

## **MEDIA RELEASE**

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### **Competition Commission welcomes the World Bank Study**

The Competition Commission (Commission) welcomes the World Bank annual economic update released yesterday, 02 February 2016. The study found, among other things, that the Commission is the most active competition authority in Africa and is ranked among the best authorities in the world. This finding is consistent with the Global Competitive Report 2015-2016 which ranks South Africa 13th out of 140 countries regarding the effectiveness of its competition policy.

The World Bank also found that South Africa's Competition Authorities have actively detected and sanctioned cartels in sectors that provide key inputs to households and firms. These include sectors such as food and agro processing (e.g. poultry, grain, and milk), agricultural inputs (e.g. fertilizer and animal feeds) and construction inputs and scrap metal. Between 2005 and 2015, the Commission detected and sanctioned more than 76 cartels (excluding cartels in the construction sector). The Commission's success in the detection of cartels is attributable to its effective corporate leniency policy and multiple raids.

The leniency policy is a compliance tool devised to encourage cartel participants to disclose to the Commission a cartel activity, to discourage or prevent the formation of cartels and to eradicate this harmful conduct. The self-confessing cartel member, who is first to approach the Commission, receives immunity for its participation in cartel activity. In 2015 alone, the Commission conducted four raids involving 19 firms in various sectors.

The World Bank Report notes that competition policy plays a critical role in the alleviation of poverty. For instance, the dismantling of cartels in wheat, maize, poultry and pharmaceuticals (goods that amount to over 15% of consumption basket of the poor in South Africa) has resulted in a reduction in prices for consumers thereby reducing the national poverty rate by 0.4 percentage points. As a result of the Commission's intervention, more than 202 000 individuals were made better off and lifted above the poverty line through lower prices that followed the actions taken against these cartels. The intervention has increased the disposable incomes of the poor by 1.6 percent.

The Commission notes the World Bank's observation that more can still be done through competition policy to promote faster economic growth. We will continue to proactively identify distortions in markets and intervene where necessary.

"In the past fifteen years, as reflected in the account by the World Bank, the Commission's enforcement work has played a critical role in the South African economic growth and poverty reduction. We have intensified our cartel enforcement by undertaking multiple raids and imposing stronger penalties. The Commission has also recently adopted a new vision and strategic direction which provides a fresh impetus to our commitment to regulate for a growing and inclusive economy," said Competition Commissioner, Tembinkosi Bonakele.

The World Bank Report can be found on the World Bank's website: [www.worldbank.org/](http://www.worldbank.org/)

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