

NEWS RELEASE

Media Release
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Boosting Competition in African Markets Can Grow Economies and Alleviate Poverty

African countries can experience significant economic growth and poverty alleviation if competition in consumer markets and key sectors is increased. This is according to a report which will be presented in Cape Town, South Africa, by the African Competition Forum (ACF) and World Bank Group tomorrow.

DATE: Thursday, 6 October 2016
TIME: 13h00
VENUE: The Lookout, V&A Waterfront, Cape Town

Breaking Down Barriers: Unlocking Africa's Potential Through Vigorous Competition Policy says tackling cartels and addressing regulations that limit competition in food markets can reduce the cost of basic foods by 10%. Nearly half a million people in Kenya, South Africa and Zambia alone could be lifted out of poverty and households could save over US\$700 million a year.

Lack of competition impacts negatively on consumer welfare in the region, particularly for the indigent. In many cities staple food prices including white rice, white sugar, frozen chicken, bread, butter, flour, milk, potatoes and eggs are at least 24% higher than in the rest of the world, even after taking into account demand and transport costs.

While the report showcases the benefits of competition in particular sectors, it also highlights Africa's progress. Countries or regional blocs with competition laws jumped from 13 to 32 in the last 15 years.

"There have been a notable number of countries adopting competition laws in Africa, and this bodes well for growth and development. However, while the benefits of competition are already clearly observable in Africa, there is still considerable effort required to ensure effective implementation of competition laws and policies across the continent. Collaboration among competition authorities in Africa, bilaterally and through the Africa Competition Forum, and with development partners is key to facilitate capacity building of younger authorities, systematize information on competition challenges and opportunities, and address cross-border competition issues that affect the region," noted Tembinkosi Bonakele, Chairperson of the African Competition Forum and Commissioner of the South Africa Competition Commission.

The publication says fundamental market reforms are critical for competitiveness and economic growth. Sub-Saharan and North African countries have relatively low levels of competition. More than 70% of African countries rank in the bottom half of countries globally on the perceived intensity of local competition and on the existence of fundamentals for market-based competition.

"Strengthened competition policy in Africa not only encourages sustainable economic growth and competitiveness across the continent by creating firms and industries that are more productive, it directly impacts poverty by encouraging firms to deliver the best deals to consumers – particularly the poor -- protecting them from paying higher prices for essential goods and services," said Anabel Gonzalez, Senior Director of the World Bank Group's Trade & Competitiveness Global Practice.

The report says if countries like Kenya, South Africa, Tanzania, Zambia and others were to reform their professional services markets, nearly half a percentage point in GDP growth could be generated through industries which use these services intensively. For a country like Zambia, which had 1.7% GDP growth in 2015, or South Africa, with a 1.3% GDP growth in 2015, this could be significant.

The impact would be multiplied if fundamental reforms were also implemented in services such as electricity, telecommunications, and transport which have higher spillover potential across economies.

Breaking Down Barriers studied the telecommunications sector in 27 African countries and found more than 50% of the mobile market is held by a single firm. The entry of an additional operator would increase mobile subscriptions by 57% and impact on the economy's productivity.

The publication also provides a special focus on competition enforcement and effective market regulatory environments in the cement, fertilizer and telecommunications sectors. It says African consumers could save \$2.5 billion each year through competition law enforcement, removal of non-tariff barriers, and pro-competition rules in the cement sector to enable entry in limestone and clinker production.

It notes that there is room to prioritize resources and use the powers and tools available more effectively to continue raising the relevance of competition policy within the broader development agenda in Africa.

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To view the *Breaking Down Barriers* report, visit:

<http://documents.worldbank.org/curated/en/2016/06/26539089/breaking-down-barriers-unlocking-africas-potential-through-vigorous-competition-policy>

For a summary of the report findings in English, French, Portuguese and Arabic, visit:

<http://www.worldbank.org/en/news/feature/2016/07/27/africa-competition>