SOUTH AFRICA – 2021

Key findings

- The 2021 STRI of South Africa is above the OECD average and relatively high compared to all countries in the STRI sample. The indices have not changed compared to 2020.
- 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, road freight transport services is the most open sector in South Africa, whereas courier services is the most restricted.

Recommendation

- Innovation and adoption of technology relies on access to knowledge and to the networks, people, goods and services that carry the knowledge around the world. In this context, South Africa could benefit from more open markets for services trade.

The 2021 STRI of South Africa is relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2021

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 2021. The STRI regulatory database covers the 38 OECD countries, 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 STRI and TiVA databases(2021).
The 2021 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 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 over the past years, contributing to easing the conditions for trade and investment in insurance services sector (Figure 2). However, policy changes affecting all services sectors have tightened the regulatory regime in South Africa. These changes include the introduction of investment screening mechanisms in 2018 and the increase in the number of documents required to obtain a business visa since 2017.

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

Services Trade Restrictiveness Index, percentage change over the period 2014-2017, 2017-2020 and 2020-2021

![Figure 2: Evolution of STRI indices by sector in South Africa](source: OECD STRI database (2021)).

Road freight transport, legal services, insurance and accounting services are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Commercial banking, broadcasting, logistics cargo-handling 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. \((\text{STRI}_{\text{country, sector}} - \text{STRI}_{\text{world average, sector}}) / \text{STRI}_{\text{world average, sector}}\). Source: OECD STRI database (2021).

Road freight transport is the least restricted service sectors in South Africa compared to Africa and the other best performers elsewhere while courier services are the most restricted (Figure 4). In this sector, barriers to competition are particularly high compared to best performers across geographic regions.

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

Key reforms

The Protection of Investment Act entered into force in 2018 providing for new restrictions on foreign investments in South Africa. As of 2018, foreign insurance companies can establish branches in the country and insurance providers shall appoint a resident person as its public officer.

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