the hard data originates from municipalities themselves, as is the case with many of the hard indicators for which data is available. The value-add of incorporating business survey data is increased given that there are currently no existing “hard” data indicators (that substantively extend coverage beyond the metropolitan municipalities) for measures relating to the cost and burden of adhering to regulations and other “red tape” issues.

The key questions around such a survey relate to how to ensure wide coverage across municipalities and that the survey instrument across all municipalities to ensure comparability. While a number of municipalities have undertaken satisfaction surveys these are not done in a uniform manner, either from a time or content perspective. This provides SALGA with an opportunity to take the lead in the development of such a survey process, and which would also ultimately benefit the municipalities themselves.¹⁵

A second key recommendation relates to the availability and incorporation of better collated information and data within the MICI. National Treasury commenced in 2017 with a process of expanding the performance and compliance reporting requirements for all municipalities, through its issuing of Circular 88 (see section A3.4.8 for a detailed review of this). While currently in a pilot phase for non-metropolitan municipalities, this process currently envisions data being regularly produced, submitted and collated for more than 200 different indicators relating to municipal performance, outputs and outcomes.

¹⁵ *In addition to information from the survey, municipalities may be less burdened by requirements imposed on them to undertake satisfaction surveys, if this was being done globally (i.e. for all municipalities) on a regular basis.*



Some of this data is to be sourced from outside municipalities (such as from Statistics South Africa, for socioeconomic data), but most indicators are to be derived from improved internal municipal systems. This suggests that in the near future, the availability and quality of information on municipal performance may increase exponentially.

SALGA is represented on Reporting Reforms Steering Committee under which Circular 88 falls, and it should be the case that a large number of indicators emanating from this process will find its way into the MICI. At the same time, these new reporting requirements will also require municipalities to undertake regular satisfaction surveys. Aligning these reporting requirements with the need to incorporate perceptions-based information in the MICI may be beneficial for all stakeholders.

Finally, the international review suggests that the sustainability of these indices is largely dependent on strong buy-in from all stakeholders, both public and private. Sustainability also requires balancing the regularity of such an index with the implied costs of updating the underlying hard and soft data. The ability to update data is also dependent on the producers of this data and synchronising periodic updates of such an index will be important.¹⁶ Given this, it is proposed that the MICI be updated and produced no more frequently than every two years. This will strike the necessary balance between sustaining the index, allowing sufficient time for new data (and indicators) to surface and tracking municipal performance over time.

¹⁶ For example, Statistics South Africa has indicated that it is exploring the publication of its municipal survey statistics every two years, as opposed to every year.

Annex 1. International subnational indices

The international review investigates the origins, conceptual approaches employed, types of data used, how these data are collected, and the methodologies for constructing indices. Looking at the most successful subnational indices, we get a sense of best-practice and uncover lessons for constructing the MICI. The following discussion analyses a selection of subnational indices comparatively, thereby providing a spectrum of options for constructing the MICI.

A1.1 Origins and broader global context

The earliest indices aimed at measuring the business climate were implemented at the national level. The first of these, the World Bank's Doing Business Index (DBI), began in 2002.¹⁷ Another two popular national level indices are the World Economic Forum's Global Competitiveness Index (GCI) established in 2005 and the Economist Intelligence Unit's Business Environment Ranking (BER) index, which began ranking a selection of 82 countries around 2006.

These pioneering indices take on differing approaches. The DBI assesses the regulatory burden imposed on businesses, which is the narrowest type of competitiveness assessment. While being a narrow assessment of the business climate in a country, regulation is indeed an important and defining factor for business competitiveness. As such, both the GCI and BER include governance (regulatory burden) measures in their quantification of the national business climate.

However, governance measures constitute less than half of the indicators included in the GCI and BER index. The remaining measures are included based on the acknowledgement that broader factors are important for the overall business climate. For example, the GCI considers market size and technological readiness, while the BER includes measures of the broader macroeconomic environment. Across these three indices (DBI, DCI and BER index), the following are a broad suite of areas determined to be important for the business climate:¹⁸

- Regulatory reform,
- Compliance costs,
- Taxes,
- Transparency and accountability,
- Protection of property rights,
- Infrastructure,
- Rule of law,
- Market size,
- Macroeconomic trends,
- Labour availability and quality, and
- Demographics (education and health).

17. In September 2021 the World Bank released a statement indicating that the DBI will be discontinued due to concerns around data irregularities that were identified. Based on the investigative report released by the World Bank these irregularities appear to primarily be in relation to undue influence being placed on World Bank staff responsible for collating and compiling the reports. This was aimed at improving country scores for selected countries. For more see here: <https://www.worldbank.org/en/news/statement/2021/09/16/statement-on-release-of-investigation-into-data-irregularities-in-doing-business-2018-and-2020>

18 (Bland & Vaz, 2017)



National level indices seemingly motivated and influenced the development of subnational level indices. This becomes clearer in the following sections, which demonstrate that even subnational indices take on a similar conceptual approach when quantifying the business climate. Some indices take on a narrower “economic governance” approach, while others take on a broader “business environment” approach. Despite these similarities, it should be noted that most subnational indices have been developed independently of the preceding national level indices.

One reason for the development of business climate indices at the subnational level in more recent times is the proliferation of a decentralised approach to economic development. Increasingly, lower spheres of government are responsible for providing leadership and allocating resources towards achieving economic development outcomes. As such, subnational indices have emerged as an important tool for measuring and encouraging an improved regional business climate.¹⁹ The following section provides an overview of the subnational indices under reviewed.

In the ensuing discussions, we describe the two conceptual approaches listed in Table 2 and investigate the subindices and indicators used. We also consider how the data were collected. Although Table 2 contains information on 13 indices, we provide a detailed review of six of these. These subnational indices have been implemented numerous times. In contrast, the remaining seven have been implemented twice at most and have since been discontinued. This approach allows us to focus on the most successful indices, which tend to be well thought out methodologically and updated regularly. The six indices under review are:

1. El Salvador Municipal Competitive Index (MCI)
2. Kosovo MCI
3. Vietnam Provincial Competitiveness Index (PCI)
4. Croatia Regional Competitiveness Index (RCI)
5. Mongolia PCI
6. Philippines Cities and Municipalities Competitiveness Index (CMCI)

Bland & Vaz (2017) identified two types of conceptual approaches: (i) economic governance and (ii) business environment. The first three indices – El Salvador MCI, Kosovo MCI and Vietnam PCI – adopt the economic governance approach, while the remaining three indices – Croatia RCI, Mongolia PCI and Philippines CMCI – adopt the business environment approach. Although both conceptual approaches are equally represented among the six, the economic governance approach is more common, as seen in Table 2.

Economic governance refers to an assessment of the quality of governance as it relates to supporting business investment and growth. Specifically, it has a salient regulatory focus and aims to encourage policy reform in areas that subnational governments are responsible for. In contrast, the business environment approach takes a much broader stance at quantifying an enabling environment for business. While both approaches overlap, the business environment approach encapsulates factors such as the institutional framework, the rule of law, infrastructure, education policy and social protection.

19 (Bland & Vaz, 2017)



It follows that the conceptual approach guides the subindices and choice of indicators. Many similarities are observed across indices – even those based on a different conceptual approach – and substantial effort is put into collecting these data, which may take the form of soft or hard data. Soft data refers to perception-based information collected by surveying businesses or local government officials, while hard data includes information published by statistical agencies or other organisations.

A1.2 Detailed review of selected subindices

The following subsections discuss the rationale for choosing indicators and lists the data used and how they were sourced for each of the six indices under review. Conducting the indicator review in detail provides concrete ideas for the MCI's indicators by building on successful implementations of other subnational indices.

A1.2.1 El Salvador MCI

The El Salvador MCI, taking the economic governance approach, aims to quantify municipalities competitiveness independent of their endowments. It realises that municipalities cannot be fairly compared if factors such as *“...population size, location, natural resources, and access to markets and skilled labour”* are included in the index (RTI International, 2012, p. 1). The objective of this approach is to compare municipalities across factors that they have control over and which they can improve on. Specifically, the overarching research question guiding the El Salvador MCI is: *“How can good economic policy, regulations, and administration spur private sector growth beyond the structural conditions of municipalities?”* (RTI International, 2012, p. 8).

Table 6 shows the El Salvador MCI's 9 subindices, provides an example indicator for each subindex, and lists the total number of indicators per subindex and the weights for each subindex. The full list of indicators is provided in Annex 1 (Table 20). Most data used in the El Salvador MCI are collected from two surveys administered in all municipalities part of the MCI studies: (i) one survey for fixed location businesses (ii) and another survey for mayors and municipal officials. A small portion of the data is also collected from municipal websites and governments agencies. As such, the El Salvador MCI relies mostly on soft data.

Table 6: El Salvador MCI subindices^{20, 21}

Subindex	Example indicators	Total	Weight
Transparency	% Businesses think municipality does not favour businesses owned by people belonging to the mayor's party	10	15%
Municipal Services	% Businesses qualifying municipality as good at controlling informal commerce	12	15%
Proactivity	% Businesses perceiving that municipality works actively to solve business problems	3	15%
Public safety	% Businesses perceiving that crime has increased due to bad municipality work	8	10%
Informal Payments	% Businesses feeling informal payments are a common occurrence	5	15%
Time to Compliance	% Businesses feeling the number of inspections is above normal	5	10%
Rates and Taxes	Number of incentives per 100 businesses	4	10%
Entry Costs	% Businesses waiting over 3 months to obtain permits to start operations	8	5%
Municipal Regulations	% Businesses that feel the number of municipal regulations is above normal, compared to neighbouring municipalities	2	5%

A1.2.2 Kosovo MCI

The Kosovo MCI takes on the economic governance approach and aims to “...identify and overcome the challenges facing businesses in fully understanding the government’s regulations and requirements and, more importantly, to identify areas for improvement that will increase investment, jobs, enterprise performance, and economic growth.” (UBO Consulting, 2014, p. 6). The index has experienced some success in this regard, with the 2014 report noting that, by the fourth iteration of the MCI, more than two thirds of Kosovar municipalities used it as a performance measure. Furthermore, in line with an explicit objective of the economic governance approach, the Kosovo MCI has proved successful in incentivising municipalities to implement policy reforms aimed at improving investment competitiveness. These successes have been facilitated by analysing the MCI’s subindices for areas of concern and to identify where policy reforms have been successful.²²

Table 7 shows the Kosovo MCI’s 10 subindices, provides an example indicator for each subindex, and lists the total number of indicators per subindex. The full list of indicators is provided in Annex 1 (Table 21). Subindex weights are not available for inclusion as Table 7 summarises the most recent methodological revision to the Kosovo MCI, which has yet to be implemented. The 2014 Kosovo MCI had 8 subindices: Transparency (20%), Time Costs of Compliance (20%), Municipal Administration (15%), Participation & Predictability (15%), Labour & Business Support Services (10%), Municipal Infrastructure (10%), Taxes and Fees (5%) and Barriers to Business Entry (5%).²³

²⁰ (RTI International, 2012)

²¹ The more recent MCI consolidated two subindices, therefore having a total of eight subindices (RTI International, 2013). Detailed indicators information for this iteration was not available to the project team; hence we present an older, but still relevant, version.

²² (UBO Consulting, 2014)

²³ As observed, there have been notable changes between the 2014 subindices and those listed in the updated methodology in 2020.

Table 7: Kosovo MCI subindices²⁴

Subindex	Example indicators	Total
Starting a Business	Time for state registration	7
Access to public (municipal) property	Obtaining documents ownership / land lease	4
Transparency and data openness	Access to information about local budget	3
Compliance cost	Costs of legal compliance	4
Taxes and duties	Costs of tax payment	4
Informal payments and corruption	Bribe solicitation Offering bribes / gifts to municipal authority	4
Security of operating a business	Amount of loss due to criminal actions	4
Leadership of municipal authorities	Support to business start-up	15
Development resources	Workforce quality	15
Support of the innovations	Work of research institutions	5

The indicators used in constructing the Kosovo MCI come from an encompassing 84-item business telephonic survey (soft data) and a comprehensive desktop research process (hard data). The latter comprises data from statistical agencies, the analysis of municipal websites, reviews of relevant documentation and information requests to municipal authorities. Unlike the previous subnational index reviewed (El Salvador MCI), hard data is relied upon more heavily for constructing the Kosovo MCI. Although data collected directly from businesses is most useful in gauging the business climate within local government tiers, including hard data in the index mitigates against the inherent subjectivity of soft data.

A1.2.3 Vietnam PCI

The PCI, which ranks subnational governments at the provincial level, *“...is designed to assess the ease of doing business, economic governance, and the efficacy of administrative reform efforts by local governments...”* (Malesky, et al., 2020, p. 22). In line with the economic governance’s objective of incentivising policy reform, the PCI has inspired policy reforms and spurred competition between subnational governments.

Table 8 shows the Vietnam’s 10 subindices, provides an example indicator for each subindex, and lists the total number of indicators per subindex and their respective weights. The full list of indicators is provided in Annex 1 (Table 22). Soft data for the PCI, collected using mail-out surveys, is drawn from a large and representative sample of firms while the hard data comes from statistical agencies and other administrative sources.

²⁴ (USAID, 2020)

Table 8: Vietnam PCI subindices²⁵

Subindex	Example indicators	Total	Weight
Entry Costs	Length of business registration in days (Median)	10	5%
Land Access & Tenure	Firms own land & possess of an LURC (%)	11	5%
Transparency	Transparency in bidding (% YES)	12	20%
Time Costs	Firms spent over 10% of time to comply with law & regulations (%)	11	5%
Informal Charges	Firms in my line of business pay bribes (%)	9	10%
Policy Bias	Land access as a privilege to SOEs (%)	14	5%
Proactivity	Attitude of provincial government toward private sector is positive (%)	9	5%
Business Support Services	Number of trade fairs held by province in previous year	24	20%
Labour Policy	Good general education at the province (%)	11	20%
Law & Order	Legal system will uphold firms' property rights and contracts (%)	17	5%

The Vietnam PCI is one of the more sophisticated indices under review and has been calculated 16 times²⁶ to date. Its methodology is updated every four years; hence it is the product of substantial effort and fine tuning to make it apt for the Vietnamese regulatory context. It is the third of the three economic governance indices reviewed; the remaining three indices take on the business environment approach.

A1.2.4 Croatia RCI

The Croatia RCI, which quantifies competitiveness of Croatian subnational regions according to the World Economic Forum's and the Institute for Management Development's methodology, takes the business environment conceptual approach. The business environment approach, which is a broad assessment of subnational competitiveness, is exemplified by the RCI's definition of competitiveness: *"Competitiveness can be described as a group of elements, development policies and institutions which, by their interconnectedness, influence the general level of productivity and the quality of the business sector and business environment."* (Lenardić, 2010, p. 15). Overall, the RCI is meant to be a tool that informs long term regional development policy.

The index is constructed using hard and soft data; hard data (statistical information) is collected from numerous Croatian ministries and agencies, while soft data is collected via telephonic interviews with entrepreneurs across different sectors and business sizes. These data are compiled into 17 subindices, shown in Table 9. The table also provides an example indicator for each subindex and lists the total number of indicators per subindex. The full list of indicators is provided in Annex 1 (Table 23).

²⁵ (Malesky, et al., 2018)

²⁶ As of 2020.

As observed in Table 9, the indicators measure the broader business climate in line with the business environment approach taken by the Croatia RCI. While the economic governance approach measures aspects such as the quality of subnational government services (also included in the business environment approach), the business environment approach quantifies aspects that are also important for private sector development but are not directly the result of immediate policy reform. For example, Table 9 includes demographic indicators such as population totals and economic indicators such as GDP trends.

Table 9: Croatia RCI subindices²⁷

Type	Subindex	Example indicators	Total
Hard data	Demographics, health and culture	Population estimate	5
	Education	Enrolled students/ population aged 20-24	5
	Basic infrastructure and public sector	Recovered waste / total waste	5
	Business infrastructure	Surface of entrepreneurial zones per capita	5
	Investments and entrepreneurial trends	Total investments per facility location	6
	Level of entrepreneurship development	Number of employed in SMEs per capita	5
	Economic results - level	GDP per capita	5
	Economic results - trends	GDP Index	6
Soft data	Location Advantages	Favourable geographical position	5
	Local Government	Public confidence in politicians' financial honesty	5
	Infrastructure	Quality of railways	5
	Rule of Law	Share of grey economy in business activities	5
	Education	Quality of public schools	5
	Financial market and local competition	Availability of sources of finance for businesses	5
	Technology and Innovations	Investment in research and development	5
	Clusters	Number of local suppliers	5
	Marketing and management	Quality of marketing in businesses	5

The weighting of subindices is omitted since the RCI takes a very different approach to the other indices reviewed. The first 8 subindices are calculated using hard data, accounting for two-thirds of the final index's score, and the last 9 subindices are calculated using soft data, which account for the remaining one-third of the final index's score. However, both types of subindices are equally weighted in their respected categories (hard and soft data).

²⁷ (Lenardić, 2010)

A1.2.5 Mongolia PCI

The Mongolian PCI, which takes the business environment approach, holistically assesses the competitiveness of Mongolian provinces. The PCI's objective is to promote stable development policy over the long-term by identifying provinces' strengths, weaknesses, and opportunities to increase competitiveness. Its two broad areas of focus relate to an enabling environment for business and quality of life for residents.

Table 10 lists the 16 subindices used to construct the PCI; these subindices are grouped into 4 thematic areas. Hence, the Mongolian PCI is actually made up of 4 separate indexes which standalone but are also aggregated to inform the overall ranking of provinces. Data for the PCI come from National Statistical Office and the Bank of Mongolia (hard data) and surveys of businesses (soft data). These data total 148 criteria, equally from hard and soft data. Since the PCI is calculated by a private company, certain details of the index are not publicly available. As such, we do not have a comprehensive indicator list by subindex for the PCI in Annex 1.

Table 10: Mongolia PCI subindices²⁸

Group	Subindex	Weight
Economic Efficiency	Economy	6.25%
	Economic Sectors	6.25%
	Standard of Living	6.25%
	Employment	6.25%
Government Efficiency	Provincial Budget	6.25%
	Institutional Framework	6.25%
	Business Legislation	6.25%
	Societal Framework	6.25%
Business Efficiency	Business Environment	6.25%
	Labour Market Productivity	6.25%
	Finance	6.25%
	Management Practices	6.25%
Infrastructure	Basic Infrastructure	6.25%
	Technological Infrastructure	6.25%
	Education and Culture	6.25%
	Health and Environment	6.25%

An interesting trend is observed when comparing the data sources for the three economic governance indices (El Salvador MCI, Kosovo MCI, and Vietnam PCI) to the two business environment indices (Croatia RCI and Mongolia PCI). The economic governance indices rely mostly on soft data while the business environment indices rely strongly on hard data. For example, as noted above, the Mongolia PCI uses an equal number of hard and soft data. In addition, the Croatia RCI not only includes more hard data than soft data, but also weights the hard data indicators more heavily when constructing the overall index. The Philippines CMCI reviewed next, which also takes on the business environment approach, exclusively uses hard data.

This trend is likely explained by considering what each conceptual approach is trying to measure and the types of administrative and economic data generally collected by governments. Aspects of what constitutes a good business environment, such as the amount of money consumers have to spend (roughly measured by GDP per capita) in an area, is an important measure of an economy and hence collected frequently by statistical organisations in a country. In contrast, it may be difficult to measure the number of days it takes for different businesses to be registered. In addition, it would be very unusual to ask a local government official to report on the number of bribes they solicit. As such, the type of measures required to capture the quality / efficiency of the regulatory environment is best attained through anonymous surveys administered to businesses who face the reality of their local government's condition.

A1.2.6 Philippines CMCI

The final subnational index reviewed, the Philippines CMCI, takes on the business environment conceptual approach. It is an encompassing quantification of competitiveness; this is evidenced by its theoretical framework for assessing local competitiveness. Specifically, competitiveness is based on economist Michael Porter's framework, which focuses on productivity. In short, this view is informed by the recognition that "everything matters" when measuring productivity, which is reflected in the indicators used to construct the CMCI. In addition to traditional indicators measuring the ease of doing business and regulatory efficiency, social indicators – such as education and health infrastructure and social protection efficiency – are included in the CMCI as they are deemed important to quantify productivity at the local level.²⁹

The CMCI is a framework that brings together 5 subindices, each containing 10 dimensions of subnational competitiveness. Each measure is made up of one or more indicators. Table 11 lists each of the subindices and measures, provides an example indicator for each measure, and provides the total number of indicators per measure. The full indicator list can be found in Annex 1 (Table 24). Each subindex is weighted equally when constructing the overall index. All data used to construct the CMCI are included in the national data collection systems. As such, the CMCI only uses hard data.³⁰

²⁹ (Philippines Department of Trade and Industry, 2021a)

³⁰ Innovation is a new subindex to be included in the CMCI going forward. Currently, each of the first 4 subindices contribute 25% to the total score irrespective of the total number of indicators per measure.

Table 11: Philippines CMCI subindices³¹

Subindex	Dimension	Example indicators	Total
Economic dynamism	Size of the Local Economy	Gross Sales of Registered Firms	2
	Growth of the Local Economy	Total Capitalisation of NEW Businesses	2
	Structure of Local Economy	Number of approved business RENEWALS	2
	Safety Compliant Business	Number of Occupancy Permits Approved	2
	Increase in Employment	Number of declared employees for NEW business applications	2
	Cost of Living	Local Inflation Rate	1
	Cost of Doing Business	Cost of Electricity	6
	Financial Deepening	Number of Universal/ Commercial Banks	8
	Productivity	Gross Sales of Registered Firms	2
	Presence of Business, Professional and Civil Society Organizations	Total number of LGU recognised / registered business groups	2
Government efficiency	Compliance to National Directives	Presence of Comprehensive Development Plan	2
	Presence of Investment Promotion Unit	Presence of the Local Investment Incentives Code	4
	Business Registration Efficiency	Getting Building Permits (Days and steps)	4
	Capacity to Generate Local Resource	Business Tax collected by the LGU (in Php)	3
	Capacity of Health Services	Capacity of PUBLIC Health Services (Doctors, Nurses and Midwives)	6
	Capacity of School Services	PUBLIC secondary education (# of teachers and students)	8
	Recognition of Performance	Number of DILG recognised awards	2
	Compliance to Business Permits and Licensing System (BPLS) Standards	Business One-Stop-Shop (presence)	6
	Peace and Order	Number of policemen in the Locality	1
	Social Protection	Number of Local citizens with PhilHealth registration	1

Infrastructure	Basic Infrastructure: Roads	Existing Road Network (KMs of asphalt / gravel / concrete / unpaved)	4
	Basic Infrastructure: Ports	Distance of City/Municipal Hall to Major Ports (Airport / land transport terminal / seaport)	3
	Basic Infrastructure: Availability of Basic Utilities	Average hours of utility services per day at the Central Business District (water and electricity)	2
	Number of PUBLIC Transportation Vehicles	Buses	8
	Education Infrastructure	Number of PUBLIC secondary schools and classrooms	12
	Health Infrastructure	Number of PUBLIC health facilities and corresponding bed capacities	4
	LGU Investment in Infrastructure	Total Investment in Infrastructure of LGU	2
	Accommodation Capacity	Number of DOT Accredited Hotels, Resorts, Inns, Apartelle, Pension House, Others	4
	Information Technology Capacity	Number of Cable, Internet, Telephone Companies / Mobile Service Providers	3
	Financial Technology Capacity	Number of Automated Teller Machines	2
Resiliency	Organisation and Coordination: Land Use Plan	Presence of staff manning the office	5
	Organisation and Coordination: Disaster Risk Reduction Plan	Year of Last Update	5
	Organisation and Coordination: Annual Disaster Drill	Conduct of LGU-wide disaster drill	2
	Organisation and Coordination: Early Warning System	Number of Early Warning System	2
	Resiliency Financing: Budget for DRRMP	Ratio of budget for DRRMP to total LGU budget	1
	Resiliency Reports: Local Risk Assessments	Availability of local Geohazard Maps from DENR	2
	Resiliency Infrastructure: Emergency Infrastructure	Ambulance (public and private)	11
	Resiliency Infrastructure: Utilities	Water Source (presence and distance)	10
	Resilience of System: Employed Population	Number of Trained Responders	1
	Resilience of System: Sanitary System	Access to Sanitary Landfill	4



Innovation	Start-ups	Number of Start-ups	1
	Innovation Facilities	Number of Facilities that support Innovation	1
	STEAM Graduates	Number of STEAM Graduates	1
	Innovation Financing: R&D Expenditures Allotment	Ratio of R&D Expenditures to total R&D Allotment	1
	IPOPHL Registration	Number of IPOPHL Registration (Patents, Trademarks, Copyrights, Utility Model, Industrial Design)	7
	ICT Use: E-BPLS Software	E-BPLS / DICT E-BPLS Software (presence)	2
	Internet Capability	Maximum Internet Speed in LGU	2
	Availability of Basic Internet Service	Percentage of Household with Internet Service Subscription	2
	Green Innovation Project	Number of LGU Initiated/ Partnered Green Innovation Practice undertaken in the last 3 years	2
	Online Payment Facilities	Presence of Online Payment Facilities provided by LGU	1

A1.3 Primary data collection methods

The previous section revealed that most subnational indices require data collection from firms. Although some indices collect data from local government officials, the focus of this subsection will be on how data is typically collected from businesses as this is most common. In general, stratified random sampling is used to select a representative sample from the population of firms. The method of data collection varies; options include mail out surveys, computer assisted telephonic surveys and / or face to face surveys.³²

While the major national business / competitiveness indices have primarily used perception-based surveys when collating survey-based information from businesses, the sub-national indices have aimed to collect both perception-based and “quantitative” indicators from businesses. That is, in addition to assessing business perceptions (on a perception scale) on a particular matter, some sub-national indices have also aimed to collect actual information on a particular matter (e.g., the number of days it takes a firm to complete a particular registration process). Importantly, however, the collection of quantitative metrics from firms requires a highly rigorous survey approach together with a wide sample of businesses.³³

Such a sampling approach is exemplified by the El Salvador MCI, which collected data from 8,818 firms in 2013, and the Vietnam PCI, which collected data from 8,633 firms in 2013.³⁴ However, the clear trade-off collecting large samples such as these are costly and may not be feasible. For example, the Croatia RCI was only able to conduct 674 completed interviews in 2010.³⁵

The first step is to obtain the overall population of businesses located across the subnational government units under study. There may be a universal list comprising all businesses in a country or the population of firms may need to be constructed from various individual lists. Nevertheless, a population of relevant businesses must be identified, which will serve as the sample frame for data collection.

Ideally, there should also be detailed information for each firm, such as contact details, ownership structure, type of business, sector, age, etc. This information is crucial to stratify the sample accordingly. There are different stratification approaches that can be used, which is best decided on a case-by-case basis. Random sampling is then conducted while stratification and collecting a large enough sample ensures the sample is representative of the underlying population. Data is then collected from firms, the most common method being computer assisted telephonic surveys.

³² (Malesky, et al., 2020); (USAID, 2020)

³³ *In addition to overcoming small sample bias issues (which would also apply to perception-based indicators), a larger sample frame may typically be required where quantitative questions are asked. This is because, ideally, only firms that have recent experience of a particular issue should be targeted in the survey process.*

³⁴ (Malesky, et al., 2020); (RTI International, 2012)

³⁵ (Lenardić, 2010)

A1.4 Standardising the data

Once all data has been collected – including hard data typically collected from the national statistical organisation and other public and / or private institutions – the data must then be converted to common scale. This is an important step because the data collected will be in different scales, such as currency values, percentages, ratios, perception scales, among others.

In only one of the indices reviewed, the Croatia RCI, the data was not standardised. In this instance, subnational units were ranked on each indicator, which does not account for differences in magnitudes. Overall, standardisation is deemed important and applied to the data, although the method used varies.

One method, although not common, is to mean standardise the data. This is often referred to as a z-score transformation and assumes the data is normally distributed. The Mongolia PCI, which used the z-score transformation to standardise the data, converted the underlying data using the natural logarithm if it was not normally distributed before applying the z-score transformation.

A far more common approach is to convert the scores to a 10-point scale; the El Salvador MCI, Kosovo MCI and Vietnam PCI used this approach, shown in Equation 6.³⁶

Equation 6: 10-point scale standardisation formula

$$\text{Standardised score}_i = 10 * \frac{\text{Score}_i - \text{Score}_{\min}}{\text{Score}_{\max} - \text{Score}_{\min}}$$

where $\text{Standardised score}_i$ is standardised score for municipality i , ranging from 0-10; Score_i is the non-standardised score for municipality i ; $\text{Score}_{\max}$ is the maximum score for all municipalities and $\text{Score}_{\min}$ is the minimum score for all municipalities. This formula is applied to all indicators for each subnational government (municipality, in this case). If a lower score represents good outcomes, the calculated score is subtracted from 10 to get the appropriate score.

A1.5 Aggregating data into subindices

Standardised data are then aggregated into their respective subindices. This is commonly done by calculating a simple average of all indicators within a subindex. However, among the economic governance indices, it is common to give more weight to soft data in a subindex. For example, both the Kosovo MCI and Vietnam PCI weight soft data at 60% and hard data at 40% (if both data types are included in a subindex). Assuming that all indicators were standardised according to the 10-point scale (Equation 6), each subindex will have a score ranging from 1-10.

36 The Philippines CMCI takes a similar approach but does not convert the score to a 10-point scale.

A1.6 Estimating subindex weights

The simplest approach is to weight all subindices equally. This approach is seemingly more common among the business environment indices, with the Mongolia PCI and Philippines CMCI using simple averages of their subindex scores when calculating the overall index score.

A potential shortcoming of equally weighting subindices is that it is unlikely they equally contribute to overarching outcomes one hopes to achieve. All of the economic governance indicators under review appeal to this logic, and hence use statistical analysis to determine which subindices should receive greater or lower weight. Specifically, an appropriate regression estimator is used in doing so. For explanatory purposes, we define a generic model below:

Equation 7: Regression model to determine subindex weights

$$Y_i = SI1_i + SI2_i + \dots + SIn_i + OtherControls_i + e_i$$

where Y_i is an appropriate measure of private sector development for municipality i , which can be hard or soft data. Two examples used in other indices are the (i) number of business/1000 people and (ii) perceptions about whether the business will expand soon. $SI1_i$ is the score for subindex 1 for municipality i , $SI2_i$ is the score for subindex 2 for municipality i , SIn_i is the score for subindex n for municipality i , $OtherControls_i$ includes other relevant controls for municipality i and e_i is the error term.

Using an appropriate regression estimator to model Equation 7 will produce coefficients for each of the subindices. These coefficients are analysed for practical and statistical significance and then classified as having a high, medium, or low impact. This is a qualitative process and relies on the researcher to assign appropriate weights to each subindex.

Although the regression-based approach to weighting is appealing and provides an objective method to do so, there are some considerations. The calculated weights reflect the importance of each subindex's contribution to particular measure of private sector development; this measure must capture the type of development the index hopes to encourage. In addition, when the dependant variable is collected via surveys (soft data measure), there are risks of non-response, disproportionate responses from specific types of businesses and other issues around understandability and comparability across respondents.

A1.7 Constructing the overall index

Once the weights are calculated, the overall index can be calculated. This simply requires calculating a weighted average, as shown in Equation 8.

Equation 8: Weighted average calculation

$$\sum_{i=1}^N W_k * SI_{ik}$$

where W_k is the weight for subindex k and SI_{ik} is the score for subindex k for municipality i .

A1.8 Ranking municipalities

The final step is to rank subnational governments. This is often done within categories of subnational governments, such as cities, large towns, small towns, etc. A similar approach is taken when ranking subnational governments in the Philippines CMCI.

If there are many subnational governments within a particular category, it is often useful to classify them according to performance tiers, such as low, medium, and high performers. Equation 9 illustrates how to calculate cut-off values for tiers.

Equation 9: Cut-off values for performance tiers

$$\text{Cut-off value} = \frac{(Index_{max} - Index_{min})}{n}$$

where $Index_{max}$ is the highest score for the overall index and $Index_{min}$ is the lowest score for the overall index, n is the number of performance tiers.

Annex 2. South African subnational indices

The previous section investigated a selection of international subnational indices. This section reviews South Africa subnational (municipal level) indices, which are quite different to their international counterparts. Other than the World Bank's Subnational Doing Business Index (SDBI), none of the South African indices aim to quantify the local business climate. In addition, the indicators and methodologies used are not always clear as some indices are private products, hence not publicly available. For these reasons, the South African review is much shorter and looks different to the international review.

A2.1 Subnational Doing Business Index³⁷

The SDBI assesses business regulations and the process of trading across borders to promote better regulatory practices. It is a subset of the national level DBI, thereby narrowly focusing on the impact of regulation on the local business climate. As such, the SDBI takes on the economic governance conceptual approach.

The SDBI now spans 83 economies and 599 locations since its inception in 2005, of which 13 South African locations have been covered in 2015 and 2018. Nine urban areas and four maritime ports were evaluated across five thematic areas (subindices), shown in Table 12. With certain exceptions, each thematic area has a measure of time, cost, quality, and procedure.

37 (World Bank, 2018)

Table 12: SNBI indicators by subindex

Subindex	Indicators
Construction permits	Days to comply with formalities to build a warehouse
	Cost to comply with formalities, as % of warehouse value
	Quality of building regulation and its Implementation
	Steps to comply with formalities; completed when the final document is received
Getting electricity	Days to obtain an electricity connection
	Cost to obtain a connection, as % of income per capita
	Power outages and regulatory mechanisms in place to monitor and reduce them; transparency of tariffs
	Steps to file a connection application, prepare a design, complete works, obtain approvals, go through inspections, install a meter and sign a supply contract
Registering property	Days to transfer property between two local companies
	Cost to transfer property, as % of property value
	Reliability, transparency and coverage of land administration system; protection against land disputes; equal access to property rights
	Steps to transfer property so that it can be sold or used as collateral
Enforcing contracts	Days to resolve commercial sale dispute through the courts
	Attorney, court and enforcement costs as % of claim value
	Use of good practices promoting quality and efficiency
Trading across borders	Time for documentary compliance and border compliance when exporting the product of comparative advantage
	Cost for documentary compliance and border compliance when exporting the product of comparative advantage
	Cost for documentary compliance and border compliance when importing auto parts
	Time for documentary compliance and border compliance when importing auto parts

These indicators are collected solely through questionnaires administered to selected local country / regional experts in each thematic area / subindex.³⁸ This approach differs from, for example, World Economic Forum's GCI, which makes use of a perceptions-based survey administered to business executives in each country. The SDBI questionnaire submitted to local experts is based on standardised case studies that cover each of the five subindices shown in Table 12. Importantly, questionnaires are developed to ensure comparability across regions, enabling comparisons both within a country and across nations. Data obtained from the questionnaires are subject to multiple rounds of verification.

³⁸ For example, for the 2018 SDBI in South Africa expert contributors included architects, construction experts, lawyers, conveyancers, electrical contractors, utility providers, freight forwarders, customs brokers, logistics companies and public officials.



The methodology for constructing the SDBI is based on the 'distance to frontier' approach, which comprised two steps. The individual component indicators are normalised to a common unit, using the following formula: $(\text{worst} - y)/(\text{worst} - \text{best})$. The second step requires calculating the ease of doing business score. The scores obtained for individual indicators for each subnational government are aggregated by taking the arithmetic mean (simple average) for each subindex and then across subindices to get the overall score. As such, this methodology weights all indicators and subindices equally. The calculated scores range from 0 to 100, where 0 represents the worst regulatory performance and 100 the best regulatory performance.

A2.2 Government Performance Index³⁹

The next South Africa index reviewed is the Government Performance Index (GPI). Authors of the GPI claim that it *"...paves the way for discussions about practical strategies for the improvement of local government, including raising awareness of universal governance principles for the public service, the benchmarking of good practices against those in other countries, and once again, robust citizen engagement."* (Good Governance Africa, 2019, p. 4). These are worthy object and relevant to the local government landscape in South Africa. However, the GPI does not aim to quantify municipal business climate, although it contains some measures that would be included in an index aiming to quantify municipal competitiveness using the business environment conceptual approach.

The GPI compares all local and metropolitan municipalities across three thematic areas: (i) administration, (ii) economic development and (iii) service delivery. In total, 15 indicators are used to construct the GPI using data sourced from Statistics SA, Census, Auditor General reports, Municipalities and National Treasury. Table 13 is an excerpt from the 2019 GPI, which describes the indicators in detail.

39 (Good Governance Africa, 2019)

Table 13: Government Performance Index indicator list and description

Indicator		Definition
Administration:		This is a governance category that demonstrates whether there are sufficient numbers of personnel with the requisite qualifications; indicates proof of proper or improper financial management; and assesses whether municipalities comply with the guidelines for the annual reports as specified by relevant authorities. The indicators in this category include:
1	Municipal capacity	The indicator is drawn from the Auditor General's assessment of auditees' key controls at the time of the audit and particularly focuses on the human resources management performance of the local authority.
2	Financial soundness	The indicator is drawn from the Auditor General's opinion on the financial position of the local authority.
3	Compliance	This indicator measures how well the annual reporting by a local authority meets the standards set by the National Treasury.
Economic development:		The indicators under this category show the attractiveness of the municipality for economic opportunities, investments and habitation. The indicators identified to measure economic opportunity are the following:
4	Poverty	The poverty rate indicates the percentage of households with an income below R2,300 per month.
5	Individual income	This indicator shows the percentage of the population that receives some form of monthly income, including social grants.
6	Work opportunities	Work opportunity is paid work created for an individual as indicated by South African municipalities in their employment statistics.
7	Unemployment rate	A person is unemployed only if they have "taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview".
Service delivery:		The indicators under this category reflect the performance of the municipality. They assess whether the municipality is realising its potential to enhance public service delivery in relation to fulfilling its mandate as prescribed by the Constitution. The indicators measuring service delivery are the following:
8	Water	The percentage of people in the municipality who have access to piped water.
9	Sanitation	The percentage of people with access to flush toilets with connection to sewerage.
10	Education	The percentage of the population in the municipality with a matric qualification.
11	Electricity	The percentage of people within the municipality who have access to electricity.
12	Informal housing to formal housing	This is the percentage of formal dwellings to total dwellings in the municipality.
13	Refuse removal	The percentage of people in the municipality who have their refuse collected on a weekly basis.
14	Health facilities	The total number of people per clinics and healthcare facilities in the municipality.
15	Police coverage	The number of people per police station in the municipality.

Note: This table is extracted from the GPI 2019 report (Good Governance Africa, 2019, p. 5)

All 15 indicators in Table 13 are standardised to a 5-point scale, with the highest scoring municipality receiving a score of 1 and the lowest scoring municipality receiving a score of 5. Each subindex's (administration, economic development, and service delivery) score is calculated as a simple average of the indicators it comprises. The overall score for the GPI is then a simple average of each of the three subindices' scores, i.e., each subindex is weighted equally.

As mentioned above, there are some GPI indicators that speak to the business environment approach to measuring competitiveness. The economic development subindex claims to quantify the *"...attractiveness of the municipality for economic opportunities, investments and habitation."* (Good Governance Africa, 2019, p. 5). To some degree, the service delivery subindex also measures aspects important to the broader business climate (education and police coverage), although most are indirect measures.

A2.3 Municipal Financial Stability Index and Municipal IQ Report Card

In addition to the SDBI and GPI, two other indices have assessed municipal performance in South Africa for some time now. These are depicted in Figure 15, which are the Municipal Financial Stability Index (MFSI) and the Municipal IQ Report Card. Figure 15 shows the four subindices (components) for the MFSI and the six subindices (performance criteria) for the Municipal IQ Report Card.

Figure 15: MFSI and Municipal IQ Report Card indices

Municipal Financial Sustainability Index	Municipal IQ Report Card
- Four components: 1. Financial position 2. Operating performance 3. Debt governances 4. Liquidity management - Calculates annually - Latest publication: August 2020	- Six performance criteria: 1. Expenditure 2. Capital expenditure 3. Dodgy expenditure 4. AG's opinion 5. Successful grant spending 6. Vacancy rates - Calculated annually

Source: (Claasen, 2011); (Municipal IQ, 2021)

Since the MFSI and Municipal IQ Report Card are for-profit initiatives conducted by private institutions, information on these indices is limited. As such, we are not able to report on the exact list of indicators used in these indices, the scoring methods, nor the methodology for constructing the overall score.

The stated objective of the MFSI is to measure "... the financial ability of a municipality to deliver services and honour its contractual commitments" (Claasen, 2011, p. 22), whereas the Municipal IQ Report Card attempts to provide a comprehensive assessment of local government performance. As far as one can tell, the data sources informing these two indices are the National Treasury's Municipal Finance Data, the Auditor General's reports and Statistics South Africa.



These indices likely perform well with respect to their stated objectives but have limited relevance to measuring municipal business climate. Of course, a poorly functioning municipality, as measured by these two indices, will struggle to create an environment for businesses to thrive. Furthermore, certain performance criteria in the Municipal IQ Report Card indirectly speak to important aspects of a good business environment. Specifically, capital expenditure and (conditional) grant spending generally benefits businesses by improving infrastructure and thereby reducing the cost of doing business. In addition, a low vacancy rate is a rough measure of a municipality's capacity to carry out its duties, which includes local economic development.

A2.4 Out of order

The Out of Order index is the newest development in South Africa. It was published shortly before the 2021 local government elections on 1 November and touted as a tool to help inform voters ahead of the election. The Out of Order index compares all metropolitan and local municipalities across more than 20 indicators. These data come from the National Treasury, Statistics South Africa and the Auditor General. It is not clear what each of the more than 20 indicators are, nor is the scoring and index construction methodologies clear. To our knowledge, the authors did not publish an accompanying methodology paper.

Nevertheless, the information that is available on the Out of Order index shows that it includes measures of financial performance, service delivery, infrastructure maintenance and other economic data such as poverty and unemployment. Overall, the index is useful to empower citizens with knowledge of their local government. Like the GPI, the index comprises broad measures relevant to the business environment approach to quantifying competitiveness.

Annex 3. South African municipal context

The previous section analysed various existing subnational competitiveness indices. This review provided examples of the measures included and how these indices were developed. Because a competitiveness index must include contextually relevant measures, this section focuses on determining what the MICI should aim to quantify. This process comprises understanding the municipal landscape in South Africa in terms of the different types of municipalities (Section A3.1) and their legislated roles and responsibilities (Section 0). Section A3.3 then investigates how municipalities undertake local economic development in practice, and Section A3.4 considers how certain local government initiatives may inform aspects of the MICI.

A3.1 Types of municipalities

There are currently 257 municipalities in South Africa, comprising eight metropolitan (category A), 205 local (category B) and 44 district (category C) municipalities. Metropolitan municipalities are urbanised areas with large populations and are hubs of economic activity. In contrast, local municipalities are smaller and not as easily described since they differ substantially in geography, population and economic conditions. Adjacent groups of local municipalities form district municipalities; the 44 district municipalities comprise the 205 local municipalities.

Since municipalities are diverse and diffuse, a useful categorisation has emerged: the Municipal Infrastructure Investment Framework (MIIF). The MIIF categorisation shown in Table 14 describes each category and lists the number of municipalities falling into each of the six categories. It is based on certain characteristics such as urbanisation, population size and the size of municipalities' budgets. After calculating the MICI scores, ranking municipalities by MIIF category will ensure that the municipalities compared to each other are similar, thereby enabling objective comparisons of municipal competitiveness.

Table 14: Number of municipalities according to MIIF categorisation⁴⁰

MIIF category	Number of municipalities	Description
A	8	Metropolitan municipalities (metros)
B1	19	Secondary cities, local municipalities with the largest budgets
B2	26	Local municipalities with a large town as core
B3	99	Local municipalities with small towns, with relatively small population and significant proportion of urban population but with no large town as core
B4	61	Local municipalities which are mainly rural with communal tenure and with, at most, one or two small towns in their area
C1	23	District municipalities which are not water services authorities
C2	21	District municipalities which are water services authorities

Source: (Municipal Demarcation Board, 2018)

40 For more detail see Annex A3.1.

A3.2 Municipal roles and responsibilities

The different types (per MIIF category) of municipalities typically perform differing functions, with larger municipalities having more resources and exercising greater powers.⁴¹ However, this subsection will demonstrate the difficulty of defining municipalities' roles and responsibilities. A natural starting point for investigating these roles and responsibilities is to consider municipalities' legislated functions.

Any index aiming to quantify the ease of doing business within a municipality or assess the environment for business set up, operation and expansion should be done with an understanding of the powers and functions that municipalities have. These powers and functions are enshrined in parts B of schedules 4 and 5 of the South African Constitution. However, municipalities have both exclusive and concurrent (with other spheres of government) competence for a range of services and responsibilities. This is illustrated in Table 15.

Table 15: Constitutional functions of municipalities

Concurrent competence (with provincial and national government)	Exclusive competence
Air pollution	Beaches and amusement facilities
Building regulations	Billboards and the display of advertisements in public places
Childcare facilities	Cemeteries, funeral parlours and crematoria
Electricity and gas reticulation	Cleansing
Firefighting services	Control of public nuisances
Local tourism	Control of undertakings that sell liquor to the public
Municipal airports	Facilities for the accommodation, care and burial of animals
Municipal planning	Fencing and fences
Municipal health services	Licensing of dogs
Municipal public transport	Licensing and control of undertakings that sell food to the public
Municipal public works	Local amenities
Pontoons, ferries, jetties, piers and harbours	Local sport facilities
Stormwater management systems in built-up areas	Markets
Trading regulations	Municipal abattoirs
Water and sanitation services	Municipal parks and recreation
	Municipal roads
	Noise pollution
	Pounds
	Public places
	Refuse removal, refuse dumps and solid waste disposal
	Street trading
	Street lighting
	Traffic and parking

Source: (Constitution of the Republic Of South Africa, 1996)

41 (Municipal Demarcation Board, 2018)



Table 15 introduces some of the considerations the MICI must account for from a legislative perspective. Many functions that are important for supporting the business climate are concurrent. While municipalities have exclusive responsibility for certain business-climate-relevant functions, only including performance measures related to these functions (as per Table 15) in the MICI would not suffice.

Examining the functions in Table 16 (which shows provinces' concurrent and exclusive functions) also suggests that the MICI would better assess the local business climate if it included *certain* aspects that extend beyond a municipalities' typical purview. Ultimately, only certain aspects relevant to promoting a good business climate fall under municipalities' exclusive responsibilities. As such, the roles and responsibilities of other spheres of government are important for a good local business climate.

Table 16: Constitutional functions of provinces

Concurrent competence (with national government)	Exclusive competence
Administration of indigenous forests	Abattoirs
Agriculture	Ambulance services
Airports other than international and national airports	Archives other than national archives
Animal control and diseases	Libraries other than national libraries
Casinos, racing, gambling and wagering	Liquor licences
Consumer protection	Museums other than national museums
Cultural matters	Provincial planning
Disaster management	Provincial cultural matters
Education at all levels, excluding tertiary education	Provincial recreation and amenities
Environment	Provincial sport
Health services	Provincial roads and traffic
Housing	Veterinary services, excluding regulation of the profession
Indigenous law and customary law	
Industrial promotion	
Language policy	
Media services	
Nature conservation	
Police	
Pollution control	
Population development	
Property transfer fees	
Provincial public enterprises	
Public transport	
Public works	
Regional planning and development	
Road traffic regulation	
Soil conservation	
Tourism	
Trade	
Traditional leadership	
Urban and rural development	
Vehicle licensing	
Welfare services	

Source: (Constitution of the Republic Of South Africa, 1996)



Other parts of the Constitution specifically address municipalities' role in local economic development. Under the objects of local government, Section 152 (1) says that local government must (a) provide democratic and accountable government for local communities, (b) ensure the provision of services to communities in a sustainable manner, (c) promote social and *economic development* (own emphasis), (d) promote a safe and healthy environment and (e) encourage the involvement of communities and community organisations in the matters of local government. In addition, under the development duties of municipalities, Section 153 (1) (a) says that a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and *economic development* (own emphasis) of the community.

As such, municipalities have a constitutionally mandated responsibility to promote local economic development. This has led to the promulgation of other policies and legislation defining the role of municipalities in local economic development. The 1998 White Paper on Local Government introduced the concept of 'developmental local government', which says that municipalities must work with their communities to meet their social and economic needs. Specifically, the White Paper outlines three outcomes that must be met:

1. The provision of sustainable household infrastructure and services,
2. The creation of liveable and integrated local areas, and
3. The promotion of local **economic development** (own emphasis) and community empowerment and redistribution.

Following on the White Paper, the Municipal Systems Act was introduced in 2000, setting out the following mandates for municipalities to:

1. Promote social and **economic development** (own emphasis),
2. Ensure access to affordable services, and
3. Promote involvement of local communities in municipal affairs.

The Act provides principles, mechanisms, and processes necessary to enable municipalities to achieve their developmental mandate. It requires municipalities to undertake an integrated development planning process to develop an Integrated Development Plan (IDP) that will assist local governments in achieving their objectives and giving effect to their developmental duties as enshrined in the Constitution of the Republic of South Africa.

According to section 25 (1) of the Municipal Systems Act (32 of 2000), each municipal council must, within a prescribed period after the beginning of its elected term, adopt a single, inclusive, and strategic plan which links, integrates and coordinates plans and take into account proposals for the development of the municipality. The IDP specifies the development priorities and objectives of the municipal council, which includes local economic development. All municipalities in South Africa must develop a local economic development strategy, which must be integrated into the IDP.⁴²



In practice, there are further complications. As the previous subsection showed, municipalities are not a homogenous group; with three legislated categories of municipalities. While the Structures Act describes how these powers and functions should be shared, municipal activities rarely reflect the constitutional schedule of allocated powers and functions. Overall, except for the larger functions or functions that are clearly delineated, many municipalities cannot indicate what capacity is presently deployed to exercise each function.^{43, 44}

Regarding what municipalities' local economic development responsibilities mean in practice, Mashamaite & Lethoko (2018) explain that local government is responsible for creating an enabling environment for businesses to thrive, which must lead to the creation of jobs and thereby reduce poverty and improve the quality of life of people in the community. Mashamaite & Lethoko (2018) suggest that local government should:

- Identify and create new opportunities to enhance business prospects,
- Implement policies and strategies to promote local economic development, and
- Act as a regulator.

There is somewhat of a trade-off between including measures only relevant to municipalities' exclusive functions and including other measures of the business climate that are shared responsibilities between municipalities and other spheres of government. If the MICI were only to include exclusive competence indicators, it might be a poor measure of the local business climate. But if the MICI were to include both exclusive and concurrent competence indicators, municipal efforts to improve their ranking would rely, in part, on other spheres of government.

A3.3 Integrated development planning and local economic development

In practice, these activities take on various forms, in part reflected by municipalities' diverse and diffuse nature. Also, local economic development is just one aspect of an IDP, which will differ in scope and practice according to municipalities' contextual factors and priorities. This subsection demonstrates some examples of the local economic development activities undertaken by municipalities as set out in their IDPs. We find that these activities have similar objectives across municipalities (e.g., job creation), but take different forms. We also highlight a few other aspects of the IDP which are relevant to the MICI.

An important component of IDPs is the situational assessment they provide of a municipality's social and economic standing. This comprises an analysis of secondary data at the municipal level such as:

- Population dynamics (numbers, composition and growth),
- Poverty and inequality (Gini coefficient and Human Development Index)
- Access to services (dwelling type, water, electricity, sanitation and refuse removal)
- Education (access and levels)
- Health (access and outcomes)
- Safety and Security (crime rates)
- Economic trends (GDP per capita, sectoral composition, etc)
- Labour dynamics (number of jobs, jobs growth, employment by skills and unemployment)
- Internet access

⁴³ (Municipal Demarcation Board, 2018)

⁴⁴ Larger functions refer to provision of basic services (electricity, water, sanitation, etc.). An example of a function that is not clearly delineated is where "Control of undertakings that sell liquor to the public" is listed in Table 15 (municipal functions) while "liquor licences" is listed in Table 16 (provincial functions).



These data characterise the local economy and, in part, inform the developmental activities municipalities set out in their IDPs. It is important to remember that integrated development planning is mandated by the

Municipal Systems Act (32 of 2000), which aims to promote (i) social and economic development, (ii) access to affordable services, and (iii) involvement of local communities in municipal affairs.

In practice, driving these mandates requires various activities. In this regard, municipal IDPs often set out tangible guidelines on: how they will improve internal capacity and governance; engage with their communities; provide better services; combat crime; maintain infrastructure; undertake new infrastructure projects; facilitate job creation; conduct licencing and regulation; and support business development. This is a non-exhaustive list of the activities municipalities outline in their IDPs, but demonstrates that, in practice, they perform a wide range of functions relevant to promoting a good business climate.

These activities can be classified as either directly or indirectly influencing the business climate. For example, initiatives such as improving local infrastructure and setting up a youth development agency office directly improves the business climate by lowering the cost of doing business and upskilling the workforce to be more employable, respectively.

Quantifiable indicators of these activities can be said to fall under the 'economic governance' approach to measuring the business climate because of their direct impact. In contrast, capacitating local government officials and improving service delivery improves how the municipality is managed and improves the quality of life of citizens, respectively, thereby indirectly improving the business climate. Specifically, a better capacitated local government will be able to effectively facilitate business development initiatives and citizens who enjoy a greater quality of life will be more productive at work. As such, indicators of these indirect business-climate-enhancing initiatives can be said to fall under the 'business environment' approach to quantifying the business climate.⁴⁵

However, it is important to recognise that certain functions are broadly defined and influence both citizens and businesses, such as service delivery. Good service delivery outcomes encompass extending free basic services to the indigent and ensuring that electricity and water issues are resolved promptly, without which businesses may shut down and relocate to another area. Similar reasoning explains why infrastructure is relevant to both citizens and business, both in terms of it enabling service delivery and more broadly as it contributes to local economic development.

The discussion in this subsection demonstrates that both 'economic-governance-type' and 'business-environment-type' functions are important to fulfilling the legislated objectives that municipalities must work towards. We also learn that certain functions encompass both direct and indirect approaches to improving the business climate.

These findings have important implications for the MICI. First, it cannot be a narrow measure of the business climate because municipalities conduct various activities in relation to local economic development, even if these are shared with other spheres of government. Secondly, the activities that municipalities undertake to improve the business climate vary across municipalities, which means that there is no uniform way of collecting data on and assessing the performance of municipalities.

⁴⁵ The 'direct-indirect delineation between each of the two conceptual approaches is an expansion in this research; this notion is not mentioned explicitly in the literature.



While the activities municipalities conduct differs, a common theme is the objectives they aim to achieve, such as facilitating job creation and creating a favourable environment for entrepreneurship. As such, the MICI should include measures of these outcomes since the actual outputs (activities) cannot be measured in a standardised fashion. This approach is especially relevant when measuring economic development outcomes.

However, there are standardised data for other activities (output measures) such as service delivery and infrastructure. But as noted above, these activities affect businesses directly and indirectly, which means it may be challenging to delineate which indicators included in the MICI are based on the 'economic governance' or 'business environment' approach. Where possible, the MICI should aim to distinguish between these indicators. This may be a feasible approach for certain service delivery indicators because data exists by type of municipal customer (domestic or commercial units). However, in the case of infrastructure, it is not possible, or wholly infeasible, to ascertain how much is spent on maintenance and new capital projects according to whether they benefit businesses more or consumers more.

A final point to note on IDPs is that they must take a participative approach. Therefore, another consideration for the MICI will be to gauge whether businesses are included in developing local plans and whether they feel that the local development activities are working towards improving the environment they operate in. This process also speaks to transparent governance, which is another important aspect for the local business climate.

A3.4 Local government initiatives

In helping municipalities fulfil their legislated mandates, various initiatives (programmes and research) have been implemented. These are in response to the dire state of South African municipalities, which means that they often fail to fulfil their constitutional duties. In part, such failings are due to the substantial challenges municipalities inherited from the pre-democratic era, which were ignored – and purposely imposed – by the apartheid government. Furthermore, many municipalities in the most disadvantaged areas lack the institutional capacity and financial resources to promote social and economic development.

It follows that many of the post-democracy local government initiatives have focused on basic aspects of capacity and governance. However, some programmes have focused on the business climate aspects of local economic development, but these tend to be concentrated on metropolitan municipalities (category A) and secondary cities (MIIF category B1). This section briefly looks at a selection of local government initiatives currently in implementation, focusing specifically on how these programmes are relevant to promoting the local business climate and considering if these programmes may have generated data that could be included in the MICI. Table 17 lists the seven initiatives under review, and notes the year it was implemented / conducted, which organisation champions each initiative, how many municipalities were covered and what the initiative is about.

Table 17: Selection of local government initiatives

Initiative	Year	Champion(s)	Coverage	Objective / Measurable impact objectives
Min. competency regulations	2007	National Treasury (NT)	All municipalities	Regulations specify the qualifications, experience and various competency areas that personnel in specific posts must possess
Cities Support Programme	2011	NT Intergov. Relations division	Metros	Support spatial transformation of SA cities to create more inclusive, productive and sustainable urban built environments
State of local govt. finances	2011	National Treasury	All municipalities	Annually assesses municipal dysfunctionality using various quantitative indicators
Red Tape Reduction	2013	DSBD / SALGA	Selected municipalities	Identified sources of red tape and proposes ways to reduce red tape (e.g., SCM processes)
Back to Basics	2014	CoGTA	All, but with different intensities	Get the basics right in 5 areas: Basic Services, Governance, Financial Management, Institutional capacity, Public participation
District Development Model	2019	CoGTA	Planned for all districts and metros	Maximise coordination & cooperation among three spheres of govt to address urbanization, local economy, land, infrastructure and service delivery
Situational analysis on trade & investment	2019	SALGA	Sample of 6 municipalities	Secondary data analysis provides useful indicators to gauge trade and investment

A3.4.1 Minimum Competency Regulations

The minimum competency regulations were implemented in 2007 to promote accountability, transparency, and effective and efficient utilisation of public resources. These regulations, which aimed to professionalise the local government sector, outlines the qualifications, experience and other competencies related to financial and supply chain management among Municipal Managers, Chief Financial Officers, Chief Executive Officers (where applicable), Senior Managers, supply chain management managers and certain other officials responsible for financial and supply chain management.⁴⁶

Although these regulations were not introduced to support the local business climate, they are a move in the right direction towards ensuring a well capitated local government sphere. This means that municipal officials meeting these competencies will be able to better engage their communities (including businesses) and fulfil their legislative mandates, which includes promoting local economic development.

Data on which municipalities employ officials meeting these minimum competencies are held by the National Treasury's Capacity Building Unit.⁴⁷ If these data can be accessed, they may be useful to include in the MICI.

⁴⁶ (National Treasury, 2015)

⁴⁷ (National Treasury, 2020)

A3.4.2 Cities Support Programme

The Cities Support Programme, championed by the National Treasury's Intergovernmental Relations division, was established in 2011, aiming "to support the spatial transformation of South African cities to create more inclusive, productive and sustainable urban built environments" (DPME, 2016, p. 2). The programme comprises five components that drive these objectives, i.e., municipal governance and fiscal reforms, public transport, human settlements, economic development and climate resilience.

The programme's goals are relevant to the business climate (and other aspects of spatial development) but only focuses on the eight metropolitan municipalities. That the programme focuses on metros only implies that even if it generated data relevant to the MICI, these would not be available for all South African municipalities. However, the Cities Support Programme has been recently using administrative (tax) data in its reports, which are available within the National Treasury. While these data technically cover the entire country (formal sector only) and is available for researchers to use, it is not publicly available. If the rules around accessing and using these data were to change, they could potentially be used in the MICI.

A3.4.3 State of Local Government Finances

The 'State of Local Government Finances' is a research report published annually by the National Treasury since 2011. The report calculates various financial metrics, using publicly available municipal finance data, to determine whether a municipality is 'dysfunctional'. These measures include a municipality's cash position, cash coverage, cash plus investments, repairs and maintenance expenditure level, asset rehabilitation expenditure level, asset renewal level, capital expenditure as a percentage of total expenditure, liquidity ratio, debtors' days, creditors days, debt as a percentage of total operating revenue, current ratio and solvency ratio.⁴⁸

These measures are financial measures only but are potentially relevant to good governance and infrastructure. Since they are constructed using publicly available data, certain measures could be included in the MICI.

A3.4.4 Red Tape Reduction

The Red Tape Reduction initiative has been in implementation across certain municipalities since 2013. The initiative's objectives are fourfold (Wolpe, 2013, p. 5):⁴⁹

1. Determine the most critical Red Tape issues at local government level to provide a starting point for local improvement processes and to identify national policy implications;
2. Enhance the capacity of municipal officials and supporting process facilitators to improve the business environment via Local Red Tape Reduction;
3. Identify areas of improvement and efficiencies to be attained in the said municipalities in order for SMMEs to take advantage of business opportunities in each locality; and
4. Initiate benchmarking, networking and sharing of lessons learnt and best practice on Local Red Tape Reduction.

⁴⁸ Ibid

⁴⁹ These objectives are taken verbatim from the Guidelines for Reducing Municipal Red Tape report.



The initiative directly aims to improve the local business climate, although it has only been implemented in certain municipalities. It has identified specific areas of red tape that affect citizens and businesses and provides examples of how to remedy these bottlenecks. While the programme does not generate data (as far as we know), it sets out tangible aspects of red tape that the MICI should measure. These can be incorporated into questions posed to local businesses and included as soft data.

A3.4.5 Back to Basics

The Back-to-Basics Programme was established in 2014 on the back of an assessment by the National Department of Cooperative Governance and Traditional Affairs, which found that 63% of municipalities were either dysfunctional or almost dysfunctional. The programme aims to help municipalities get the basics right across selected priority areas (basic service, governance, public participation, financial management, and institutional capacity).⁵⁰

The programme was not implemented to improve the local business climate explicitly but does encompass important aspects that may be seen as a prerequisite for a good local business climate. Although the programme does not generate data in this regard, publicly available data from Statistic South Africa and the National Treasury can be useful to measure certain priority areas set out in the Back-to-Basics Programme.

A3.4.6 District Development Model

The District Development Model was adopted in late 2019 and aims to provide a unified approach to planning and development. It calls on all district and metropolitan municipalities to develop a long-term plan to address, at a minimum, the following development challenges⁵¹:

- Managing urbanisation, growth and development,
- Supporting local economic drivers,
- Accelerating land release and land development,
- Investing in infrastructure for integrated human settlement, economic activity and the provision of basic services, and
- Addressing service delivery in municipalities.

Situational assessments for the District Development Model have been completed for all districts and metros in South Africa, but the programme is still in its infancy. The programme has completed a pilot phase in three municipalities and is slowly being scaled. As such, the programme itself does not provide data for inclusion in the MICI. However, the secondary data used to conduct the situational analyses provide a quantification of the outcomes the District Development Model aims to drive, which are relevant to local economic development.

50 (Financial and Fiscal Commission, 2020)
51 (COGTA, 2021)

A3.4.7 Situational Analysis on Trade and Investment

The last initiative reviewed is a research project conducted by SALGA: a Situational Analysis on Trade and Investment Initiatives.⁵² This work is aligned with the objectives of the MICI and aims to promote investment at the municipal level and help municipalities create a better business climate. Being a research project, it does not generate data. However, the quantitative aspect of this research used selected secondary data to assess municipalities in relation to trade and investment and broader outcomes. These are:

- Unemployment rate
- Inequality
- Economic growth
- Education level
- Consumption expenditure
- Gross fixed capital formation
- Total fixed capital stock
- Balances of trade
- Exports as a percentage of the gross value added

A3.4.8 Circular 88⁵³

The Municipal Finance Management Act's (MFMA) Circular No. 88 (C88) was developed by the National Treasury to streamline output, outcome and performance reporting by municipalities. The focus is on establishing a uniform set of indicators against which all municipalities report. It is a reform programme that is underway with the National Department of Co-operative Governance and Traditional Affairs (COGTA), National Treasury and other sector departments.

Circular 88 was issued on 30 November 2017 and provided guidance to metropolitan municipalities on a common set of performance indicators to be applied in the annual planning, budgeting, and reporting cycle, with the aim to be updated in future cycles. It has been proposed that these indicators replace the Local Government: Planning and Performance Management Regulations of 2001.

In December 2020 these indicators were introduced for application across local government for the first time. A piloting process of the indicators in municipalities, outside of the metropolitan municipalities, was undertaken in the 2021/22 financial year. At this stage, only metropolitan municipalities are required to include all relevant indicators in their report framework. A pilot phase is underway to establish baseline data, develop reporting capacity and to onboard other municipalities. As a result, intermediate cities, district, and local municipalities, are not required to incorporate the indicators in their existing performance indicator tables in the IDP and SDBIP. It is not clear when the full roll-out of these indicators will commence, or whether the data submitted to National Treasury by municipalities will be made publicly available through a central repository.

Circular 88 currently sets out 304 indicators, of which 97 are compulsory compliance indicators and 207 are outcome and output indicators focused on 8 themes: Energy and Electricity, Environment and Waste, Fire and Emergency Services, Good Governance, Housing and Community Facilities, Transport and Roads, Water and Sanitation and Economic Development. Table 19 provides a summary of the focus of these 207 indicators across these themes.

⁵² (SALGA, 2019)

⁵³ (National Treasury, 2021)



Technical Indicator Descriptions (TID) for each of these indicators setting out the indicator rationale, definition, calculation details, data elements, proposed source and more. The indicators are organised by sector and outcome applying a results-chain logic and is further distinguished by their level of readiness for planning and reporting. The indicators are classified according to four tiers, with Tiers 1 and 2 consider those indicators that are conceptually clear and where data is readily available. Tiers 3 and 4 are those for which methodological refinements might still be required or where there is limited data produced.⁵⁴

The proposed sources of data for these indicators vary widely in nature and include, amongst others:

- Municipalities own internal reporting systems and records (customer database, human resource, financial management systems)
- Statistics South Africa surveys
- Internal and external water and electricity service providers
- Municipal valuation roll
- CDB survey
- Customer satisfaction surveys to be undertaken by municipalities

The indicators have been adopted by the Reporting Reforms Steering Committee with institutional representation from National Treasury, COGTA, Department of Planning, Monitoring and Evaluation (DPME), Auditor General, Statistics SA, South African Cities Network (SACN) and SALGA.

This process has a number of implications for the development of the MICI, the most significant of which will be access to a wide range of potential data points across substantively all municipalities that could be included in a competitiveness index. This cuts across all aspects that the MICI may cover, and potentially *all* indicators from Circular 88 could justifiably be included in the MICI. Table 18 provides an illustration of the type of indicators from Circular 88 that focus specifically on the competitive environment for businesses.

54 The tiers also aim to assess the level of “readiness” for implementation and differ by type of municipality. For metropolitan municipalities, 64 of the 207 outcome and output indicators are classified as Tier 3 or 4 (lowest level of readiness). For district municipalities 44 of the 207 indicators are classified as Tier 3 or 4 and for local municipalities 83 are classified as Tier 3 or 4. Not all of the 207 indicators currently apply to all municipalities: 80 of the 207 do not apply to district municipalities and 34 of the 207 do not currently apply to local municipalities.

Table 18: Illustration of potential Circular 88 indicators that could be used in MICI

Circular 88 alignment area	Indicator short name
Growing inclusive local economies	Employment rate in the municipal area
	Gross Value Added (GVA) by the municipality per capita
	Income per capita within the municipal area
	Number of individuals connected to apprenticeships and learnerships through municipal interventions
	Number of work opportunities created through Public Employment Programmes (incl. EPWP, CWP and other related employment programmes)
	Percentage of all qualifying households in the municipal area classified as indigent
	Percentage of the labour force classified as unskilled or low-skilled
	Percentage of total municipal operating expenditure spent on contracted services physically residing within the municipal area
Improved ease of doing business within the municipal area	Average change in the R-value of Commercial Property within the municipality
	Average cost to a business to apply for a construction permit with a municipality
	Average cost to transfer a property as a percentage of total property value
	Average number of days from the point of advertising to the letter of award per 80/20 procurement process
	Average number of days taken to process building applications of 500 square meters or more
	Average time taken to finalise business license applications
	Average time taken to finalise informal trading permits
	Percentage of municipal payments made to service providers who submitted complete forms within 30-days of invoice submission
	Percentage of revenue clearance certificates issued within 10 working days from time of completed application received
Improved levels of economic activity in municipal economic spaces	R-value of investment inflows
	Percentage of budgeted rates revenue collected
	Percentage of economic nodes in the municipality experiencing year on year growth
	Percentage of economic nodes within the municipality with transversal nodal development plans in place
	Percentage of economic nodes within the municipality with urban management arrangements in place
	Percentage of the municipality's operating budget spent on indigent relief for free basic services
	Rateable value of commercial and industrial property per capita
	Rates revenue as a percentage of the total revenue of the municipality

Table 19: Summary of Circular 88 indicators (excluding the 97 compliance indicators)

Back to Basics Pillar	Alignment	Electricity and Energy	Environment and Waste	Fire and Disaster	Financial Management	Governance	Housing	Economic Development	Transport and Roads	Water and Sanitation	Total indicators
Building capable local government institutions	Improved municipal capability					4					4
Financial Management	Enhanced municipal budgeting and budget implementation				7						7
	Improved asset management				8						8
	Improved expenditure management				5						5
	Improved financial sustainability and liability management				1						1
	Improved financial sustainability and liability management				2						2
	Improved liquidity management				5						5
	Improved revenue and debtors management				9						9
	Improved revenue collection and debtors management				2						2
Good governance	Improved supply chain management				5						5
	Improved council functionality					2					2
	Improved municipal administration					4					4
	Zero tolerance of fraud and corruption					5					5
Putting people first	Improved municipal responsiveness					6					6

Back to Basics Pillar	Alignment	Electricity and Energy	Environment and Waste	Fire and Disaster	Financial Management	Governance	Housing	Economic Development	Transport and Roads	Water and Sanitation	Total indicators
Service delivery	Biodiversity is conserved and enhanced		6								6
	Coastal and inland water resources maintained		5								5
	Growing inclusive local economies							8			8
	Improved access to adequate housing						10				10
	Improved access to electricity	4									4
	Improved access to public transport (incl. NMT)								7		7
	Improved access to sanitation									2	2
	Improved access to water									2	2
	Improved affordability of electricity	4									4
	Improved affordability of public transport								2		2
	Improved air quality		5								5
	Improved ease of doing business within the municipal area							10			10
	Improved energy sustainability	7									7
	Improved functionality of the residential property market						6				6
	Improved levels of economic activity in municipal economic spaces							7			7
	Improved municipal health		2								2
	Improved quality of municipal road network								6		6
	Improved quality of water (incl. wastewater)									9	9
	Improved quality of water and sanitation services									6	6
	Improved reliability of electricity service	7									7
	Improved reliability of electricity supply	1									1
	Improved road safety								2		2
	Improved satisfaction with municipal bus services								1		1
	Improved satisfaction with public transport services								2		2
	Improved water sustainability									6	6
	Increased access to and utilisation of social and community facilities						6				6
	Increased access to refuse removal		3								3
	Minimised solid waste		3								3
Total	Mitigated effects of fires and disasters			3							3
		23	24	3	44	21	22	25	20	25	207

Annex 4. List of indicators for selected sub-national indices

Table 20: El Salvador MCI indicators by subindex⁵⁵

Transparency	% Businesses not affected by municipal support to informal sector
	% Businesses think municipality does not favour businesses owned by people belonging to the mayor's party
	% Businesses think municipality does not favour large businesses and does not discriminate against small businesses
	% Businesses knowing about the existence of processes for filing complaints or making recommendations
	% Businesses knowing about the existence of processes for informing citizens about local issues
	% Businesses perceiving those municipal policies are applied in a consistent manner
	% Businesses perceiving those relationships are important for gaining access to documents and/or obtaining permits/licenses
	% Businesses gaining easy access to local documents
	% Businesses perceiving those changes to rates/taxes and regulations are predictable
	% Businesses perceiving municipal tenders as transparent
Municipal Services	% Businesses qualifying municipality as good at controlling informal commerce
	% Businesses qualifying municipality as good at doing public works during 2007–2008
	% Businesses qualifying municipality as good at providing facilities for administrative procedures
	% Businesses qualifying municipality as good at providing facilities for tax payments
	% Businesses qualifying municipality as good at crime prevention and control
	% Businesses qualifying municipality as good at developing labour and entrepreneurship programs
	% Businesses qualifying municipality as good at promoting tourism
	% Businesses qualifying municipality as good at promoting business opportunities
	% Businesses qualifying municipality as good at promoting and supporting local business associations
	% Businesses qualifying municipality as good at providing services to attract investors and clients
	% Businesses qualifying municipality as good at providing services to facilitate access to credit by local business
	% Businesses qualifying municipality as good at export promotion

Proactivity	% Businesses perceiving that municipality works actively to solve business problems
	% Businesses perceiving that municipality has good initiatives, but these are blocked by central government
	% Businesses perceiving that not all private-sector related policies come from the central government
Public Safety	% Businesses saying that crime was higher in 2008 compared to 2007
	% Businesses perceiving that crime has increased due to bad municipality work
	% Businesses perceiving that crime has decreased due to good municipality work
	Municipal spending in public safety per capita (\$)
	% Businesses victimised during 2008—robbery or theft
	% Businesses perceiving that local crime is higher than in neighbouring municipalities
	Cost of crime to businesses per US\$1,000 sale increase in 2008
	% Businesses victimised during 2008—extortion or kidnapping
Informal Payments	% Businesses feeling informal payments are a common occurrence
	% Businesses think informal payments do help in gaining access to municipal documents or in obtaining permits/licenses
	% Businesses feeling tenders are fair
	% Businesses perceiving extra tax payments are a common occurrence in the municipality
	% Businesses have made extra payments to fix municipal tax problems
Time to Compliance	% Businesses inspected in 2008
	Number of inspections per 100 businesses
	% Businesses feeling the number of inspections is above normal
	% Businesses feeling municipal inspectors act fairly
Rates and Taxes	% Businesses feeling the municipality adequately ensures compliance
	% Business feeling that local taxes are higher than in neighbouring municipalities
	Number of incentives per 100 businesses
	Municipality offers tax advantages
Entry Costs	Tax revenue standardised by municipal services
	Effective wait for business premises (days)
	Length of other business-related permits (days)
	% Businesses waiting over ONE month to obtain permits to start operations
	% Businesses waiting over THREE months to obtain permits to start operations
	% Businesses having problems with obtaining permits/licenses to start operations
	% Businesses finding it difficult to obtain information on necessary procedures/documents
	Total number of documents required to obtain permit for operations
Municipal Regulations	Time to issue permits to operate (days)
	% Businesses that feel the number of municipal regulations increased during 2008
	% Businesses that feel the number of municipal regulations is above normal, compared to neighbouring municipalities

Table 21: Kosovo MCI indicators by subindex⁵⁶

Starting a Business	Time for state registration
	Barriers during registration
	Counselling during registration
	Time for launching the business
	Time to register changes in the Universal register
	Time for obtaining permits
	Number of public officers dealing with business registration per 10 000 registered businesses
Access to public (municipal) property	Documents certifying ownership / land lease
	Obtaining documents ownership / land lease
	Accessibility of information about vacant land plots
	Availability of information about municipal real estate
Transparency and data openness	Access to information about local budget
	Access to information on local regulatory acts
	Access to information on public procurements
Compliance cost	Time spent for compliance with local regulations
	Costs of legal compliance
	Number of inspections
	Costs of inspection
Taxes and duties	Costs of tax payment
	Administrative burden imposed by tax regulations
	Burden of local taxes and duties
	Benefits from local taxes and duties payment
Informal payments and corruption	Bribe solicitation Offering bribes / gifts to municipal authority
	Cases of offering bribes / gifts to municipal authority
	Cost of offering bribes / gifts to municipal authority
	Anticorruption efforts
Security of operating a business	Shadow economy
	Losses due to crime
	Amount of loss due to criminal actions
	Raider attacks Business security costs
Leadership of municipal authorities	Local government attitude towards private business
	Support to business start-up
	Support to development of existing businesses
	Document, web-site review of 10 business development support aspects
	Participation of private business in elaboration of local documents
	Conducting consultations with business



Development resources	Workforce quality
	Quality of vocational education
	Insufficient workforce training as a barrier for business operation
	Lack of workforce as a barrier for business operation
	% of working age population from total population (15-64 age)
	Number of employees the firms need to fulfil the vacancies per 100 businesses
	Financial support from local budget Lack of financial resources as a barrier for business operation
	Complexity of the connection to the electric grid/water-supply/sewage/heating
	Local budget expenditures for business support per 10 000 businesses
	Accessibility of business support services
	Quality of business support services
	Availability of business support infrastructure
	Presence of business associations and business clubs in the city
	Membership in business associations
	Business support infrastructure units established with participation of the local authorities, per 10 000 businesses
Support of the innovations	Work of research institutions
	Business innovative activities
	Support of innovations by municipal authorities
	Meeting technology transfer service needs
	Participation in clusters

Table 22: Vietnam PCI indicators by subindex⁵⁷

Entry Costs	Length of business registration in days (Median)
	Length of business reregistration in days (Median)
	Waiting >=1 month to complete all steps necessary to start operations (%)
	Waiting >=3 month to complete all steps necessary to start operations (%)
	Firms registered online, PAC & Posts (%)
	Biz (Re-) registration procedures are transparently listed (%)
	Guidance for biz (Re-) registration procedures is clear (%)
	Officials handling Biz (Re-) registration procedures are knowledgeable (%)
	Officials handling Biz (Re-) registration procedures are friendly (%)
	Good IT application in Biz (Re-) registration procedures (%)
Land Access & Tenure	Firms own land & possess of an LURC (%)
	Median number of days to wait for LURC
	Firms' rating of expropriation risk (1=Very High; 5=Very Low)
	Firms do not have difficulties in accessing land (%)
	Lack of available land (%)
	Slow land clearance progress (%)
	Inadequate of land information (%)
	Compensation for land is always or highly likely fair (% Agree)
	Changes in land prices reflect changes in market prices (%)
	No difficulties in land-related procedures in the last 2 years (%)
	Don't have LURCs because of complicated procedures and troublesome staffs (%)
Transparency	Access to planning documents (1=impossible to access; 5= easy to access)
	Access to legal documents (1=impossible to access; 5= easy to access)
	Budget documents have enough details (%YES)
	Transparency in bidding (% YES)
	Received information requested (% YES)
	Median days to receive information requested
	Relationship is necessary to obtain documents (%)
	Negotiations with tax officials are a necessary part of doing biz (%)
	Implementation of central laws at prov. Level is predictable (% Usually or Always)
	Biz associations playing important role in local polices' consultation (%)
	Openness and quality of provincial webpage (Hard data)
	Percentage of firms have accessed provincial websites (%)

Time Costs	Firms spent over 10% of time to comply with law & regulations (%)
	Officials are effective (%)
	Officials are friendly (%)
	Firms don't have to travel many trips to obtain stamps and signatures (%)
	Paperwork is simple (%)
	Fees are listed publicly (%)
	Time to do Aps is shorter than regulations specified (%)
	Firms received 5+ inspections per year (%)
	Overlap inspections (%)
	Median tax inspection hours
	Using inspection to extract rents (%)
Informal Charges	Firms in my line of business pay bribes (%)
	Service was delivered as expected (%)
	Local officials use compliance to extract rents (%)
	Firms agreeing informal charges are acceptable (%)
	Paying informal charges to the inspector (%)
	Percentage of revenue in informal payments (% >=10%)
	Paying informal charges in land APs (%)
	Paying informal charges to win the local gov's contract (%)
Policy Bias	Firms worry about bribes at courts (%)
	Province give privileges to SOEs causing difficulties to firm's business (%)
	Land access as a privilege to SOEs (%)
	Credit access as a privilege to SOEs (%)
	Mineral exploitation license as a privilege to SOEs (%)
	Faster and simpler administrative procedures as a privilege to SOEs (%)
	Ease in getting local government's contracts as a privilege to SOEs (%)
	Province give priority in solving difficulties to FIEs over domestic one (%)
	Province give priority to FDI attraction than private sector development (%)
	Land access as a privilege to FIEs (%)
	CIT reduction/ holidays as a privilege to FIEs (%)
	Faster and simpler administrative procedures as a privilege to FIEs (%)
	More local government support during FIEs operation (%)
	Contracts and resources go to connected firms (%)
Proactivity	Preferential treatment to big companies is an obstacle to firm's operations (%)
	The PPC is flexible within legal framework to create favourable business environment (%)
	The PPC is very proactive and creative in solving new problems (%)
	Attitude of provincial government toward private sector is positive (%)
	Good initiatives at prov. level but not well implemented by DEPARTMENTS (%)
	Good initiatives at prov. Level but not well implemented by DISTRICT authorities (%)
	Delay or do nothing in case of lack of clarity in central policies (%)
	Provincial authorities handle timely firm's difficulties raised in dialogues (%)
	Received local authorities' responses to firm's questions/ problems (%)
	Satisfied with local authorities' responses (%)

Business Support Services	Number of trade fairs held by province in previous year (Hard data - MOIT)
	Total number of service providers/ Total number of firms (% , Hard data - GSO)
	Number of priv. service providers/Total number of serv. Providers (% , Hard data - GSO)
	Firm has used biz info. Search services (%)
	Used priv. provider for above biz info. Search services (%)
	Intends to use the service provider again for biz info. Search (%)
	Firm has used legal consulting services (%)
	Used priv. provider for legal consulting services (%)
	Intends to use the service provider again for legal consulting (%)
	Firm has used business match making services (%)
	Used priv. provider for biz match making services (%)
	Intends to use the service provider again for biz match making (%)
	Firm has used trade promotion services (%)
	Used priv. provider for trade promotion services (%)
	Intends to use the service provider again for trade promotion (%)
	Firm has used technology related services (%)
	Used priv. provider for technology related services (%)
	Intends to use the service provider again for technology related (%)
	Firm has used accounting/ financing training services (%)
	Used priv. provider for above accounting/ financing training services (%)
	Intends to use the service provider again for accounting/ financing training (%)
	Firm has used business administration (BADM) training(%)
	Used priv. provider for above BADM training (%)
	Intends to use the service provider again for BADM training (%)
Labour Policy	Good general education at the province (%)
	Good vocational training at the province (%)
	Firm has used labour exchange services (%)
	Used private provider for the labour exchange services (%)
	Intends to use the service provider again for labour exchange services (%)
	Percentage of total business costs spent on labour training (%)
	Percentage of total business costs spent on labour recruitment
	Overall satisfaction with labour (%)
	Ratio of vocational training school graduates to untrained laborers (% , Hard data - MOLISA)
	Secondary school graduates as % of workforce (% , Hard data - MOLISA)
	Percentage of workers having completed training at vocational schools (%)



Law & Order	Legal system will uphold firms' property rights and contracts (%)
	Firms can appeal unjust cadres/ decisions (%)
	The provincial leaders will discipline the offending staffs (%)
	Willingness to use court in case a dispute arises (%)
	Provincial court judges economic cases by the law (%)
	Judgement by the court is fair (%)
	Provincial court resolve economic cases quickly (%)
	Court judgements are enforced quickly (%)
	Provincial legal assisting agencies support business quickly (%)
	Formal and informal costs are acceptable (%)
	Number of cases filed by private domestic firms per 100 enterprises (% , Hard data – Supreme Court)
	Ratio of private plaintiffs to total (Hard data – Supreme Court)
	Ratio of economic cases solved (% , Hard data – Supreme Court)
	Good security situation in the province (%)
	Was firm a victim of theft or break in last year? (% YES)
	Local police handle firm's break-in case effectively (%)
	Did firm have to pay money to gangsters' groups (% YES)

Table 23: Croatia RCI indicators by subindex⁵⁸

Demographics, health and culture	Population estimate (2009, 2006)
	Share of population aged 25-64 in total population (2009, 2001)
	Net migration rate in the total population ((2007 - 2009) / 2009; (2002-2006)/2006)
	Vital index (birth/death ratio) (sum 2007 - 2009; (2002-2006)/2006)
	Number of physicians per capita (2008, 2006)
Education	Percentage of persons with 2-year college education in population aged 25-64(2001)
	Percentage of persons with university education in population aged 25-2001
	Pre-school education attendance / population aged 0-4 (2008/2009; 2005/2006)
	Enrolled students/ population aged 20-24 (2008/2009; 2005/2006)
	Graduated students / population aged 20-24 (2008; 2005.)
Basic infrastructure and public sector	Recovered waste / total waste (2006; 2004)
	Share of aid in LGUs total revenues (2009; 2006)
	Number of solved cases per judge (2009; 2006)
	Number of unsolved cases in Land Register per capita (2009; 2007)
	Average surtax rate in the county (2010; 2007)
Business infrastructure	Surface of entrepreneurial zones per capita (2007; 2006)
	Number of employees in entrepreneurial zones (2007)
	Business facility public utility fees, 1st zone (highest rate; ken/m3) (2010)
	Housing prices in the county centre, per m2
	Distance to airports (km), Dubrovnik, Split +50, Pula, Zadar +100
Investments and entrepreneurial trends	Active legal entities - trends (2008/2006; 2005/2003)
	Total investments per facility location
	Share of investments in equipment in total investments per facility location
	SME investments in new long-term assets /total SME revenues (2009; 2006)
	Direct foreign investments (000 EUR) per capita (2005-2009; 2000-2007)
	Number of SMEs per capita - trends (2009/2004; 2006/2004)
Level of entrepreneurship development	Trades, crafts and freelance professions per capita (2008; 2005)
	Number of employed in SMEs per capita (2009; 2006)
	SMEs (period profit - period loss) /total SME revenues (2009; 2006)
	Total SMEs revenues / total SMEs assets (2009; 2006)
	Gross value added per industry employee (2008; 2004)
Economic results - level	GDP per capita (1000kn/inhabitant) (2007; 2004)
	Unemployed persons/total population aged 25-64 (2009; 2006)
	Unemployed for 12 or more months / total unemployment (2009; 2006)
	Gross salaries per employee (2008; 2006)
	Number of employed per capita (2008; 2006)

Economic results - trends	GDP Index (2007/2004; 2004/2001)
	Employment in SMEs (2009/2007)
	Exports (2008/2006, 2005/2003)
	Unemployed (2009/2007; 2006/2004)
	Profit before tax in SMEs (2009./2007.)
	Total employment (2008/2006; 2006/2004)
Location advantages	Favourable geographical position
	Favourable climate conditions
	Price of business facilities/offices and land
	Overheads (public utility fees and construction prices)
	Direct labour costs
Local government	Public confidence in politicians' financial honesty
	Behaviour of public officials in the decision-making process
	Influence of illegal payments to business operations
	Quality of services provided to entrepreneurs by local government units
	Quality of communication and cooperation of local government institutions and the business sector
Physical infrastructure	General infrastructure
	Quality of railways
	Quality of available port facilities and waterways
	Airline connections to other countries
	Quality of power supply
Rule of law	Share of grey economy in business activities
	Quality of legal framework for dispute settlement
	Protection of ownership rights (financial assets included)
	Costs that companies suffer due to organised crime
	Independence of judiciary from political influences
Education	Quality of public schools
	Quality of math and science classes in schools
	Quality of management and business schools
	Availability of scientists and engineers
	Investment in education and employee development
Financial market and local competition	Availability of sources of finance for businesses
	Level of difficulty in obtaining a loan based on sound business plan and without collaterals
	Access to finance of businesses with innovative, but risky, projects
	Competition strength
	Customers and purchasing decisions
Technology and innovations	Technological development results
	Implementation of technology in production processes
	Businesses' competitiveness elements
	Sectors of export-oriented companies
	Investment in research and development



Clusters	Number of clusters in different sectors
	Number of local suppliers
	Quality of local suppliers
	Availability of specialised R&D services
	Cooperation of businesses with universities and institutes in R&D
	Placement of county product and services in Croatian markets and exports
	Readiness to delegate authority to other colleagues in the company
	Senior management positions (relatives vs. professional managers)
	Employer - employee relationship

Table 24: Philippines CMCI indicators by subindex⁵⁹

Size of the Local Economy	Gross Sales of Registered Firms
	Total Capitalisation of NEW Businesses
Growth of the Local Economy	Gross Sales of Registered Firms
	Total Capitalisation of NEW Businesses
Structure of Local Economy	Number of approved business permits for NEW business applications
	Number of approved business RENEWALS
Safety Compliant Business	Number of Occupancy Permits Approved
	Number of approved fire safety inspection
Increase in Employment	Number of declared employees for NEW business applications
	Number of declared employees for business RENEWALS
Cost of Living	Local Inflation Rate
Cost of Doing Business	Cost of Electricity
	Cost of Water
	Price of Diesel as of December 31 per year
	Daily Minimum Wage Rate
	Cost of Land in a Central Business District
	Cost of Rent
Financial Deepening	Number of Universal/Commercial Banks
	Number of Thrift and Savings Banks
	Number of Rural Banks
	Number of Finance Cooperatives/Number of Microfinance Institutions
	Number of Savings and Loans Associations with Quasi-Banking Functions
	Number of Pawnshops
	Number of Money Changers/Foreign exchange dealers
Productivity	Number of Remittance Centres
	Gross Sales of Registered Firms
Presence of Business, Professional and Civil Society Organizations	Number of declared employees for business RENEWALS
	Total number of LGU recognised / registered business groups
Compliance to National Directives	Total Number of LGU recognised / registered other Groups
	Presence of Comprehensive Development Plan
Presence of Investment Promotion Unit	Year of Last Update (Comprehensive Development Plan)
	Presence of the Local Investment Incentives Code
	Presence of the equivalent of an Investment Promotions Unit (Physical Office)
	Presence of Staff manning the IPU
Business Registration Efficiency	Presence of local executive order or ordinance that mandates the implementation of the LIIC or the setting up of an IPU
	Getting Building Permits (Days and steps)
	Getting Occupancy Permits (Days and steps)

⁵⁹ (Philippines Department of Trade and Industry, 2021b)

Capacity to Generate Local Resource	Business Tax collected by the LGU (in Php)
	Real Property Tax collected by the LGU (in Php)
	Total Revenues of the LGU (in Php)
Capacity of Health Services	Capacity of PUBLIC Health Services (Doctors, Nurses and Midwives)
	Capacity of PRIVATE Health Services (Doctors, Nurses and Midwives)
Capacity of School Services	PUBLIC secondary education (# of teachers and students)
	PRIVATE secondary education (# of teachers and students)
	Tertiary Schools (# of students / teachers in private and public)
	Technical Vocational Education and Training (# of graduates / teachers in private and public)
Recognition of Performance	Number of DILG recognised awards
	Other awards conferred by credible institutions
Compliance to Business Permits and Licensing System (BPLS) Standards	E-BPLS / DICT E-BPLS Software (adoption)
	Business One-Stop-Shop (presence)
	Getting Mayor's Permit for NEW business applications (days and steps)
	Getting Mayor's Permit for RENEWAL of business (days and steps)
Peace and Order	Number of policemen in the Locality
Social Protection	Number of Local citizens with PhilHealth registration
Basic Infrastructure: Roads	Existing Road Network (KMs of asphalt / gravel / concrete / unpaved)
Basic Infrastructure: Ports	Distance of City/Municipal Hall to Major Ports (Airport / land transport terminal / seaport)
Basic Infrastructure: Availability of Basic Utilities	Average hours of utility services per day at the Central Business District (water and electricity)
	Percentage of Households with Utility Service (water and electricity)
Number of PUBLIC Transportation Vehicles	Buses
	Passenger Vans
	Jeepneys
	Tricycles
	Taxis
	Ferries
	Passenger Bancas
	Others
Education Infrastructure	Number of PUBLIC secondary schools and classrooms
	Number of PRIVATE secondary schools and classrooms
	Tertiary Schools and classrooms (for cities only), public and private
	Technical Vocational Education and Training schools and classrooms (for cities only), public and private
Health Infrastructure	Number of PUBLIC health facilities and corresponding bed capacities
	Number of PRIVATE health facilities and corresponding bed capacities

LGU Investment in Infrastructure	Total Investment in Infrastructure of LGU
	Total LGU Budget
Accommodation Capacity	Number of DOT Accredited Hotels, Resorts, Inns, Apartelle, Pension House, Others
	Number of Rooms in DOT Accredited Hotels, Resorts, Inns, Apparelled, Pension Houses, Others
Information Technology Capacity	Number of Cable, Internet, Telephone Companies / Mobile Service Providers
Financial Technology Capacity	Number of Automated Teller Machines
Organisation and Coordination: Land Use Plan	Presence of the CLUP
	Presence of an office that implements the CLUP (usually the Planning and Development Office)
	Presence of staff manning the office
	Presence of local executive order or ordinance that mandates the implementation of the CLUP
	Year of Last Update
Organisation and Coordination: Disaster Risk Reduction Plan	Presence of the DRRMP
	Presence of an office that implements the DRRMP
	Presence of staff manning the office
	Presence of local executive order or ordinance that mandates the implementation of the DRRMP
	Year of Last Update
Organisation and Coordination: Annual Disaster Drill	Conduct of LGU-wide disaster drill
	Number of LGU Initiated and coordinated disaster drill conducted
Organisation and Coordination: Early Warning System	Presence of early warning system that integrates professional responders and grassroots organisation
	Number of Early Warning System
Resiliency Financing: Budget for DRRMP	Ratio of budget for DRRMP to total LGU budget
Resiliency Reports: Local Risk Assessments	Availability of local Geohazard Maps from DENR
	Availability of LGU Risk Profile from Local DRRMO
Resiliency Infrastructure: Emergency Infrastructure	Ambulance (public and private)
	Fire trucks (public and private)
	Clearing Equipment (public and private)
	Rubber boats (public and private)
	Infrastructure for evacuation (public and private)
	Presence of drainage systems in LGU Centre

Resiliency Infrastructure: Utilities	Water Source (presence and distance)
	Power Source (presence and distance)
	Generator Set (presence)
	Redundancy (Power, Water, Telecom, Alternate Route, Fuel)
Resilience of System: Employed Population	Number of Trained Responders
Resilience of System: Sanitary System	Access to Sanitary Landfill
	Frequency of Garbage Collection per Month
	Practice of Waste Segregation
	Access to Recycling/ Material Recovery Facility
Start-ups	Number of Start-ups
Innovation Facilities	Number of Facilities that support Innovation
STEAM Graduates	Number of STEAM Graduates
Innovation Financing: R&D Expenditures Allotment	Ratio of R&D Expenditures to total R&D Allotment
IPOPHL Registration	Number of IPOPHL Registration (Patents, Trademarks, Copyrights, Utility Model, Industrial Design)
ICT Use: E-BPLS Software	E-BPLS / DICT E-BPLS Software (presence)
Internet Capability	Maximum Internet Speed in LGU
	Free Wi-Fi Access Available to Public
Availability of Basic Internet Service	Percentage of Household with Internet Service Subscription
	Percentage of Businesses with Post-paid Internet Service Subscription
Green Innovation Project	Number of LGU Initiated/Partnered Green Innovation Practice undertaken in the last 3 years
	Number of LGU Initiated/Partnered Green Innovation Research
Online Payment Facilities	Presence of Online Payment Facilities provided by LGU

Annex 5. MICI results (score) summary

Municipal code	Municipality	Province	MIIF category	Sub-index 1: Municipal enabling factors	Sub-index 2: Infrastructure and service delivery	Sub-index 3: Economic development	Sub-index 4: Workforce and social environment	Sub-index 5: Red tape and efficiency costs	Overall MICI
BUF	Buffalo City	EC	A	7.6	5.7	3.9	4.4	.	5.4
CPT	City of Cape Town	WC	A	8.5	6.1	5.1	6.7	.	6.6
EKU	Ekurhuleni	GT	A	8.4	8.2	4.5	6.3	.	6.8
ETH	eThekweni	KZN	A	7.7	6.8	4.9	5.5	.	6.2
JHB	City of Johannesburg	GT	A	8.3	7.1	4.9	7.3	.	6.9
MAN	Mangaung	FS	A	6.0	5.3	4.7	5.4	.	5.4
NMA	Nelson Mandela Bay	EC	A	8.2	6.9	5.1	4.7	.	6.2
TSH	City of Tshwane	GT	A	6.9	5.5	4.9	7.2	.	6.1
FS184	Matjhabeng	FS	B1	5.5	4.9	6.5	5.0	3.6	4.6
GT421	Emfuleni	GT	B1	6.7	5.9	4.0	6.3	3.9	4.8
GT481	Mogale City	GT	B1	8.5	9.0	5.7	6.1	4.0	5.8
KZN225	The Msunduzi	KZN	B1	7.3	7.3	4.4	5.3	3.2	4.6
KZN252	Newcastle	KZN	B1	7.6	4.1	3.0	5.2	5.1	4.9
KZN282	uMhlathuze	KZN	B1	8.8	5.1	5.9	5.0	5.1	5.8
LIM354	Polokwane	LIM	B1	7.8	5.4	4.2	5.4	4.1	4.9
MP307	Govan Mbeki	MP	B1	6.1	8.1	7.4	4.7	4.4	5.4
MP312	Emalahleni (MP)	MP	B1	6.5	5.7	7.7	4.4	4.9	5.7
MP313	Steve Tshwete	MP	B1	9.1	6.5	7.6	4.3	3.4	5.3
MP326	City of Mbombela	MP	B1	6.9	2.8	4.5	5.0	4.1	4.6
NC091	Sol Plaatje	NC	B1	7.9	9.7	4.4	4.6	3.8	5.0
NW372	Local Municipality of Madibeng	NW	B1	5.8	4.4	4.1	4.7	3.6	4.2
NW373	Rustenburg	NW	B1	7.1	6.7	6.0	4.9	4.2	5.1
NW403	City of Matlosana	NW	B1	6.6	5.8	3.9	4.7	3.9	4.5
NW405	JB Marks	NW	B1	7.0	4.6	4.5	4.5	4.2	4.7
WC023	Drakenstein	WC	B1	8.3	8.1	5.1	5.0	5.5	6.1
WC024	Stellenbosch	WC	B1	8.0	6.8	5.6	5.5	5.8	6.1
WC044	George	WC	B1	9.0	8.0	5.4	4.9	6.8	6.7
EC104	Makana	EC	B2	6.3	7.0	3.5	4.0	.	5.2
EC139	Enoch Mgijima	EC	B2	6.4	3.8	3.3	4.6	.	4.5
EC157	King Sabata Dalindyebo	EC	B2	7.5	2.7	2.0	5.8	.	4.5
FS192	Dihlabeng	FS	B2	6.7	5.3	4.6	4.6	.	5.3
FS201	Moqhaka	FS	B2	6.6	4.4	4.0	5.2	.	5.0
FS204	Metsimaholo	FS	B2	4.9	5.6	7.6	4.6	.	5.7
GT422	Midvaal	GT	B2	9.3	7.7	6.9	5.1	.	7.2
GT484	Merafong City	GT	B2	6.9	6.7	5.7	6.0	.	6.3
GT485	Rand West City	GT	B2	7.3	5.5	5.5	6.0	.	6.1
KZN212	Umdoni	KZN	B2	7.2	5.1	3.6	5.2	.	5.3
KZN216	Ray Nkonyeni	KZN	B2	6.0	2.6	3.6	4.6	.	4.2
KZN222	uMngeni	KZN	B2	6.8	4.1	6.0	5.6	.	5.6
KZN238	Alfred Duma	KZN	B2	8.5	5.5	2.3	5.9	.	5.6
KZN292	KwaDukuza	KZN	B2	8.7	5.1	5.0	5.5	.	6.1

Municipal code	Municipality	Province	MIIF category	Sub-index 1: Municipal enabling factors	Sub-index 2: Infrastructure and service delivery	Sub-index 3: Economic development	Sub-index 4: Workforce and social environment	Sub-index 5: Red tape and efficiency costs	Overall MICI
KZN433	Greater Kokstad	KZN	B2	7.8	6.0	4.3	4.9	.	5.8
LIM367	Mogalakwena	LIM	B2	6.2	4.4	2.4	5.6	.	4.6
MP302	Msukaligwa	MP	B2	6.3	5.1	5.0	5.0	.	5.3
MP314	Emakhazeni	MP	B2	6.7	6.1	5.2	3.9	.	5.5
NC087	Dawid Kruiper	NC	B2	7.9	.	4.2	4.6	.	.
NW383	Mafikeng	NW	B2	7.2	6.5	3.4	5.3	.	5.6
WC014	Saldanha Bay	WC	B2	9.3	6.4	4.8	3.8	.	6.1
WC025	Breede Valley	WC	B2	9.0	6.5	4.9	5.4	.	6.4
WC032	Overstrand	WC	B2	9.4	4.9	4.8	4.9	.	6.0
WC043	Mossel Bay	WC	B2	9.4	8.2	5.2	4.2	.	6.7
WC045	Oudtshoorn	WC	B2	8.3	5.4	4.3	4.7	.	5.7
WC048	Knysna	WC	B2	8.1	8.8	4.4	3.8	.	6.3
EC101	Dr Beyers Naude	EC	B3	6.8	5.7	4.1	3.7	.	5.1
EC102	Blue Crane Route	EC	B3	8.1	6.5	3.7	5.4	.	5.9
EC105	Ndlambe	EC	B3	7.2	6.1	3.4	3.7	.	5.1
EC106	Sundays River Valley	EC	B3	6.7	5.1	4.0	3.7	.	4.9
EC108	Kouga	EC	B3	8.2	.	4.9	3.6	.	.
EC109	Kou-Kamma	EC	B3	7.6	6.9	5.0	4.9	.	6.1
EC123	Great Kei	EC	B3	6.3	3.3	3.2	5.6	.	4.6
EC124	Amahlathi	EC	B3	8.1	3.8	2.8	6.1	.	5.2
EC129	Raymond Mhlaba	EC	B3	6.0	4.2	2.1	5.1	.	4.3
EC131	Inxuba Yethemba	EC	B3	7.2	4.6	4.7	1.6	.	4.5
EC138	Sakhisizwe	EC	B3	6.9	3.8	2.4	4.8	.	4.5
EC145	Walter Sisulu	EC	B3	6.5	3.3	4.1	3.9	.	4.4
EC441	Matatiele	EC	B3	8.1	3.1	2.0	7.1	.	5.1
FS161	Letsemeng	FS	B3	6.4	6.2	4.8	4.4	.	5.5
FS162	Kopanong	FS	B3	6.5	4.8	4.6	4.5	.	5.1
FS163	Mohokare	FS	B3	5.4	5.7	4.4	4.4	.	5.0
FS181	Masilonyana	FS	B3	.	.	4.2	4.8	.	.
FS182	Tokologo	FS	B3	2.7	8.3	4.2	4.8	.	5.0
FS183	Tswelopele	FS	B3	6.8	5.5	3.6	5.0	.	5.2
FS185	Nala	FS	B3	4.0	.	3.6	4.8	.	.
FS191	Setsoto	FS	B3	7.2	6.3	3.5	5.3	.	5.6
FS193	Nketoana	FS	B3	3.3	5.7	3.7	5.2	.	4.5
FS194	Maluti a Phofung	FS	B3	.	3.8	2.6	5.3	.	.
FS195	Phumelela	FS	B3	6.6	5.1	3.7	3.4	.	4.7
FS196	Mantsopa	FS	B3	7.0	7.5	4.0	5.1	.	5.9
FS203	Ngwathe	FS	B3	6.7	8.2	3.5	4.6	.	5.8
FS205	Mafube	FS	B3	.	5.1	3.4	4.6	.	.
GT423	Lesedi	GT	B3	7.6	5.7	5.2	5.6	.	6.0
KZN214	uMuziwabantu	KZN	B3	8.2	3.7	2.3	6.5	.	5.2
KZN223	Mpofana	KZN	B3	5.3	5.2	4.7	5.8	.	5.3
KZN226	Mkhambathini	KZN	B3	6.1	5.3	4.0	6.4	.	5.5

Municipal code	Municipality	Province	MIIF category	Sub-index 1: Municipal enabling factors	Sub-index 2: Infrastructure and service delivery	Sub-index 3: Economic development	Sub-index 4: Workforce and social environment	Sub-index 5: Red tape and efficiency costs	Overall MICI
KZN237	Inkosi Langalibalele	KZN	B3	6.5	5.3	2.0	6.0	.	5.0
KZN241	Endumeni	KZN	B3	7.4	1.5	4.2	5.1	.	4.6
KZN245	Umvoti	KZN	B3	8.1	1.9	3.2	5.8	.	4.8
KZN253	Emadlangeni	KZN	B3	7.1	4.7	3.3	4.7	.	5.0
KZN261	eDumbe	KZN	B3	8.1	5.9	2.3	6.0	.	5.6
KZN263	Abaqulusi	KZN	B3	6.5	5.8	3.0	5.6	.	5.2
KZN275	Mtubatuba	KZN	B3	5.5	4.6	2.0	5.9	.	4.5
KZN276	Big Five Hlabisa	KZN	B3	8.0	4.4	1.3	6.0	.	4.9
KZN285	Mthonjaneni	KZN	B3	8.3	4.1	3.3	5.7	.	5.3
KZN436	Dr Nkosazana Dlamini Zuma	KZN	B3	6.0	7.5	2.0	6.2	.	5.4
LIM334	Ba-Phalaborwa	LIM	B3	5.3	3.0	6.5	4.7	.	4.9
LIM341	Musina	LIM	B3	7.5	3.3	2.6	6.1	.	4.9
LIM361	Thabazimbi	LIM	B3	4.8	5.2	.	4.9	.	.
LIM362	Lephalale	LIM	B3	7.8	3.6	6.2	4.2	.	5.5
LIM366	Bela-Bela	LIM	B3	6.8	5.6	4.4	4.8	.	5.4
LIM368	Modimolle-Mookgophong	LIM	B3	4.8	5.3	4.4	4.8	.	4.8
MP303	Mkhondo	MP	B3	7.1	7.0	2.8	5.5	.	5.6
MP304	Dr Pixley Ka Isaka Seme	MP	B3	6.5	4.8	2.1	4.8	.	4.6
MP305	Lekwa	MP	B3	6.1	5.0	4.4	5.3	.	5.2
MP306	Dipaleseng	MP	B3	6.6	7.1	2.5	4.2	.	5.1
MP311	Victor Khanye	MP	B3	6.9	6.1	4.3	6.3	.	5.9
MP321	Thaba Chweu	MP	B3	7.3	6.9	8.8	4.9	.	7.0
NC061	Richtersveld	NC	B3	5.2	5.5	6.3	2.6	.	4.9
NC062	Nama Khoi	NC	B3	6.5	6.4	7.9	4.4	.	6.3
NC064	Kamiesberg	NC	B3	6.2	3.7	3.9	5.4	.	4.8
NC065	Hantam	NC	B3	7.6	7.8	5.2	4.4	.	6.2
NC066	Karoo Hoogland	NC	B3	7.6	5.5	4.9	6.1	.	6.0
NC067	Khâi-Ma	NC	B3	5.3	6.9	5.2	5.5	.	5.7
NC071	Ubuntu	NC	B3	6.7	5.1	3.6	3.4	.	4.7
NC072	Umsobomvu	NC	B3	4.8	5.4	2.7	5.1	.	4.5
NC073	Emthanjeni	NC	B3	6.8	6.4	3.7	4.1	.	5.2
NC074	Kareeberg	NC	B3	8.9	4.7	3.4	4.3	.	5.3
NC075	Renosterberg	NC	B3	.	6.3	3.4	4.9	.	.
NC076	Thembelihle	NC	B3	6.2	4.0	3.8	4.3	.	4.6
NC077	Siyathemba	NC	B3	6.7	6.6	3.7	5.4	.	5.6
NC078	Siyancuma	NC	B3	6.4	3.9	3.7	5.1	.	4.8
NC082	Kai !Garib	NC	B3	5.7	7.3	5.1	5.0	.	5.8
NC084	!Kheis	NC	B3	3.5	8.4	4.0	4.6	.	5.1
NC085	Tsantsabane	NC	B3	6.7	7.2	7.5	4.9	.	6.6
NC086	Kgatelopele	NC	B3	4.6	5.2	4.4	4.6	.	4.7
NC092	Dikgatlong	NC	B3	6.8	5.6	2.7	5.3	.	5.1
NC093	Magareng	NC	B3	7.2	6.8	2.4	4.8	.	5.3
NC094	Phokwane	NC	B3	6.6	6.2	3.4	4.0	.	5.0

Municipal code	Municipality	Province	MIIF category	Sub-index 1: Municipal enabling factors	Sub-index 2: Infrastructure and service delivery	Sub-index 3: Economic development	Sub-index 4: Workforce and social environment	Sub-index 5: Red tape and efficiency costs	Overall MICI
NC452	Ga-Segonyana	NC	B3	7.5	6.1	2.9	4.1	.	5.1
NC453	Gamagara	NC	B3	7.3	7.3	.	4.0	.	.
NW374	Kgetlengrivier	NW	B3	5.7	3.4	3.5	4.5	.	4.3
NW382	Tswaing	NW	B3	5.9	5.4	3.0	5.2	.	4.9
NW384	Ditsobotla	NW	B3	5.0	3.7	3.4	4.8	.	4.2
NW385	Ramotshere Moiloa	NW	B3	6.0	8.8	2.4	5.2	.	5.6
NW392	Naledi	NW	B3	6.4	5.0	4.6	4.2	.	5.0
NW393	Mamusa	NW	B3	6.4	4.7	2.6	4.7	.	4.6
NW396	Lekwa-Teemane	NW	B3	6.6	6.9	3.5	4.4	.	5.3
NW404	Maquassi Hills	NW	B3	4.7	6.4	2.6	4.2	.	4.5
WC011	Matzikama	WC	B3	8.0	7.3	4.9	5.5	.	6.4
WC012	Cederberg	WC	B3	7.4	7.9	5.3	5.9	.	6.6
WC013	Bergrivier	WC	B3	8.9	8.9	5.5	5.8	.	7.3
WC015	Swartland	WC	B3	9.5	7.7	5.0	5.8	.	7.0
WC022	Witzenberg	WC	B3	8.7	9.1	5.5	5.7	.	7.2
WC026	Langeberg	WC	B3	9.6	7.8	5.1	5.3	.	6.9
WC031	Theewaterskloof	WC	B3	7.9	9.6	5.1	4.8	.	6.8
WC033	Cape Agulhas	WC	B3	9.3	9.3	5.8	5.3	.	7.4
WC034	Swellendam	WC	B3	9.1	5.6	5.3	4.9	.	6.2
WC041	Kannaland	WC	B3	8.3	9.4	4.5	5.3	.	6.9
WC042	Hessequa	WC	B3	9.6	9.5	5.4	5.5	.	7.5
WC047	Bitou	WC	B3	7.8	7.6	3.9	4.8	.	6.1
WC051	Laingsburg	WC	B3	6.9	4.7	4.4	4.4	.	5.1
WC052	Prince Albert	WC	B3	9.5	9.8	3.7	4.7	.	6.9
WC053	Beaufort West	WC	B3	6.1	5.6	3.4	4.7	.	4.9
EC121	Mbhashe	EC	B4	8.9	3.7	1.9	5.8	.	5.1
EC122	Mnquma	EC	B4	6.3	2.8	2.2	5.9	.	4.3
EC126	Ngqushwa	EC	B4	7.9	3.9	1.1	7.0	.	5.0
EC135	Intsika Yethu	EC	B4	7.8	4.0	1.6	5.9	.	4.8
EC136	Emalahleni	EC	B4	5.8	6.3	1.4	6.2	.	4.9
EC137	Engcobo	EC	B4	9.1	6.3	1.6	6.1	.	5.8
EC141	Elundini	EC	B4	8.8	4.6	1.7	5.4	.	5.1
EC142	Senqu	EC	B4	9.2	4.0	2.3	5.9	.	5.4
EC153	Ngquza Hill	EC	B4	5.1	0.8	0.8	5.9	.	3.1
EC154	Port St Johns	EC	B4	5.2	3.1	0.6	6.8	.	3.9
EC155	Nyandeni	EC	B4	9.2	4.1	1.0	6.6	.	5.2
EC156	Mhlontlo	EC	B4	7.6	1.8	1.0	6.0	.	4.1
EC442	Umzimvubu	EC	B4	8.0	3.1	1.4	5.9	.	4.6
EC443	Mbizana	EC	B4	8.8	4.3	1.3	6.6	.	5.2
EC444	Ntabankulu	EC	B4	6.6	6.1	0.7	6.2	.	4.9
KZN213	Umzumbe	KZN	B4	8.2	4.5	0.8	7.2	.	5.2
KZN221	uMshwathi	KZN	B4	8.8	5.7	4.0	6.6	.	6.3
KZN224	Impendle	KZN	B4	5.3	4.2	1.2	6.1	.	4.2

Municipal code	Municipality	Province	MIIF category	Sub-index 1: Municipal enabling factors	Sub-index 2: Infrastructure and service delivery	Sub-index 3: Economic development	Sub-index 4: Workforce and social environment	Sub-index 5: Red tape and efficiency costs	Overall MICI
KZN227	Richmond	KZN	B4	7.3	4.7	3.8	6.3	.	5.5
KZN235	Okhahlamba	KZN	B4	9.3	5.7	1.9	6.0	.	5.7
KZN242	Nqutu	KZN	B4	7.4	1.9	0.7	6.8	.	4.2
KZN244	Msinga	KZN	B4	6.6	5.5	0.6	6.6	.	4.8
KZN254	Dannhauser	KZN	B4	7.5	4.6	2.7	6.1	.	5.2
KZN262	uPhongolo	KZN	B4	7.4	3.9	3.0	6.3	.	5.2
KZN265	Nongoma	KZN	B4	7.5	5.8	1.0	6.4	.	5.2
KZN266	Ulundi	KZN	B4	7.7	4.4	1.3	6.2	.	4.9
KZN271	Umhlabuyalingana	KZN	B4	8.8	6.1	1.0	6.6	.	5.6
KZN272	Jozini	KZN	B4	7.8	5.9	1.4	6.1	.	5.3
KZN281	Mfolozi	KZN	B4	8.2	5.9	2.1	6.9	.	5.8
KZN284	uMlalazi	KZN	B4	8.2	4.0	2.8	5.5	.	5.1
KZN286	Nkandla	KZN	B4	6.9	5.5	1.1	6.2	.	4.9
KZN291	Mandeni	KZN	B4	8.9	6.1	3.7	6.3	.	6.2
KZN293	Ndwedwe	KZN	B4	8.2	4.0	1.2	6.6	.	5.0
KZN294	Maphumulo	KZN	B4	5.6	3.5	0.7	6.6	.	4.1
KZN434	Ubuhlebezwe	KZN	B4	7.8	5.1	2.3	6.2	.	5.3
KZN435	Umzimkhulu	KZN	B4	8.8	4.4	1.1	6.6	.	5.2
LIM331	Greater Giyani	LIM	B4	8.4	5.5	1.5	6.4	.	5.4
LIM332	Greater Letaba	LIM	B4	7.5	3.5	2.4	6.2	.	4.9
LIM333	Greater Tzaneen	LIM	B4	5.8	5.5	2.9	5.7	.	5.0
LIM335	Maruleng	LIM	B4	7.8	5.3	2.4	6.2	.	5.4
LIM343	Thulamela	LIM	B4	8.6	3.5	1.8	7.0	.	5.2
LIM344	Makhado	LIM	B4	8.5	3.7	2.4	5.8	.	5.1
LIM345	Collins Chabane	LIM	B4	7.1	3.5	.	.	.	.
LIM351	Blouberg	LIM	B4	8.4	2.8	1.8	5.1	.	4.5
LIM353	Molemole	LIM	B4	8.5	3.9	2.4	6.9	.	5.4
LIM355	Lepele-Nkumpi	LIM	B4	7.3	.	2.0	5.5	.	.
LIM471	Ephraim Mogale	LIM	B4	8.4	2.5	1.7	5.9	.	4.6
LIM472	Elias Motsoaledi	LIM	B4	7.7	4.8	1.7	5.1	.	4.8
LIM473	Makhuduthamaga	LIM	B4	7.2	5.1	0.2	5.7	.	4.5
LIM476	Fetakgomo Tubatse	LIM	B4	5.9	2.2	2.8	5.6	.	4.1
MP301	Chief Albert Luthuli	MP	B4	7.5	5.1	2.7	5.2	.	5.1
MP315	Thembisile	MP	B4	8.1	6.1	1.7	6.2	.	5.5
MP316	Dr JS Moroka	MP	B4	6.3	4.8	1.1	6.7	.	4.7
MP324	Nkomazi	MP	B4	8.2	5.7	3.0	6.4	.	5.8
MP325	Bushbuckridge	MP	B4	6.8	4.5	1.3	6.4	.	4.7
NC451	Joe Morolong	NC	B4	6.5	1.9	3.8	6.8	.	4.8
NW371	Moretele	NW	B4	7.0	4.7	1.2	7.1	.	5.0
NW375	Moses Kotane	NW	B4	5.4	3.5	3.0	5.5	.	4.3
NW381	Ratlou	NW	B4	6.4	3.2	1.2	6.2	.	4.3
NW394	Greater Taung	NW	B4	5.3	7.3	1.5	5.7	.	5.0
NW397	Kagisano/Molopo	NW	B4	4.7	.	2.8	5.8	.	.

Annex 6. Pilot questionnaire used for MICI

Number	Question
1	Confidential capture of information: Respondent job title:
2	Confidential capture of information: Business name:
3	Can you confirm that your business operates in <Municipality x?
4	Can you confirm that your business operates in < Municipality x?
5	Please describe your firm's / business' activity?
6	Using a scale from 0-10, where 0 is extremely poorly performing and 10 is extremely well-performing, how would you rate the general performance of your municipality as it relates to the overall environment that your business operates in? General performance
7	Using a scale from 0-10, where 0 is extremely unprofessional and unhelpful and 10 is extremely professional and helpful, how would you rate your typical experience with municipal personnel? Professionalism and helpfulness rating:
8	For your business, rate the quality of the following services / infrastructure in your municipality, where 0 is extremely poor quality and 10 is extremely high quality: Road network
9	For your business, rate the quality of the following services / infrastructure in your municipality, where 0 is extremely poor quality and 10 is extremely high quality: Rail network
10	For your business, rate the quality of the following services / infrastructure in your municipality, where 0 is extremely poor quality and 10 is extremely high quality: Electricity
11	For your business, rate the quality of the following services / infrastructure in your municipality, where 0 is extremely poor quality and 10 is extremely high quality: Water and sanitation
12	For your business, rate the quality of the following services / infrastructure in your municipality, where 0 is extremely poor quality and 10 is extremely high quality: Waste management
13	For your business, rate the quality of the following services / infrastructure in your municipality, where 0 is extremely poor quality and 10 is extremely high quality: Telecommunications and internet connectivity
14	For your business, rate the relative cost of the following services / infrastructure, where 0 is extremely expensive and 10 is very good value for money: Road network
15	For your business, rate the relative cost of the following services / infrastructure, where 0 is extremely expensive and 10 is very good value for money: Rail network
16	For your business, rate the relative cost of the following services / infrastructure, where 0 is extremely expensive and 10 is very good value for money: Electricity
17	For your business, rate the relative cost of the following services / infrastructure, where 0 is extremely expensive and 10 is very good value for money: Water and sanitation
18	For your business, rate the relative cost of the following services / infrastructure, where 0 is extremely expensive and 10 is very good value for money: Waste management
19	For your business, rate the relative cost of the following services / infrastructure, where 0 is extremely expensive and 10 is very good value for money: Telecommunications and internet connectivity
20	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: My municipality quickly resolves water problems

21	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: My municipality quickly resolves electricity problems.
22	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: The prices of municipal services are clear.
23	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: I am satisfied with the billing and charges set by my municipality.
24	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: My municipality adequately maintains and repairs infrastructure.
25	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: My municipality regularly and timeously communicates service interruptions to me.
26	Rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree. Note that these statements relate to the state of the labour force in your municipality. It is easy to hire people from the local labour force.
27	Rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree. Note that these statements relate to the state of the labour force in your municipality. The local labour force is adequately skilled.
28	Has your business been a direct victim of crime in the past year?
29	Has your business been a direct victim of crime in the past year?
30	On a scale of 0-10, where 0 is an extremely severe impact and 10 is no impact at all, how severe is the impact of local crime on your business? Severity of crime
31	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: The time and cost required to ensure compliance with business regulations is acceptable
32	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: My municipality has a help desk that is effective at assisting with business related challenges.
33	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: The turnaround time by my municipality for getting assistance with business related challenges is appropriate.
34	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: My municipality uses digital technologies to improve efficiency and communication
35	For your business, rate your level of agreement with the following statements, where 0 is totally disagree and 10 is totally agree: When dealing with my municipality, it is necessary to directly know someone who can assist or have inside contacts to efficiency
36	Using a scale from 0-10, where 0 is extremely common and 10 is extremely uncommon, how common is it to be solicited for informal payments or bribes by municipal personnel? Commonness of soliciting informal payments or bribes rating
37	Using a scale from 0-10, where 0 is a substantial amount of time and 10 is very little time, how much time does your business spend submitting and repeatedly following up on complaints with your municipality? Time spent on complaints submission and follow-
38	How many days per year does your business spend filling in and submitting administrative forms to comply with local / municipal regulations? Compliance time



39	On a scale of 0-10, where 0 is decrease significantly, 5 is no change and 10 is increase significantly, how do you expect the number of staff your business hires to change by the end of the next financial year? Employment change
40	On a scale of 0-10, where 0 is decrease significantly, 5 is no change and 10 is increase significantly, how do you expect the revenue your business earns to change by the end of the next financial year? Revenue change
41	Is there anything else you would like to say about the performance of the municipality in which your business operates?
42	Is there anything else you would like to say about the performance of the municipality in which your business operates?
43	Please provide response on the performance of the municipality in which your business operates.

References

- Bland, G., & Vaz, P. (2017). *An Effective Tool for Promoting Local Growth and Competitiveness? The Sustainability of the Subnational Business Environment Index*. RTI International .
- Claasen, L. (2011). *Introduction of the new Municipal Financial Sustainability Index*. IMFO.
- Code Academy. (2014). *Code Academy*. Retrieved from Retrieved from Code Academy: <https://www.codecademy.com/articles/normalization>
- COGTA. (2021, August 30). *National Department of Cooperative Governance and Traditional Affairs*. Retrieved from How is the District Development Model Aligned to the Integrated Urban Development Framework?: <https://www.cogta.gov.za/index.php/2021/08/30/how-is-the-district-development-model-aligned-to-the-integrated-urban-development-framework/>
- Constitution of the Republic Of South Africa. (1996). *Constitution of the Republic of South Africa, Act 108 of 1996*.
- DPME. (2016). *Implementation Evaluation of the Cities Support Programme*.
- Economic Policy and Competitiveness Research Center. (2019). *Mongolia Provincial Competitiveness Report 2019*.
- Financial and Fiscal Commission. (2020). *Technical Report Division of Revenue 2020/21: Repositioning Local Government Public Finances*.
- Good Governance Africa. (2019). *Government Performance Index*. Good Governance Africa.
- Institute for Market Economics. (2011, May 11). *Local Business Environment Index 2011*. Retrieved from Institute for Market Economics: <https://ime.bg/en/articles/local-business-environment-index-2011/>
- KYIV. (2020). *Detailed Methodology of Municipal Competitiveness Index (MCI): Data Collection and Processing*. Institute for Economic Research and Policy Consulting.
- Lenardić, M. (2010). *Regional Competitiveness Index of Croatia 2010*. National Competitiveness Council.
- Malesky, E. (2007). *The Provincial Business Environment Scorecard in Cambodia*. The Asia Foundation.
- Malesky, E. J., Tuan, D. A., Thach, P. N., Ha, L. T., Hang, N. T., Ngoc, P. T., & Ha, N. L. (2018). *The Vietnam Provincial Competitiveness Index 2017*.
- Malesky, E. J., Tuan, D. A., Thach, P. N., Ha, L. T., Thu, T. M., Ngoc, P. T., . . . Ha, N. L. (2020). *The Vietnam Provincial Competitiveness Index: Measuring Economic Governance for Business Development*. USAID.
- Mashamaite, K., & Lethoko, M. (2018). Role of the South African Local Government in Local Economic Development. *International Journal of eBusiness and eGovernment Studies*.
- Merchant-Vega, N., Salze-Lozac'h, V., Chowdhury, F., Bidisha, S. H., Rahman, A., & Malesky, E. (2011). *The Bangladesh District Economic Governance Index*. The Asia Foundation.
- Municipal Demarcation Board. (2018). *Municipal Powers and Functions Capacity Assessment*.

- 
- Municipal IQ. (2021, September 15). *Municipal Report Card: Municipal IQ*. Retrieved from Municipal IQ: Municipal Data and Intelligence: https://www.municipaliq.co.za/index.php?site_page=find_reportcard.php
- National Treasury. (2015). *Minimum Competency Levels for Municipal Officials Effective from October 2015*.
- National Treasury. (2020). *The State of Local Government Finances and Financial Management as at 30 June 2019*.
- National Treasury. (2021). *Rationalisation of Planning, Budgeting and Reporting Requirements for the 2022/23 MTREF: Addendum 3*. National Treasury.
- Philippines Department of Trade and Industry. (2021a, September 15). *Methodology*. Retrieved from Philippines Department of Trade and Industry: <https://cmci.dti.gov.ph/about-method.php>
- Philippines Department of Trade and Industry. (2021b). *Document template for the accomplishment of LGU self-assessments for CMCI 2021*. https://cmci.dti.gov.ph/downloads/forms/2021%20CMCI%20LDCS_srs.xlsx.
- RTI International. (2012). *El Salvador Municipal Competitiveness Index 2011: Measuring Local Economic Governance to Create Better Business Environment*. USAID.
- RTI International. (2013). *The El Salvador Municipal Competitiveness Index 2013: Measuring local economic governance to create a better business environment*. San Salvador, El Salvador: USAID Municipal Competitiveness Project.
- SALGA. (2019). *A SITUATIONAL ANALYSIS ON TRADE AND INVESTMENT INITIATIVES AT LOCAL GOVERNMENT LEVEL IN SOUTH AFRICA*.
- Singh, S. K., Kumar, C., & Somasundaram, L. (2009). *Economic Environment Index*. Centre for Development Finance, IFMR.
- Tong, J. T., Merchant-Vega, N., Terpstra, R., & Malesky, E. (2012). *Business Environment Index 2012*. The Asia Foundation.
- UBO Consulting. (2014). *The Municipal Competitiveness Index Report 2014*. USAID.
- USAID. (2020). *Detailed Methodology of Municipal Competitiveness Index (MCI) 2019-2020*. USAID.
- Wolpe, R. (2013). *Guidelines for Reducing Municipal Red Tape: How Municipalities can Improve Service Delivery that Supports Small Business*. Department of Trade and Industry.
- World Bank. (2018). *Doing Business in South Africa 2018*. Washington: World Bank Group.

Contact Details

South African Local Government Association (SALGA)

Social Media



Facebook: South African Local Government Association (SALGA)



Twitter: @SALGA_Gov



YouTube: SALGA TV

www.salga.org.za

Contact Details:

Telephone:

(012) 369 8000

Fax:

(012) 369 8001

Physical Address:

Menlyn Corporate Park, Block B
175 Corobay Avenue
Cnr Garsfontein and Corobay
Waterkloof Glen ext 11
Pretoria