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Roundtable on competition policy and poverty reduction

Contribution

Competition Commission of South Africa

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Roundtable on Competition Policy and Poverty Reduction

Contribution by the Competition Commission of South Africa

A. INTRODUCTION

1. The United Nations Conference on Trade and Development will hold a roundtable on Competition Policy and Poverty Reduction at the Twenty-second Session of the Intergovernmental Group of Experts on Competition Law and Policy scheduled for July 2024 in *Palais des Nations*, Geneva, in respect of which it has invited written contributions from interested participants. This note serves as the contribution of the Competition Commission of the South Africa (the Commission) to this roundtable.
2. In this note, the Commission shares its experiences, approaches and contributions towards poverty reduction within the context of competition law and policy.
3. Poverty knows no boundary. It can strike any economy, whether developed or developing. Hence, governments around the globe have multiple instruments targeted at poverty prevention, eradication or reduction. The question is whether competition policy can be used as one such instrument to tackle poverty challenges, and if so, how.
4. There is a direct link between competition and poverty reduction.¹ Most recently, Ezrachi *et al* (2022) observed as follows:

*“Social and economic inequality is on the rise. The rich are becoming wealthier, the income of the middle class is declining, and the poor are struggling to remain afloat. Despite decades of growth and prosperity, despite political promises and perceived efforts to promote equality in some jurisdictions, social polarization is increasing, and is tearing apart the fabric of our society”.*²
5. In the same vein, Stiglitz (2015) reflecting USA’s purported rising levels of inequality of any of the advanced countries, Stiglitz remarked that: *“ever-rising inequality is depressing not only for what it would imply for our society and our democracy, but even for our economy.”* Stiglitz (2015) further suggested that much of the increase in inequality is associated with the growth in rents - including land and exploitation rents (e.g., arising from monopoly power and political influence), and noted that *“if the growth of inequality is the result of public policy, a change in those policies could lead to an economy with less*

¹ See *Contribution from the US FTC to the OECD Session 1 on Competition and Poverty Reduction, 2012.*

² Ezrachi *et al*, *“The effects of competition law on inequality – an incidental by-product or a path for societal change?”*, Oxford University Press, 2022.

*inequality, and even stronger growth.*³

6. Citing economic literature, the IMF (2021) notes that less competition disproportionately hurts the poor, especially in developing economies, and that it contributes to rising inequalities and less inclusive growth.
7. South Africa, characterised by its unique socio-economic landscape, continues to grapple with high levels of poverty and inequality, amongst others. This problem is not unique to South Africa, as world economies (developed and developing) continue to face similar challenges. One of the key goals of South Africa's National Development Plan 2030 (NDP) is the eradication of extreme poverty, reduction in joblessness and doubling of incomes by 2030. The strategic implementation of competition policy holds significant promise as one of the tools for poverty reduction.
8. Eleanor Fox (2013) observed that:

*“There is no such thing as competition law for the rich (well off; enabled) and competition law for the poor... Competition is a vital pro-poor, pro-poorer policy. Access to markets free from artificial restraints empowers outsiders and tends to enhance mobility, fostering inclusive development. Lower prices of necessities obviously help the poor. But competition law and policy cannot do all of the work. There are necessary conditions: food, health, housing, infrastructure and access to capital – which in turn are unlikely to be provided without good governance and rule of law. The multidimensional synergies create a virtuous cycle.”*⁴
9. The above implies that inefficient and highly concentrated markets coupled with weak competition law and policy enforcement may also contribute to increased poverty levels. This submission highlights the critical role that competition policy can play in fostering an inclusive economy, reducing poverty, and promoting equitable growth in developing economies such as South Africa that is plagued by high levels of unemployment and poverty.

B. BACKGROUND

³ See Stiglitz JE, “The origins of inequality and the policies to contain it”, *National Tax Journal*, June, 2015, Vol. 68, No. 2 (June, 2015), pages 425, 428.

⁴ See Contribution to the OECD Session 1 of the Global Forum on Competition (2013) from Ms. Eleanor M. Fox (as she then was) titled “Imagine: Pro-Poor(er) Competition Law”, para. 6 and 51.

The South African Economic Context

10. South Africa, like many countries globally, grapples with socio-economic challenges. South Africa's historical context of 'apartheid' has left a legacy of economic disparities, with a significant portion of the population still experiencing poverty. The nation's Gini coefficient (of 0.67 in 2018) remains one of the highest in the world, thus indicating severe income inequality. With an estimated population of 60.6 million by the end of June 2022,⁵ recent statistics indicate a 45.5% unemployment rate among young individuals aged 15-34 years, in contrast to the national average of 32.9% in the first quarter of 2024.⁶ Further, South Africa experienced over a decade of weak economic growth, with GDP growth averaging only 0.8% annually since 2012, entrenching high levels of unemployment and poverty.⁷
11. The World Bank Study (2018) reflects that poverty remains high for an upper middle-income country with 55% of the population of South Africa being poor at the national upper bound poverty line of ZAR 992 per person per month⁸ in 2015 prices. According to other statistics, as of 2023, an individual living in South Africa with less than ZAR 1,058 (roughly 55.23 U.S. dollars) per month was considered poor.⁹ Furthermore, according to South African national standards individuals having ZAR 760 (ca. 38.68 U.S. dollars) a month available for food were living below the poverty line.¹⁰
12. Moreover, monopolistic practices and market concentration in key sectors have stifled competition, leading to higher prices and limited access to goods and services for the poor. This begs the question whether competition policy has any role to play in poverty reduction.

The Role of Competition Policy in Poverty Reduction

⁵ <https://www.statssa.gov.za/?p=15601>, last accessed on 14 May 2024.

⁶ <https://www.statssa.gov.za/?p=17266>, last accessed on 20 May 2024.

⁷ See the National Treasury 2024 Budget Review Economic Outlook, available at: <https://www.treasury.gov.za/documents/National%20Budget/2024/review/Chapter%202.pdf>, last accessed on 15 May 2024.

⁸ Using the US dollar exchange rate as at 31 December 2015, this equates to US \$64 per person per month.

⁹ See International Bank for Reconstruction and Development / The World Bank (2018), *Overcoming Poverty and Inequality in South Africa*, available at: <https://documents1.worldbank.org/curated/en/530481521735906534/pdf/Overcoming-Poverty-and-Inequality-in-South-Africa-An-Assessment-of-Drivers-Constraints-and-Opportunities.pdf>.

¹⁰ See <https://www.statista.com/statistics/1127838/national-poverty-line-in-south-africa/#:~:text=Upper%2Dbound%20poverty%20line%20%E2%80%93%20R1,to%20the%20food%20poverty%20line>, last accessed on 05 June 2024.

13. It is widely accepted that competition policy promotes market efficiency, drives innovation, and ensures consumer welfare. In South Africa, where monopolistic and oligopolistic structures dominate many industries, effective competition policy can dismantle these concentrations of power, fostering a more dynamic and competitive market landscape. This has direct and indirect benefits for poverty reduction, as follows:

13.1 Lowering prices and improving access to goods and services: by preventing anticompetitive practices such as price-fixing and market allocation, competition policy can lower prices for essential goods and services.¹¹ This is particularly important for low-income households, for whom high costs of basic necessities exacerbate poverty. Indeed, inflated prices arising from anticompetitive practices disproportionately affect the poor.

13.2 Encouraging innovation and efficiency: competitive markets drive innovation and efficiency as firms strive to improve their products and services to gain a competitive edge. This dynamic not only leads to better consumer choices but also spurs economic growth. Innovation can lead to the development of new industries and job opportunities, crucial for poverty alleviation in the market/s globally.

13.3 Enhancing market access and reducing barriers to entry: small and medium enterprises (SMEs) serve as pillars for economic growth and job creation globally. However, they often face significant barriers to entry in markets dominated by large conglomerates. By promoting inclusive growth and entrepreneurship, competition policy can help lift many people from poverty, particularly in developing economies such as South Africa.

14. Against this backdrop, it is equally important to provide a brief outline of the competition legislative framework in South Africa, which underpins the need for tackling social ills such as poverty in addition to addressing the traditional competition concerns.

C. COMPETITION LEGISLATIVE FRAMEWORK IN SOUTH AFRICA

15. In South Africa, the main legislative instrument that was adopted to transform the economy post-apartheid is the Competition Act 89 of 1998 (the Competition Act), with its primary objective to open the economy for participation by the previously excluded majority of the

¹¹ For example, Kovacic (2007) recognising that collusion between suppliers in public procurement imposes costs on consumers, particularly the poor, observed that “even small improvements in the performance of public procurement programs can yield large social benefits, especially for the least affluent citizens”.

population and to set the economy on a growing and inclusive path.

16. The objectives of the Competition Act includes the promotion of competition, preventing abuse of dominance and cartels, merger control and addressing inclusion and poverty reduction. Further, the deliberate inclusion of public interest factors in competition enforcement such as employment and impact on a particular region is very crucial in addressing socio-economic challenges faced by a developing country such as South Africa. For example, South African competition authorities are able to use merger control by addressing certain challenges that may be faced by a particular region/sector in the country.

17. From the onset, the South African Competition Act had a clear focus on both competition and developmental objectives.¹²

18. The parts of the preamble and section 2 (which sets out the objectives of the Competition Act) indicate that the legislature intended that competition policy under the Competition Act should be broadly framed, embracing both traditional competition objectives as well as transformative public interest goals. As the Competition Appeal Court (CAC) explained in *Walmart*:

*“By virtue of an embrace of the goals of a free market and effective competition together with an incorporation of uniquely South African elements, including the need to address our exclusionary past, which need is reflected expressly in the preamble together with s 2 of the Act, the legislature imposed ambitious goals upon the competition authorities created in terms of the Act. Within the context of the present dispute, this ambition is further captured in s 12A which mandates an enquiry into substantial public interest grounds.”*¹³

19. Recognising the importance of an inclusive and vibrant economy, the Constitutional Court (which is the apex court in South Africa) per Mogoeng CJ (as he then was) observed the following in *Mediclinic*:¹⁴

*“It does not require an award-winning and world-acclaimed economic scientist to be persuaded that almost everything of consequence turns on the economy, here and across the nations of the earth. The ability of government and a nation to function in keeping with and for the advancement of shared constitutional aspirations, in circumstances where integrity and meritocracy are necessarily allowed to occupy their rightful place, depends largely on the state of the economy. After all, **poverty***

¹² See for example the Preamble to the Competition Act as well as section 2 thereof.

¹³ *Minister of Economic Development and others v Competition Tribunal and others* (Case no. 11/CAC/Jul11) (hereto referred as *Walmart*), at para 98.

¹⁴ *Competition Commission of South Africa v Mediclinic Southern Africa (Pty) Ltd and Another* [2021] ZACC 35 (hereto referred as *Mediclinic*), at para 2.

alleviation, the provision of high-quality education, the best health-enhancing facilities or necessities, and the enablement of the best business environment and job opportunities, would all be a pipe dream in the absence of an inclusive, ethical, truly human rights-oriented and vibrant or prosperous economy. This is what the notion or philosophy of business with a conscience or a social justice-sensitive economy is about. (Emphasis added)

20. In 2019, there were significant amendments to the Competition Act, with a sharp focus on economic transformation, inclusion and addressing high levels of market concentration, which sought to deliberately open up market access for SMEs and businesses owned by historically disadvantaged individuals (HDPs). The amendments also sought to bring flexibility in as much as possible allowing firms to collaborate in pursuing South Africa's economic developmental goals. For example, under these amendments the criteria for exemptions from possible competition law violations has been broadened to include conduct whose objective is to include competitiveness and efficiency gains that promote employment or industrial expansion. The 2019 amendments also enable the Commission to use **market inquiries** as a tool in intervening in any markets where there is likely to be some market distortions. This may also include tackling poverty-related issues including inequality through market inquiries.

21. In South Africa, from a policy perspective, and to reinforce the more expansive approach to competition regulation, on 19 May 2021, the South African government published a statement on "Competition policy for jobs and industrial development", outlining competition policy priorities. Specific policy priorities include pursuing public interest in merger control with specific focus on five areas - employment, broad-based ownership, supplier development and localisation measures, investment, and downstream beneficiation. Further, other critical areas of competition regulation are to focus on market inquiries to address harmful effects of economic concentration, cartel and abuse of dominance investigations to address anti-competitive behaviour by large firms as well as new areas for competition regulation with specific focus on digital markets, cross-border coordination and national security considerations.

22. As former chairperson of the Competition Tribunal of South Africa (David Lewis) previously observed at the OECD Global Forum on Competition (Lewis., D (2013)):

"...while the South African Competition Act has been much criticised for its inclusion of 'non-competition' objectives, the stark fact is that, however difficult, competition law and its enforcers has little choice but to be seen to be addressing inequality and

poverty”¹⁵ (**Emphasis added**).

23. Further, Lewis., D (2013) correctly contends that:

*“the Competition Act is a foundational piece of socio-economic legislation whose successful adoption and implementation does not only necessitate that it achieves legitimacy not only with those who possess rights in property, but that it is also seen to be addressing the concerns of other classes and interest groups and the major economic problems which they confront, namely unemployment, poverty and inequality in wealth, income and opportunity”*¹⁶ (**Emphasis added**).

24. Ezrachi *et al* (2022) observed that specific provisions in the competition rule book may be used to reduce inequality, for example, citing South Africa as a striking example where the Constitution requires affirmative action empowering historically disadvantaged groups, and in line with this requirement, the competition laws incorporate inclusiveness as a relevant value.¹⁷ Ezrachi *et al* (2022) also observes that while such direct reference to equality is rather unique, more common are related values that may potentially address inequality by means of other factors. The European Union is one such example where its competition laws make reference to the value of fairness, target unfair pricing and trading conditions, and can be applied and developed with a view to a wider policy concerns such as social and consumer protection. Also, Indonesia competition law safeguards the public interest and enhances the efficiency of the national economy aimed at improving the welfare of its people. Further examples include South Korea and Taiwan, with the latter’s competition law targeted at *inter alia* promoting economic stability and prosperity.

25. It follows that for any competition regulator to contribute to improving the standard of living and reducing poverty domestically, their competition policies should have an enabling framework that promotes *inter alia* employment creation, innovation, greater economic growth, and availability of more products and services at affordable and economic prices for the consumers. For example, Massimo Mota (2018) recognises that low levels of competition negatively impact productivity. The World Bank report (2003)¹⁸ reflects that economies with competitive domestic markets tend to have higher levels and rate of growth in per capita income. Domestically, recognising the promotion of competition as a key driver of growth, for instance in 2019 the National Treasury advocated for greater focus on competition encapsulated in its broader call for structural reforms aimed at raising

¹⁵ See Lewis, D.’s contribution to the OECD under Session 1 of the Global Forum on Competition held on 28 February and 1 March 2013, page 4.

¹⁶ *Ibid*, page 4, at para. 16.

¹⁷ Ezrachi *et al*, “The effects of competition law on inequality – an incidental by-product or a path for societal change?”, Oxford University Press, 2022.

¹⁸ See World Bank, *Global Economic Prospects and the Developing Countries Report*, 2003.

potential growth rates.¹⁹ The World Bank (2017) observed the potential positive effect on productivity growth attributed to lower profit margins due to a more competitive environment. This report cites that a 4.5% increase in productivity rate growth could result from a 10% reduction in price-cost margins. It therefore follows that achieving sustained broad-based growth, that is growth shared by a majority, is paramount to tackle poverty.²⁰

26. As Eleanor Fox (2013) opines, for developing country competition authorities to assist in contributing towards poverty alleviation, they must *seek out those restraints that cause the most harm to their people, especially the poorest people*. These include challenging domestic laws that may create or strengthen monopolies and government policies that may limit competition, engaging in robust advocacy initiatives, tackling hard-core cartels – whether domestic or cross-border, abuse of dominance, buyer power, and anti-competitive mergers.

D. THE COMMISSION'S PRIORITISATION FRAMEWORK

27. The Commission's prioritisation framework is one of those proactive strategies that the Commission has embarked on which enables it to tackle those restraints that cause the most harm to South African citizens, especially the poorest people.

28. Besides case interventions (discussed below), the Commission has over the years (i.e., since 2008) been proactive (and continues to do so) in its strategic focus on poverty reduction and addressing inequality challenges particularly in relation to those sectors that affect low income consumers. To this end, the Commission has adopted a 'prioritisation' framework which is the Commission's approach of identifying and selecting strategic sectors in which it focuses its enforcement and advocacy work.

29. The Commission's prioritisation criteria includes, amongst others, sectors with a direct impact on consumers, particularly the poor. The selection of priority sectors has allowed for effective allocation of resources and it has ensured the alignment between the focus areas of the Commission and those of Government. Prioritisation has also allowed for targeted impact of the Commission's work in significant areas of the economy. The

¹⁹ See National Treasury (2019), *Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa*, available at: https://www.treasury.gov.za/comm_media/press/2019/towards%20an%20economic%20strategy%20for%20sa.pdf

²⁰ See IMF Working Paper, "Competition, Innovation, and Inclusive Growth", (2021).

Commission's prioritisation sectors include amongst others agriculture, food & agro-processing, Information and Communication Technology and digital markets, energy, transport & automotive, banking & financial services, manufacturing, healthcare, construction services, property and infrastructure.²¹ This proactive strategic approach has yielded positive results over the years.

30. Below are some of the examples of the South African competition authorities' efforts contributing towards addressing poverty challenges.

D. SELECTED KEY INTERVENTIONS BY SOUTH AFRICAN COMPETITION AUTHORITIES

31. In line with the legislative mandate, the South African competition authorities have been and continue to play an instrumental role in the pursuit of developmental objectives, some of which contribute towards poverty reduction. These interventions range from effective competition law and policy enforcement through abuse of dominance, advocacy, cartels, merger control, and market inquiries.

32. Over the years the Commission also published its enforcement strategies and priorities intended to support the government's anti-poverty strategies and other developmental objectives. These include conducting market inquiries, prioritisation of sectors and cases with the highest impact on society, particularly the vulnerable groups, amongst others.

33. More broadly and perhaps from the perspective of poverty alleviation and inequality, many of the Commission's investigations, interventions and initiatives focused on telecommunications, retail products and services, food, healthcare,²² energy, transport,²³

²¹ See for example, the Commission's Annual Performance Plan (based on Strategic Plan 2020-2025), available at https://static.pmg.org.za/28_March_2024_-_Competition_Commission_APP_2024-25.pdf, last accessed on 05 June 2024.

²² For example, in 2015, the Commission recommended to the Competition Tribunal a prohibition of a merger because the transaction appeared to threaten the development of an embryonic product which would, if successful, have lowered the cost of private health insurance. Had this merger implicated a market of lesser social significance than that of healthcare, it is likely that this merger would have been approved. Accordingly, the Tribunal concluded that the nature of the market and parlous state of the South African public healthcare provision justified a particularly cautious approach to a merger that may have had the effect of limiting the development of a product that would have promoted access to private healthcare. See *Medicross Healthcare Group (Pty) Ltd/Prime Cure Holdings (Pty) Ltd* (CT Case No.: 11/LM/Mar05). It bears mentioning that this decision was reversed on appeal by the CAC.

²³ See Box 7 below.

public procurement,²⁴ amongst others. Where possible, the Commission advocated (and continues to do so) for a blended form of administrative penalties comprising both the payment of fines and compensation in the form of discounts/donations to consumers (for e.g., the margarine²⁵ and bread cartels) and contribution towards development funds (discussed below). In the case of mergers, some remedies included provision of funding towards the tertiary education of historically disadvantaged learners,²⁶ employment preservation and protection in the form of headcount maintenance,²⁷ creating new jobs, ensuring that terms and conditions of employment are no worse off than pre-merger, proscribing retrenchments for a certain period,²⁸ setting up of employment share ownership programmes (ESOPs),²⁹ amongst others.

34. As alluded to earlier, it is important to note that the South African competition authorities' intervention can be based on either competition law or public interest grounds or both, depending on the circumstances of each case.

35. Below is a summary of selected few cases the intervention of which plays a significant role towards poverty alleviation, starting with interventions of strictly competition law dimension followed by those invoking non-competition considerations.

Excessive Pricing

36. The Commission has been instrumental in driving down prices for the benefit of consumers, particularly low-income consumers, in respect of the anti-retroviral drugs and the COVID-19 test kits. This is discussed below.

²⁴ See fn. 9 above citing Kovacic (2007) in respect of which he emphasises the importance of intervening in public procurement. Also refer to Box 8 below.

²⁵ See Box 5 below.

²⁶ See, for example, *Telesure Investment Holdings (Pty) Ltd and Renasa Holdings (Pty) Ltd; Concourse Holdings (Pty) Ltd; and Summit Risk Holdings (Pty) Ltd*, CT Case No.: LM107Sep22.

²⁷ See, for example, *The Coca-Cola Company and Coca-Cola Beverages Africa (Pty) Ltd*, CT Case No.: LM021Apr17.

²⁸ See, for example, *Blue Falcon 188 Trading (Pty) Ltd and "John Craig" Business*, CT Case No.: LM161Nov20.

²⁹ See para. 56 below.

Box 1: Fair pricing of HIV/AIDS drugs (*Hazel Tau* case)

In 2002, Hazel Tau, the Treatment Action Campaign and other complainants represented by the AIDS Law Project lodged a complaint to the Commission alleging that first-line antiretrovirals (ARVs) used to treat HIV/AIDS were excessively priced. At the time, these drugs were only available to the private sector and were largely unaffordable. As an example, at the time, the South African price for ARV drug AZT was 665% higher than the best-priced generic for AZT available elsewhere in the world. Pursuant to an investigation, the complainants and the Commission concluded settlement agreements with the two multi-national pharmaceutical companies, GlaxoSmithKline SA (Pty) Ltd and Boehringer Ingelheim (Pty) Ltd, which in turn granted the market immediate access to generics and led to a major decrease in the prices charged for first-line ARVs in sub-Saharan Africa.

37. The *Hazel-Tau* case is a ground-breaking case for fair pricing of HIV/AIDS drugs - not only for South Africa but also for all of sub-Saharan Africa. This intervention have prolonged and improved the quality of life of South Africans living with HIV & AIDS. The Commission's intervention in this market has also enabled the state to expand treatment of HIV/AIDS at a much more reasonable cost than it would have been, absent the intervention.³⁰ The *Hazel Tau* case remains relevant today as it further illustrates some of the measures that a country can undertake through competition law enforcement to accelerate broader access to medicines at fair prices, in a timely manner, and giving effect to Constitutional rights of health care within the ambit of competition law. Most importantly, the *Hazel Tau* case illustrates the fact that competition law and policy is one of the measures available to progressively realise the right to health care for all. Overall, this settlement had the effect of addressing inequality and access to medicines mostly faced by vulnerable people, particularly the poor.

Covid-19 interventions

38. In addition, similar to other jurisdictions, South African competition authorities have responded positively and proactively in addressing COVID-19 related challenges, during the pandemic era. In particular, the South African competition authorities played a pivotal role addressing the exorbitant prices charged for the COVID-19 test kits. Through regulatory intervention, a significant reduction in prices of PCR Test kits was achieved

³⁰ For further details on the *Hazel Tau* case, see the Commission's Note (2018) to the OECD titled "Excessive Pricing in Pharmaceutical Markets – Note by South Africa", available at: [https://one.oecd.org/document/DAF/COMP/WD\(2018\)117/en/pdf](https://one.oecd.org/document/DAF/COMP/WD(2018)117/en/pdf), last accessed on 04 June 2024.

(from about R850 (circa USD44) to no more than R500 (circa USD26) per test with immediate effect, for a period of 2 years, ensuring widespread access during the COVID-19 pandemic. The COVID-19 pandemic necessitated widespread testing, and the high costs associated with these tests threatened access to crucial diagnostics.

Cartel enforcement

39. Key cases that had impact over the years include cartels concerning bread and wheat milling, fertiliser and margarine, as outlined below.

Box 2: Cement Cartel

In 2008, the Commission uncovered evidence of collusion among cement manufacturers, leading to artificially inflated prices in the cement industry. This collusion, known as the “cement cartel”, involved major players such as Lafarge, Pretoria Portland Cement (PPC), AfriSam, and Natal Portland Cement (NPC) colluded to fix prices and allocate territories since at least 1995 to 2009.

Prior to this period, the cement cartel was sanctioned by the government of South Africa since around 1940 and was formally ended in 1995 under the new democratic rule, but the firms continued with the practices after the permitted cartel ended.

Following an investigation, the competition authorities in South Africa found that in 1998 cement producers congregated in Port Shepstone, a coastal town in South Africa, to reestablish the cartel, which was momentarily disrupted in 1995, with the firms engaging in a price war for most of the periods in 1996 and 1997.

The cartel conduct had significant implications for consumers, particularly in the construction industry, where cement is a fundamental input. For example, the inflated prices limited access to affordable housing, infrastructure development, and other construction projects, ultimately hindering economic growth and exacerbating poverty in South Africa.

The Commission’s investigation into the cement cartel resulted in a groundbreaking settlement agreement in 2011. Under this agreement, the implicated companies (i.e., AfriSam and Lafarge) admitted to price-fixing and agreed to pay substantial fines totalling over R274 million (ca. US \$100 million at the time).

The case against NPC was dismissed in 2020 by the courts for lack of evidence, whilst there was no action against PPC due to its cooperation with the competition authorities as a whistleblower.

40. The intervention by the South Africa’s competition authorities had a direct impact on poverty reduction by lowering construction costs, boosting economic activity, improving access to housing, and enhancing competition.

41. What is evident is that the cement cartel in the South African Customs Union had lasting harm on consumers. To prove this harm, a study in 2016 found that the cartel overcharge during the cartel period was between 7.5% and 9.7%. This study found that the cartel for the period between 2010 and 2013 led to consumer savings of between 2010 and 2013 led to consumer savings of between R4.5 billion (ca. US \$500 million) and R5.8 billion (ca. US \$645 million) in South Africa, which benefits could have been higher had the competition authorities successfully busted the cartel at first attempt in 2000.
42. A World Bank Report (2016) noted that prices of cement “in Africa were 183 percent higher, on average, than the world price of cement at the end of 2014”. This report further observed that the busting of this regional cartel, followed by the first entry of new firms in 80 years, lowered cement prices, while generating investment and creating jobs.³¹
43. The successful prosecution of the cement cartel arguably exemplifies the transformative power of competition policy in addressing poverty and promoting inclusive economic growth in South Africa.

³¹ <https://www.worldbank.org/en/news/press-release/2016/02/02/promoting-competition-could-lift-south-african-growth-boost-poverty-alleviation>, last accessed on 15 May 2024.

Box 3:

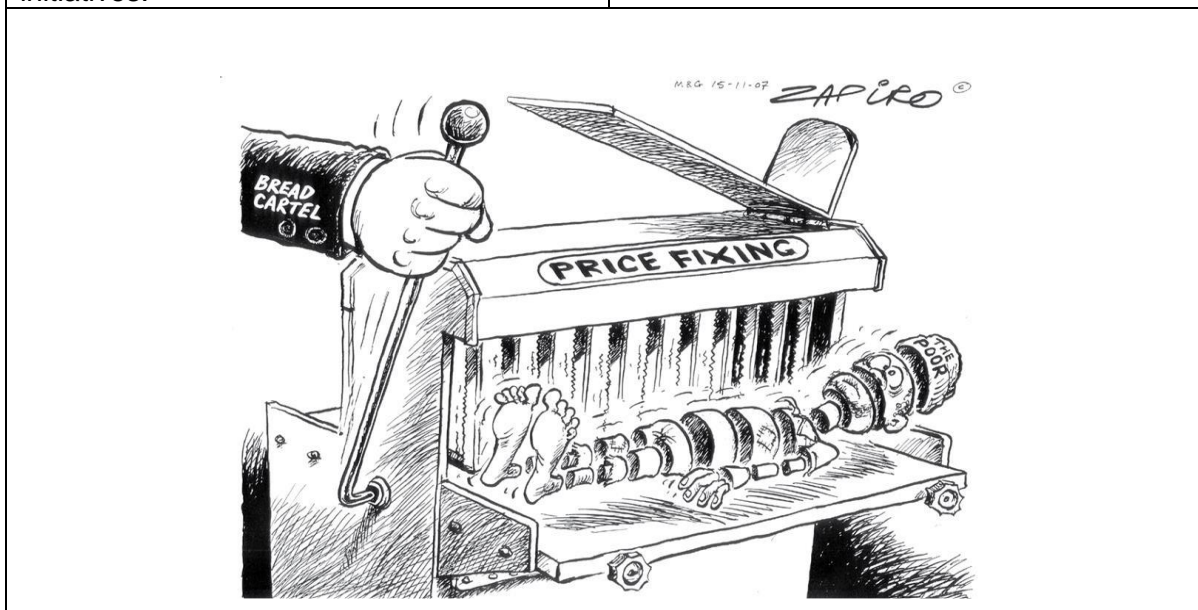
Bread Cartel

In 2007, the Commission uncovered evidence of collusion among major bread producers, including Tiger Brands, Premier Foods, Pioneer Foods, and Foodcorp. The cartel took place from 1996 to 2007. This led to artificially inflated bread prices across the country.

The Commission's investigation into the bread cartel culminated in a landmark settlement in 2009. Consequently, the implicated companies admitted to their involvement in the cartel and agreed to pay administrative penalties totalling over R1 billion (ca. \$140 million at the time). They also committed to implementing measures aimed at promoting competition in the bread market, including price reductions and investments in socio-economic development initiatives.

Wheat milling cartel

Foodcorp, Pioneer Foods, Premier Foods, and Tiger Brands admitted that they were all part of a cartel that fixed selling prices as well as the implementation dates of such prices and allocated market for wheat flour. When Premier Foods applied for corporate leniency as per the Commission's corporate leniency policy in the bread cartel case, it also flagged that the cartel extended to the milling industry as well. Tiger Brands confessed its role in the bread cartel and provided further evidence on the milling cartel. In 2010 and 2012, the Tribunal confirmed a consent agreement between the Commission, Pioneer Foods and Foodcorp regarding the firms' involvement in the milling cartels, respectively.



44. The aforesaid cartel fixed the price of flour, bread and maize meal and allocated customers in flour and bread from 1996 to 2007.

45. The bread cartel conduct had severe consequences for consumers, particularly low-income households, who rely heavily on bread as a staple food item. The inflated prices strained household budgets, limiting access to affordable nutrition and exacerbating

poverty and food insecurity. In addition, small bakeries closed and people lost their jobs due to these cartel activities.

46. This intervention had a tangible impact on poverty reduction by lowering food costs, alleviating poverty, promoting competition through dismantling of the cartel, and supporting socio-economic development. In particular, the reduction in bread prices resulting from the dissolution of the cartel eased financial burdens on low-income households, improving their access to affordable nutrition and enhancing food security, amongst others. Further, reduced bread prices positively impacted household budgets, freeing up resources that could be allocated to other essential needs, such as education, healthcare and housing, thereby contributing to poverty alleviation.

47. Although the extent of the damage could not be accurately quantified, the Tribunal observed that *'the result of this was that poorest of all South Africans paid more for their bread than any other person'*. For example, in the case of flour cartel from 1999 to 2007 and using both private and publicly available price data to estimate the cartel price overcharge, Mncube (2013) found that the overcharges to independent bakeries in flour range from 7% to 42%. Mncube (2013) also found that the cartel profits were approximately two times higher during the cartel than the price war year 2002 or the post collusion year 2008.³²

³² See Mncube L (2013), "The South African wheat flour cartel: overcharges at the mill", available at <https://link.springer.com/article/10.1007/s10842-013-0172-y>, last accessed on 5 June 2024.

Box 4: Fertilizer Cartel

In 2018, the Competition Tribunal confirmed as an order a settlement agreement reached with Omnia Fertilizer Limited (Omnia). Omnia agreed to pay R30 million (ca. US \$2.3 million at the time) administrative fine for contravening the Competition Act. The agreement followed an admission by the fertiliser producer, Omnia, that between 1998 and 2005, its Nitrochem division (Nitrochem), fixed prices and allocated markets in the fertilizer market in contravention of the Competition Act. In a case marked by protracted litigation, in 2003 Nutri-Flo CC and Nutri-Fertilizer CC complained to the Commission that Sasol Chemical Industries Limited's (Sasol) was involved in anti-competitive conduct. There were also allegations of collusive conduct against Omnia and its Nitrochem business. Subsequently, there was an investigation which discovered that there was an arrangement so that Sasol became the exclusive supplier of limestone ammonia nitrate (LAN) to the wholesale market. Further, the investigation found that there were arrangements to fix the prices of LAN and other fertilizers as well as allocating customers, suppliers and volumes. These collusive arrangements were facilitated through meeting platforms such as Nitrogen Balance Committee, Import Planning Committee and the Export Club. The collusion related to ammonia, potash, urea, mono-ammonium phosphate (MAP), diammonium phosphate (DAP), and LAN. In May 2005 Sasol, Yara South Africa (Pty) Ltd and Omnia, were charged with market allocation and price fixing. In May 2009, Sasol paid an administrative penalty of about R251 million (ca. US \$36 million at the time) after it signed a settlement agreement with the Commission in which it admitted to have contravened the Competition Act. Yara has since been liquidated.

Box 5: Margarine Cartel

In 2023, the Competition Tribunal confirmed a settlement agreement, arising from possible market division in the edible fats and oils industry in South Africa between 2004 and approximately 2012, in terms of which Unilever agreed to pay the penalty (which was a negotiated figure between Unilever and the Commission, and not a penalty-imposed sum). Unilever also committed to additional remedies comprising: the establishment of an Enterprise Supplier Development Fund valued at R40 million (ca. US \$2.1 million at the time). The Fund will provide interest-free business loans to qualifying black-owned entities in the manufacturing, logistics and wholesale industries in addition to the provision of interest-free business loans to qualifying black-owned firms requiring start-up funds to enter the logistics, wholesale and distribution industries. Further commitments include local procurement whereby Unilever will increase the aggregate annual value of its local procurement of products and services from entities operating in South Africa by a minimum of R340 million (ca. US \$17.6 million at the time) for 4 years, as well as donation of hygiene products to public schools for 5 years valued at R3 million (ca. US \$156 000 at the time).

48. As the World Bank Report (2016) observed *“tackling anticompetitive practices can also accelerate progress toward the goal of poverty reduction. Our analysis shows that removing cartels in basic food products and commodities can bring substantial benefits to households, especially the poor”*.

Interventions in merger control on public interest grounds

49. There has also been several interventions on the mergers and acquisitions' front. Selected interventions are summarised below.

Box 6: Metropolitan Holdings/Momentum Group Ltd (41/LM/July10)

In 2010, in a merger between two major players in the insurance industry, the Competition Tribunal found that whilst the merger presented no competition concerns, it did raise significant public interest concerns in terms of negative effects on employment. The merging parties estimated the loss of 1500 jobs post-merger. Laying down its administrative set of rules governing its approach to employment loss, the Tribunal imposed an evidentiary burden which the merger parties failed. Here, the merger parties were required to show that a rational process had been followed in order to arrive at the estimated job losses. It emerged that the extent of job loss was determined, not by the employment requirements of the merged entity. Instead, this was determined by an attempt to induce shareholders to agree to the merger transaction through estimating a level of savings that would be achieved by the merger.

The merger parties were also required to demonstrate that the public interest in preventing job loss was balanced by an equally weighty, but countervailing public interest which justified the job loss as recognised by the Competition Act. The merger parties could not show that either long term employment or consumers would benefit from the job loss.

Consequently, the Tribunal approved the merger subject to a 2-year moratorium on any merger related employment loss excluding senior management positions.

50. Another interesting case is the **Walmart Stores Inc/Massmart Holdings** merger,³³ which is summarised below. This merger involved the acquisition of Massmart, a large South African grocery and general retailer, by the US giant, Walmart. Since Walmart was a new entrant in South Africa, there were no negative competition implications. It was generally accepted that Walmart's presence would enhance competition in the retail grocery and household products sector in South Africa. As part of the rationale, recognising that

³³ CT Case No.: 73/LM/Nov10; CAC Case Nos.: 110/CAC/Jul11, and 111/CAC/Jun11.

Massmart had a weak presence in the retailing of fresh food, Walmart viewed this as a major opportunity for the merged entity as the merger would impact positively on the low income consumers who are Walmart's traditional customer base.

51. During the merger hearing, the Commission recommended that all 503 employees who were retrenched should be reinstated and that the merged entity must honour the existing agreements with the trade unions for at least a period of 3 years. The Tribunal agreed with the Commission that the proposed merger did not raise competition concerns. However, the Tribunal differed with the Commission and held that the merger raised certain public interest concerns, which concerns were adequately remedied by the imposition of the conditions submitted as undertakings by the merger parties. These include:

51.1 No merger-specific retrenchments for 2 years post-merger;

51.2 Merged entity to give preference to the 503 retrenched employees when employment opportunities become available in the future.

51.3 Merged entity to honour existing labour agreements with trade union for a 3-year period.

51.4 Merged entity to establish a R100 million support development programme for local South African suppliers, including SMEs, over a 3-year period. Merged entity to also establish a training programme to train these suppliers on how to conduct business with the merged entity and Walmart.

52. Unsatisfied with the outcome, SACCAWU (a trade union) and three government departments appealed and reviewed the Tribunal's decision at the Competition Appeal Court (CAC), respectively. They felt that the Tribunal remedies did not adequately address the effect of the merger on employment and local procurement. The CAC agreed that the merger had brought attention to the challenges posed by global value chains on the South African economy, however its considerations of the conditions were limited to identifying a solution to respond to the merger-specific risks of the transaction, more so the impact on local producer SMEs and their interactions with the global value chain of the merged entity.

53. The CAC was not satisfied that the proposal of a R100 million (ca. US \$5.4 million) was properly ventilated, how the remedy would operate, whether an amount of (ca. US \$5.4 million) was excessive or too little and, further, what effect the proposal would have in dealing with the concern that, at the very least, post the merger there would be some substitution of local procurement for import. Accordingly, the CAC ordered the following:

- 53.1 No merger-specific retrenchments for 2 years post-merger.
- 53.2 Reinstatement of the 503 retrenched employees (in 2009 and June 2010).
- 53.3 Merged entity to honour existing labour agreements with trade union for a 3-year period.
- 53.4 Merged entity to commission a study to determine the most appropriate means together with the mechanism by which local South African suppliers may be empowered to respond to the challenges posed by the merger and thus benefit thereby.
- 53.5 Massmart to establish a R200 million (ca. US \$11 million) supplier development fund over a 5-year period.

54. The inclusion of the public interest objectives in South Africa signifies that these interventions are necessary in the realisation of developmental aspirations of a developing country such as South Africa. As Lewis, D. (2013) opined:

“The primary lessons to be drawn from South Africa’s experience with the incorporation of public interest objectives, objectives which are designed to support employment creation (and limit job loss) and small enterprises, into the decisions of the competition authorities is that it is wholly possible to balance non-competition and competition considerations.”³⁴

55. In yet another interesting and impactful development, in 2020, the Competition Tribunal approved PepsiCo Inc.’s (“PepsiCo”) indirect acquisition of Pioneer Food Group Limited (“Pioneer”), through PepsiCo’s South African subsidiary, Simba (Pty) Ltd. The merger was the first major transaction in which the promotion of a greater spread of ownership in firms, in particular, by workers and HDPs, is a central issue when assessing a proposed merger under the newly implemented provisions of the Competition Amendment Act 2019.

56. PepsiCo, known to be one of the world’s largest food and drink companies, owns brands including Pepsi, Lays, Doritos and Gatorade. Pioneer is one of the largest South African producers and distributors of a range of branded food and beverage products including Weet-Bix, Liqui-Fruit, Ceres, Sasko, Safari, Spekko and White Star. Of relevance to this submission is that the merger conditions/remedies included, amongst the others:

56.1 Broad-Based Black Economic Empowerment (B-BBEE): The merged entity would implement a B-BBEE ownership plan in terms of which it will provide for PepsiCo common stock to the value of R1.6 billion (ca. US \$107 million at the

³⁴ *Supra*, footnote 8, at page 10, para 46.

time) to be issued to a South African, broad-based workers' trust. This holding will be unencumbered and will allow for immediately realisable dividends. The stock in PepsiCo must, after 5 years, be converted into a direct shareholding in Pioneer of up to 13%.

56.2 Employment conditions: There will be no merger-related retrenchments for a period of 5 years. Among others, PepsiCo has committed to grow, over a period of 5 years, the operations of the merged company and to create 500 direct and 2500 indirect employment opportunities in South Africa.

56.3 Production: In addition to the aggregate productive capacity and capabilities associated with production operations and related facilities in South Africa being kept in place, PepsiCo would expand the operations of the merged firm in South Africa over a 5-year period to the value of R1 billion (ca. US \$67 million at the time), subject to favourable macroeconomic and political conditions. The merged entity will endeavour to increase the presence and sales of Pioneer Foods brands throughout Africa and internationally, with an initial focus on the Ceres and Safari brands and Rooibos related products. They also undertook to make a cumulative investment of R5.5 billion (ca. US \$367 million at the time) over a 5-year timeframe in developing the overall operations of Pioneer Foods.

56.4 Local supply chains: whereby the merged entity committed to expanding the Pioneer Foods policy and practice of maximising local production.

56.5 Downstream agreements: The merged entity shall maintain all sale and distribution agreements with companies controlled by HDPs and SMEs for a period of 2 years in line with ordinary business practices.

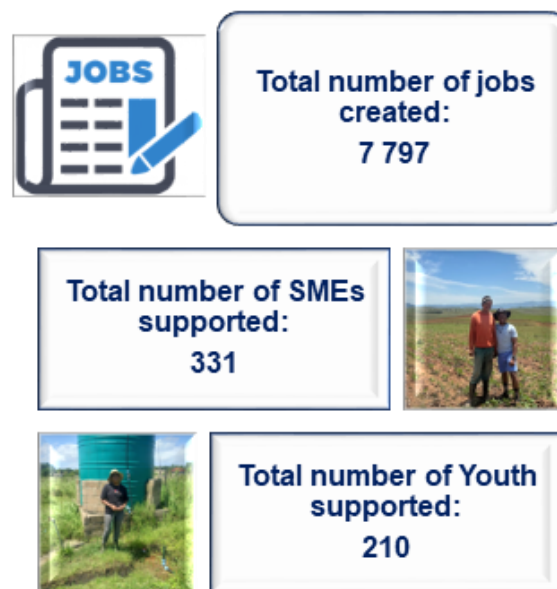
56.6 Development fund: The merged company shall make available an aggregate amount of R600 million (ca. US \$40 million at the time) as a development fund for investment in programmes in South Africa as regards education, SMEs, enterprise and agricultural development. Of this fund, R300 million (ca. US \$20 million at the time) will be invested in developing the capacity of emerging farmers and expanding emerging farmer participation in the supply chain of the merged enterprise; R200 million (ca. \$13.4 million at the time) in education which shall include funding scholarships for historically disadvantaged engineering, agronomy and nutrition science students; and R100 million (ca. US \$6.7 million at the time) in SA entrepreneurs as part of an incubator fund.

Development funds from public interest conditions in merger control

57. As alluded to above, when mergers are being evaluated, the Commission investigates,

amongst other things, the effects of the merger on the competitiveness of SMEs and HDPs and can also impose remedies to proposed mergers. These include the creation of Development Funds for increased enterprise development and market competitiveness of SMEs and HDP-owned firms in the markets impacted by the merger. Development Funds are also created as part of the merger conditions to respond to the potential loss of employment and sales by local suppliers because of the potential displacement from import competition. This in turn contributes towards poverty alleviation in South Africa. Figure 1 below depicts the outcome of the Commission’s assessment of the impact of development funds created in the agricultural sector between 2015 and 2020.

Figure 1: Impact of Development Funds created in the Agricultural Sector by the Commission between 2015 and 2020



Source: Competition Commission³⁵

58. The above data highlights the impact of Development Funds created in the Agricultural sector by the Commission between 2015 and 2020. Four Development Funds were assessed, and these were established in the following mergers, namely: Mondi’s Zimele Development Fund,³⁶ AB-InBev Development Fund,³⁷ PepsiCo’s Kgodiso Development

³⁵ Competition Commission’s “Impact Study on Agriculture Development Funds created in the period 2015 to 2020”, March 2024, available at: <https://www.compcom.co.za/wp-content/uploads/2024/04/Impact-Study-Report-Agriculture-Development-Funds-2015-2020.pdf>

³⁶ Created as part of the merger between Mondi Plc and Mondi Limited on 10 July 2019. See CT Case No.: LM247Jan19.

³⁷ Created as part of ABInBev and SABMiller plc merger on 30 June 2016. See CT Case No.: LM211Jan16.

Fund³⁸ and Coca-Cola's Mintirho Development Fund.³⁹ The study found that these funds have disbursed a total of R1.3 billion (ca. US \$100 million) to 1 009 beneficiaries, up to February 2024. Further, 7 797 jobs were created by beneficiaries. Support was given to 331 SMEs and 210 young people.

59. In order to assess the impact, the Commission interviewed farmers, as beneficiaries of the Development Funds. The study found that the Development Funds had a positive effect on employment. Most beneficiaries attributed their employment increases to the intervention by the funds. The study found that the participating farmers increased employment levels by 629 jobs which is attributed to interventions by the development funds. Moreover, the study found that employment levels were likely to be sustainable in the long-run and were not short-lived. To this end, farmers indicated that they are likely to increase employment levels in the farms even beyond the development fund support, due to an increase in supply capacity.

Intervention through market inquiries

60. As indicated earlier, the 2019 amendments to the Competition Act also enable the Commission to use market inquiries as a tool in intervening in any markets where there is likely to be some market distortions. To date, the Commission has conducted several market inquiries including amongst others banking, grocery retail, healthcare, liquid petroleum gas, telecommunications,⁴⁰ online intermediation platforms and transport. Some of these inquiries preceded the 2019 amendments. Both the fresh produce and media and digital platforms market inquiries are currently on-going, with poultry, polymers and steel in the pipeline.

61. In addition to addressing competition-related issues, some of these market inquiries may also contribute to poverty reduction and inequality. One such example is the Public

³⁸ Resulting from *Simba (Pty) Ltd and Pioneer Food Group Ltd merger* on 5 March 2020. See CT Case No.: LM108Sep19.

³⁹ Flowing from the merger between *Coca-Cola Beverages Africa Limited and various Coca-Cola bottling and related operations* on 10 May 2016. See CT Case No.: LM243Mar15.

⁴⁰ One such example is the Commission's *Data Services Market Inquiry (2019)* which reached settlements with major telecoms companies in South Africa, viz., Vodacom, MTN and Telkom, that included some forms of price regulation, including retail price regulation with regard to Vodacom and MTN. See Competition Commission South Africa, "Data Services Market Inquiry: Final Report (non-occonfidential)", dated 2 December 2019, available at <https://www.compcom.co.za/wp-content/uploads/2019/12/DSMI-Non-Confidential-Report-002.pdf>

Passenger Transport Services Market Inquiry (2021), summarised in Box 7 below.⁴¹

Box 7: Public Passenger Transport Services Market Inquiry

Concluded in 2021, this market inquiry highlighted amongst others that the transport sector is one of the priority sectors of the Commission and the central role of public transport in providing meaningful mobility for most of the population, in pursuit of economic participation. That, South Africans spend a significantly high proportion of disposable income on public transport (over 20%) against a benchmark of 10% for developing countries. This inquiry further highlighted that public transportation is also key to sustainable economic growth in any country. As such, developing and maintaining transport infrastructure and providing an effective and efficient public transport system can create employment, improve efficiency across the economy, amongst others. Noting that government, through the Department of Transport, was in the process of developing the subsidy policy, the Commission recommended that the government's subsidy policy be finalised and consider the following:

- (a) Address fragmented subsidies in the public transport sector to improve coordination and correct the skewed distribution of subsidies between urban and rural areas.
- (b) Equitable allocation of subsidies to the taxi industry and rural bus operators.
- (c) Prescribe the conclusion of negotiated contracts (as opposed to tendered contracts) with small bus operators. The negotiated contracts awarded to small bus operators should account for a minimum of 30 per cent of all contracts, and progressively increase over time.

Advocacy initiatives

62. The Commission also uses advocacy as one of its tools in enforcing competition law and policy compliance. For example, the Commission has been very vocal through its interventions in school uniform and public procurement, amongst others.

63. The Commission's School Uniform Guidelines address competition issues in this sector, promoting affordability and providing more choices for parents, fostering competition among suppliers and encouraging schools to adopt pro-competitive practices. The Commission's investigation (2017) against schools and school uniform suppliers culminated into these guidelines (2021). Parents complained that they are forced by schools to buy school uniform at a higher price from exclusively selected suppliers, resulting from exclusive supply agreements entered into without any transparent competitive bidding process.

⁴¹ See a summary of the Public Passenger Transport Market Inquiry Findings and Recommendations, available at: https://www.gov.za/sites/default/files/gcis_document/202104/44469gon354_1.pdf, last accessed on 5 June 2024.

64. The Commission embarked on an extensive advocacy and awareness drive against anti-competitive behaviour in the procurement of school uniform, engaging key stakeholders such as the governing bodies and the education department. The Commission assisted the Department of Basic Education (DBE) in drafting a circular on school uniform guidelines. The DBE also published the circular encouraging schools to adhere to the school uniform guidelines to address the aforesaid anti-competitive conduct. Subsequently, the guidelines were adopted by various school groups and governing bodies as a set of rules to regulate procurement of school uniform. A settlement agreement concluded with a major school uniform supplier terminating all exclusive agreements with schools. These interventions also support South Africa's fight against its many socio-economic issues, including access to a basic and affordable education. Box 8 below provides a summary of the Commission's advocacy interventions in public procurement.

Box 8: Public Procurement Training Initiatives

Using soft law tools such as advocacy, the Commission issued guidelines encouraging competition in public procurement processes, ensuring that taxpayers' funds are spent efficiently and transparently. This policy intervention culminated into the introduction of a Certificate of Independent Bid Determination in public procurement in South Africa. The policy was codified by Government's National Treasury through Practice Notice 20100721. The Office of the Auditor General updated its audit procedures to include testing for indicators of collusive tendering. South Africa's National School of Government included bid rigging training as part of its procurement training to public servants. In October 2014, the Commission received the ICN/World Bank Honourable Mention Award for its bid-rigging advocacy strategy. The Commission together with the OECD further assisted in conducting bid rigging training in the public service, which assisted in raising awareness of potential bid rigging in the public sector. To date, the Commission receives complaints from the public sector, with some resulting in cartel prosecution of offenders.

E. CONCLUSION

65. It is observed that social and economic inequality is on the rise both in developed and developing economies. It is noted that inefficient and highly concentrated markets coupled with weak competition law and policy enforcement may also contribute to increased poverty levels. The central question is whether competition policy can be used as one such instruments to tackle poverty challenges and if so, how.

66. IMF (2019) notes that competition plays a central role in the determination of market outcomes, and affects inclusiveness and inequality in multiple ways.

67. Arguably, competition policy is one of the policy instruments that can be used to fight poverty, reduction in joblessness and inequality. However, it is critical that other government poverty reduction strategies and policies should be in place and effective. Ezrachi *et al* (2022)⁴² observes that competition law and policy may serve as a complementary tool that can be used towards reducing economic inequality. Arguably and as demonstrated above, this can further be extended to poverty reduction, as well. As Eleanor Fox (2013) observed:

“Pro-poorer competition law and policy is not a magic bullet to alleviate poverty. It is one of the panoply of policies that promise to open more channels and deliver better outcomes, little by little.”

68. IMF (2019a) and World Bank-OECD (2017) recognises that product markets affecting particularly the poor could be prioritised given the limited resources of competition authorities. Eleanor Fox (2013) opines that for developing country competition authorities to assist in contributing towards poverty alleviation, they must *seek out those restraints that cause the most harm to their people, especially the poorest people*. It therefore follows that by challenging domestic laws that may create or strengthen monopolies and government policies that may limit competition, engaging in robust advocacy initiatives, tackling hard-core cartels – whether domestic or cross-border, abuse of dominance, buyer power, and anti-competitive mergers, competition authorities may help alleviate poverty and thereby promote growth and inclusiveness. IMF (2021) observes that achieving sustained broad-based growth, that is growth that is shared by a majority, is paramount to tackle poverty.

69. The selected examples of cases in this submission illustrate how South African competition authorities play a crucial role in undertaking robust competition law and policy enforcement thereby contributing to poverty reduction (and inequality). Indeed, over the years the Commission proactively published its enforcement strategies and priorities intended to support the government’s anti-poverty strategies and other developmental objectives.

70. The World Bank Report 2016 study recognises that promoting competition could lift South African growth and boost poverty alleviation. To this end, this report observes that:

⁴² See Ezrachi *et al*, “The effects of competition law on inequality – an incidental by-product or a path for societal change?”, Oxford University Press, 2022, page 73.

*“In addition to the growth enhancing effects of competition, tackling cartels in basic foods can generate savings for consumers. In the case of four cartels in maize, wheat, poultry, and pharmaceuticals – products which make up 15.6% of the consumption basket of the population’s poorest 10% - helped generate a 0.4 percentage point reduction in the overall national poverty rate. This shows how competition policy can help stretch the cash transfers to the poor from the budget”.*⁴³

71. Another World Bank Report (2016) titled *“Breaking Down Barriers: Unlocking Africa’s Potential through Vigorous Competition Policy”* found that eliminating competition constraints in food markets could lift families out of poverty. For example, a 10% reduction in the prices of principal food staples is estimated to have the effect of lifting circa. 500 000 people out of poverty in three countries.⁴⁴ This report further highlights that competition enabling frameworks help empower the poorer segments of society, increase their buying power, access a wider variety of competitively priced goods, and give them greater economic opportunity.

72. To conclude, competition policy is part of the policy instruments that governments have at their disposal to address these challenges.



⁴³ <https://www.worldbank.org/en/news/press-release/2016/02/02/promoting-competition-could-lift-south-african-growth-boost-poverty-alleviation>, last accessed on 23 May 2024.

⁴⁴ See the World Bank report (2016), *“Breaking Down Barriers: Unlocking Africa’s Potential through Vigorous Competition Policy”*, available at: <https://documents1.worldbank.org/curated/en/243171467232051787/pdf/106717-REVISED-PUBLIC-WBG-ACF-Report-Printers-Version-21092016.pdf>.