



SOUTH AFRICA – 2022

Key findings

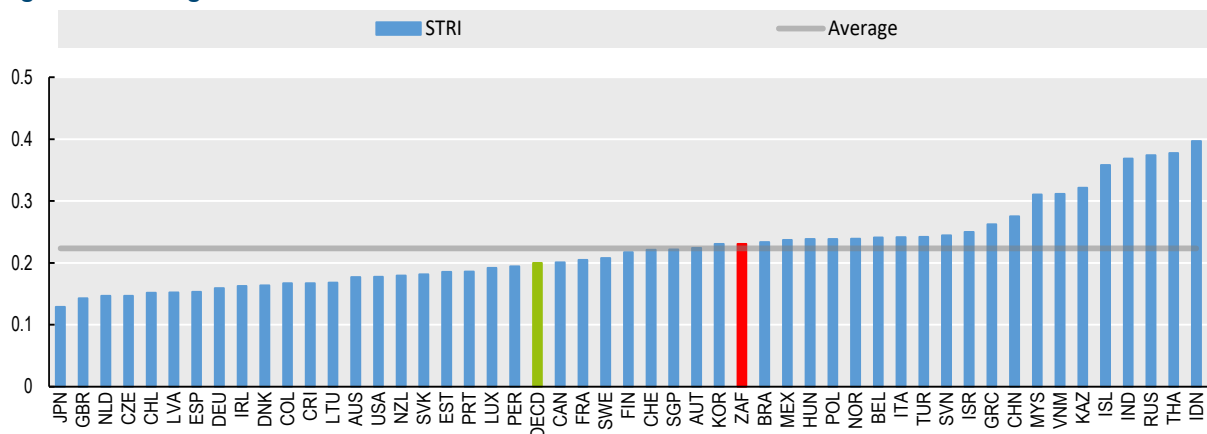
- The 2022 STRI of South Africa is above the OECD average and relatively high compared to other countries in the STRI sample. The indices have not changed compared to 2021.
- Over the past years, South Africa demonstrated significant progress in liberalising its insurance services. However, since 2014 regulations have tightened in all other services sectors covered by the STRI.
- Compared to the average across all STRI countries, insurance services is the most open sector in South Africa, whereas courier services is the most restricted.

Recommendation

- Open and well-regulated services markets are essential to facilitate economic recovery, strengthen resilience to future shocks, and promote a more sustainable trading system. To ensure that the benefits of open markets and a rules-based international trading system are preserved, policy makers should focus on minimising barriers that increase trade costs for services providers, weaken the gains from digital transformation and undermine competitiveness.

The 2022 STRI of South Africa is relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2022



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2022. The STRI regulatory database covers the 38 OECD Members, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Source: OECD (2022). STRI and TIVA databases.

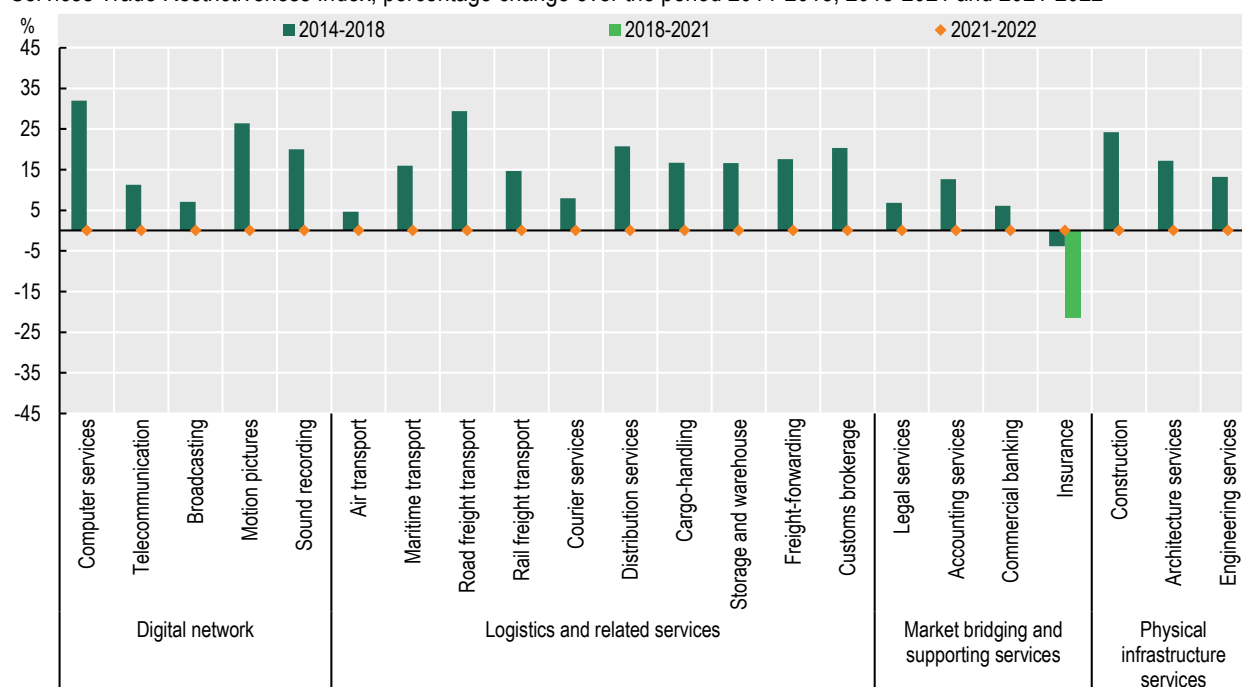
The 2022 index reflects restrictions that apply to key strategic services sectors such as commercial banking. These services sectors are mostly affected by burdensome licensing procedures for companies and market distortion due to differential rules applicable to state owned companies.

Moreover, stringent economy-wide regulations include labour market tests for foreign services suppliers. Foreign investors starting up operations in South Africa must ensure that 60% of total employment is secured for local employees. Procedures to register a company are significantly more numerous and longer than best practice. Preferential treatment for local suppliers under the national procurement law, whose objective is to promote entrepreneurship and support small and medium sized enterprises as part of the Broad-Based Black Economic Empowerment policy framework, increases the stringency of the regulations in all sectors.

South Africa has also been progressively introducing reforms in insurance services over the past years (Figure 2). However, policy changes affecting all services sectors have tightened the regulatory regime in South Africa. These changes include, among others, the introduction of investment screening mechanisms in 2018 and the increase in the number of documents required to obtain a business visa since 2017. No significant change affecting the STRI was identified in 22.

Figure 2. Evolution of STRI indices by sector in South Africa

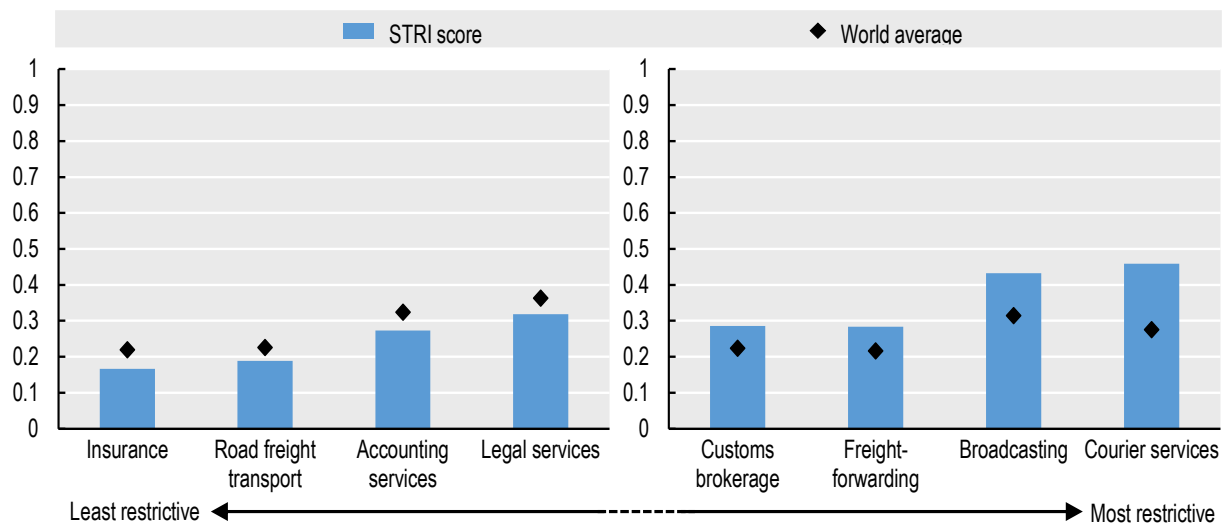
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2021 and 2021-2022



OECD (2022). STRI database.

Insurance, road freight transport, accounting services, and legal services are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Logistics customs brokerage, logistics freight-forwarding, broadcasting and courier services are the sectors with the highest score relative to the average STRI across all countries.

Figure 3. Sectoral breakdown - The least and most restricted sectors in South Africa



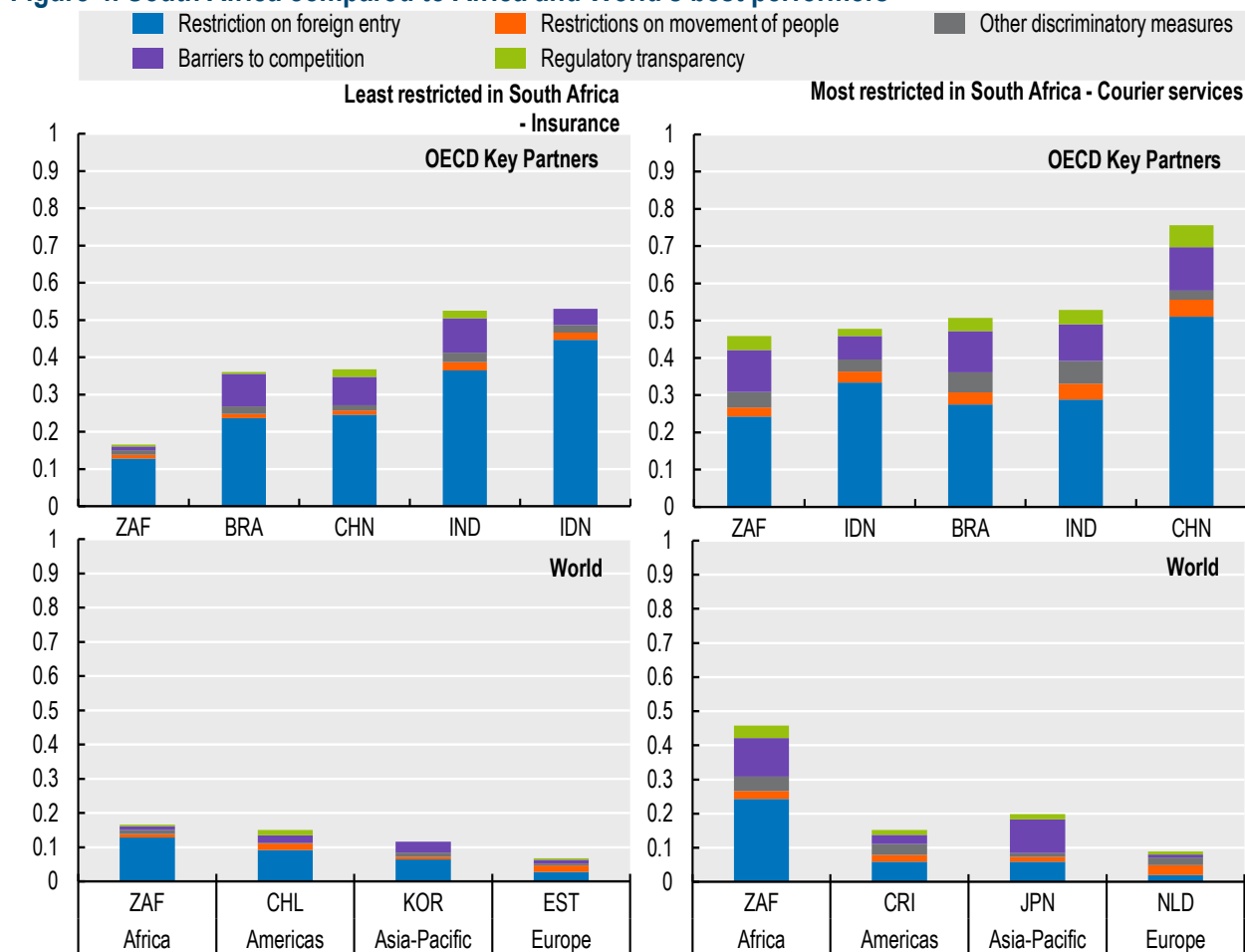
Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD (2022). STRI database.

Insurance services are the least restricted in South Africa compared to the World sectoral average. The composition of the scores suggests that relatively low restrictions on foreign entry and fewer barriers to competition have had an impact compared to other countries. The policies that contributed to bring the score to a relatively low level include increased powers and stability of the supervisory authority and the removal of residency requirements on managers in the sector.

Courier services are the most restricted services sector in South Africa. The restrictions on foreign entry are significant compared to best performers. Some of the measures that contribute the most to the score include screening mechanisms to foreign direct investment, and the requirement of a commercial presence to provide cross-border services (Figure 4).

Figure 4. South Africa compared to Africa and World's best performers

Recent policy changes

No significant change affecting the STRI was identified in 2020-22.

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org