

# **Sub-National Doing Business Reform Toolkit**

**Registering Property:**  
Business Process Optimisation  
and Automation of Municipal  
Rates Clearance Certificates

**2020/2021**



**WORLD BANK GROUP**



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## 1. Context and Background

South Africa is an active participant in the World Bank’s annual *Doing Business* survey, which provides a measure of the “ease of doing business” in 190 countries (measured for the country’s largest business city – Johannesburg in the case of South Africa). The survey draws on a set of objective indicators that focus on the impact of laws, regulations, and their enforcement for domestic firms in 10 key areas, including Registering Property, presenting country results in terms of an absolute ease of doing business score and a comparative country doing business ranking.

South Africa ranked 84<sup>th</sup> out of 190 economies in *Doing Business 2020*, and 108<sup>th</sup> on the Registering Property indicator. Of critical concern is that over the past decade South Africa has declined 50 places, sliding from a rank of 32<sup>nd</sup> in *Doing Business 2009*.

President Ramaphosa has committed South Africa to be a global top performer and among the top global economies by *Doing Business 2023*.

National Treasury is partnering with the Department of Trade, Industry and Competition (DTIC) Invest SA and the Presidency in advancing South Africa’s *Doing Business* reform programme at the national level.

Simultaneously, National Treasury is collaborating the World Bank and the eight (8) metropolitan municipalities to implement the *Sub-National Doing Business (SNDB)* reform programme, following the completion of the 2015 and 2018 SNDB surveys that measure the business regulation environment in (five) *Doing Business* indicators, including Registering Property in the eight (8) metropolitan (metro) municipalities and Msunduzi.

Figure 1 below displays the results of the second 2018 SNDB survey for two (2) aggregate measures: the ease of doing business (previously the distance to frontier or DTF) score and the ease of doing business ranking. The ease of doing business score shows the distance of each economy to the “frontier” or the global best performance. The ease of doing business ranking complements the DTF (or DB) score by providing a comparative assessment of a city’s performance in business regulation relative to the performance of the other 8 South African cities participating in the SNDB survey.

**Figure 1 Key results of Doing Business South Africa 2018**

Location	Dealing with construction permits		Getting electricity		Registering property		Enforcing contracts	
	Distance to frontier score (0–100)	Ranking (1–9)	Distance to frontier score (0–100)	Ranking (1–9)	Distance to frontier score (0–100)	Ranking (1–9)	Distance to frontier score (0–100)	Ranking (1–9)
Buffalo City (East London)	71.66	6	59.40	5	57.81	6	↑ 51.48	9
Cape Town (Cape Town)	75.48	1	↑ 79.81	1	54.69	7	54.71	7
Ekurhuleni (Germiston)	71.81	4	52.09	6	58.48	4	55.58	5
eThekweni (Durban)	73.65	2	↑ 69.40	2	54.58	8	55.74	4
Johannesburg (Johannesburg)	↑ 68.16	8	↑ 68.77	3	59.68	2	54.10	8
Mangaung (Bloemfontein)	↑ 71.25	7	59.82	4	↑ 59.73	1	59.01	1
Msunduzi (Pietermaritzburg)	↑ 73.17	3	↑ 47.59	8	52.78	9	58.78	2
Nelson Mandela Bay (Port Elizabeth)	↑ 71.70	5	↑ 42.19	9	57.93	5	54.85	6
Tshwane (Pretoria)	↑ 66.25	9	51.24	7	59.39	3	56.14	3

Source: *Doing Business SA 2018*

For Registering Property, Mangaung ranks 1<sup>st</sup> with a DTF of 59,73, with Johannesburg 2<sup>nd</sup> and Tshwane 3<sup>rd</sup> with DTF’s of 59,68 and 59,39.

Viewing these results, it is important to appreciate that the *Doing Business* indicator for *Registering Property* measures of the entire value chain in registering property – that is, the number of procedures, time and cost as a percentage of the value of the property for transferring a small commercial property (a warehouse with less than 50 employees) from the time at which the sale is agreed through to the issuance of a registered title deed to the buyer.

Cities and municipalities are responsible only for the first of seven (7) procedures in the entire process – that is obtaining a municipal rates clearance certificate. The remaining six (6) steps involve the conveyancing profession and the deeds registry as the main institutions that affect the time, complexity and cost of registering property.

That said, cities and municipalities are important stakeholders at the start of the property registration and transfer process. Property owners are responsible for paying municipal rates, and ultimately for any electricity or water bills. It is important for prospective purchasers as well as lessees or lenders to be confident that they are acquiring property rights without any debts, deficiencies or constraints that would constrain their utilisation of the property, or at least to know that these debts, deficiencies or constraints exist so that they can make informed judgements.

This means that cities and municipalities must have up-to-date databases and easy access to the necessary information that any owner, occupant or other interested party would need to know, as well as ensuring that all outstanding municipal debts to the city/ municipality are paid before the property transfer process is completed.

The SNDB reform agenda for the Registering Property indicator is therefore focused on the *automation of the city/municipal rates clearance process, and improving the quality and access to data required in the property transfer process*, as automated processes will enable cities and municipalities to deliver a faster and more robust rates clearance certificate services to their rates-paying customer base.

## **2. Approaches to Rates Clearance Automation**

Cities have followed two (2) distinct approaches to Rates Clearance Automation:

- Collaborating with third party digital solution providers, notably Lexis RatesClearance and e4 Transfers that streamline communication between municipalities and conveyancing attorneys by assisting municipalities in processing and issuing accurate rates clearance figures and certificates using secure electronic environments. The costs of the third party solution are borne by the conveyancing attorneys, so that the municipality is only responsible for facilitating the electronic interface (Cape Town, Mangaung, Buffalo City, and Ekurhuleni).
- Setting up a specific City (municipal)-owned e-Rates Clearance portal to issue electronic rates clearance certificates (Johannesburg, eThekweni, Tshwane, and Nelson Mandela Bay).

Each approach has its own merits and challenges, but ultimately both approaches offer the benefits of automation through streamlined electronic process, reduced manual interaction, faster turnaround times, and reduced costs.

### **3. Key Reforms for Rates Clearance Automation**

#### **3.1. Optimise/ Re-engineer Business Processes**

The first stage is business process optimisation or re-engineering. This is a vital stage as many digital system developers make the mistake of just automating the current paper processes, but the technology enables you to rethink the whole structure and way of doing business.

Optimising or re-engineering the rates clearance system starts with a comprehensive review of the current rates clearance application system, whether the system is a manual or a partially automated process.

Many digital system developers make the mistake of just automating the manual or paper-based processes, but the technology enables a re-thinking of the whole structure and way of doing business. For instance, business processes can include the use of standardised documents with automated links. Optimising or re-engineering the process therefore requires that the current process is analysed, key challenges identified, and solutions for improvement based on a customer-centric approach proposed

Business process re-engineering also requires coordination with a range of both internal and external stakeholders to ensure digital interface across the whole system, rather than a fragmented silo approach to the process.

#### **3.2. Develop the Business Case for Digitisation**

The next step is to develop a business case for digitisation of the application process for a rates clearance certificate.

The business case should draw on process optimisation or re-engineering recommendations, as well as providing for:

- An automated payment gateway;
- Automated billing for conveyancers that ensures a single payment for all applications for a specific conveyancer, rather than single payments per application; electronic refunds;
- Automation of the integration of sub-processes, for instances creating or maintaining municipal business partners and ensuring that all seller and buyer business partner details are correct;
- Accurate linkage of utility (electricity and water) meters to the correct property owner, using smart meters where possible;
- Up-to-date and accurate utilities billing (electricity, water, sewerage, and refuse) data, as well as other relevant data, notably valuation roll data;
- Collection of all debts and lifting of any conditions on the property prior to transfer;
- Electronic refunds;
- Automated move-in (a new account for the buyer is generated) and move-out (a finalised account for the seller is generated and the seller is billed accordingly) processes; and

- Dedicated back office capacity to handle utility billing inquiries and/ or issues.

The business case should also develop the business requirement specifications for a digitised rates clearance certification application process.

### **3.3. Engage with Internal Stakeholders**

The rates clearance application process sees an interdependency between key stakeholders within the city/municipality in an internal property value chain. The rates clearance application initiates inquiries as to the final utilities billing data of the seller prior as an input to the automated move-in, move-out process prior to the property transfer process. This requires that utility meters need to be read rather than estimated on a monthly basis, in order to accurately record utility service consumption for monitoring and billing purposes, unless utility meters are smart meters that electronically record and communicate consumption.

Ensuring that utility meters are read and consumption accurately recorded on a monthly basis, and the consumption data communicated timeously to the revenue department for billing purposes requires that the city/ municipality develop and monitor the implementation of turnaround time performance standards within service level agreements between the revenue department and internal utility departments, notably the electricity and water departments.

City revenue departments should consider setting up a weekly and monthly performance meter reading and billing data dashboard to monitor and manage the implementation of agreed utility meter reading and billing data by city utility departments (electricity and water).

### **3.4. Digitise Rates Clearance Systems**

The digitisation of the rates clearance application process starts off with the procurement and appointment of a solution developer service provider. The system developer then formulates the technical specifications, develops/ configures the electronic system, tests the system (user acceptance testing) before piloting on a selected number of conveyancers before implementing the system in a sequenced approach. The system development includes applying a security certificate to the electronic rates clearance portal, instituting workflow notifications or routing for issues raised on the portal, and procuring and implementing an advanced digital signature for the electronic rates clearance certificate.

It is important to take note that moving from a manual to an electronic process requires significant organisational change management for internal revenue department staff. Ensuring internal revenue staff are well informed or briefed as well as prepared for the organisational change is a critical success factor to the successful implementation of an electronic rates clearance process.

### **3.5. Improve Electronic Governance Policies and Processes**

Transitioning from a manual to an electronic rates clearance process and system requires that the city/ municipality review and where necessary amend and improve its electronic governance policies and processes.

This includes a review of the city/ municipality rates and credit policies, the SLA's with internal utility departments (electricity and water), internal controls, as well as the electronic system security policy, business continuity policy, change management policy, as where appropriate implement an information security management system as well as conduct an independent security assessment of the electronic system.

Amendments and enhancements should draw on proactive peer learning engagements with other cities/ municipalities that have experienced success in implementing an electronic rates clearance system.

### **3.6. Engage External Stakeholders (Conveyancers and Deeds Offices)**

Simultaneous to developing and testing the electronic rates clearance system, the city/ municipality must develop an external stakeholder communications and engagement plan that raises awareness and understanding of among the city's rates-paying clients as well as the private sector conveyancers of the city's/ municipality's intention to transition to a customer-centric electronic rates clearance application process.

The external stakeholder communications and engagement plan should include:

- Quarterly engagements with conveyancers, ensuring increased usage by conveyancers of the electronic rates clearance portal and feedback of their client experience into continuous system improvement;
- Bi-annual customer satisfaction surveys, analysis of results and feedback into a continuous system improvement plan.
- Regular quarterly or bi-annual engagements with the local Deeds Office to ensure optimised property transfer registrations in the Deeds Office, as well as timeous and correct billing of newly registered owners.

From September 2020 onwards, the city/ municipality revenue department and local Deeds Office engagements should also focus on the electronic interface requirements between city electronic rates clearance system and the forthcoming implementation of the electronic deeds registration system (e-DRS) as provided for by the Electronic Deeds Registration System (EDRS) Act (No. 19 of 2019). This may necessitate the development of an appropriate application programming interface (API).

### **3.7. Monitoring and Evaluation for Continuous Improvement**

Once city/ municipal has successfully implemented its electronic rates clearance applications system, the focus should shift to monitoring and evaluating performance to enable continuous system improvements and performance optimisation.

The target should be to process 95%+ of electronic rates clearance certificates in 3-4 days. This target may be phased in, focusing on 95% of rates clearance certificates processed in 8-10 days, then 5-8 days, for example until the system is optimised to process 95%+ certificates in 3-4 days.

Continuous process improvement may necessitate system re-engineering and/or changes to current functionality and validations in more mature systems to improve system efficiency

across the end-to-end property value chain. Key innovations here for instance are uploading of bulk low-cost housing registrations.

### **3.8. Developers One-Stop-Shop solutions**

Cities/ municipalities where there is significant ‘greenfield’ development should consider engaging developers in a one-stop-shop solution that mitigates challenges faced when applying for rates clearance certificates for unregistered ‘children’ even following a property subdivision.

The approach was piloted by the City of Cape Town in 2019 in order to improve the turnaround times for first-time transfer of sub-divided properties to prospective buyers. Cities facing similar challenges should engage in peer learning with the City of Cape Town in this regard.