

## Overview

With middling scores for transparency and other governance indicators, South Africa poses moderate third-party corruption risks. With FCPA enforcement in the country limited to only one direct case, there are no discernible trendlines in regulation. Favoritism and nepotism in public procurement is a significant problem according to both anecdotal evidence and survey research.

## Corruption Indicators Matrix \*All indicators are scores/100 or are percentile ranks, 100=best.

1-33 34-66 67-100

Direct Measures of Corruption	South Africa	G7 Countries
<b>Corruption Perceptions Index Score</b> <small>Transparency International Corruption Perception Index</small>	43	73
<b>Government Integrity Score</b> <small>Heritage Foundation Economic Freedom Index</small>	45	70
<b>Control of Corruption Score</b> <small>World Bank Worldwide Governance Indicators</small>	60	88
<b>Irregular Payments &amp; Bribes Score</b> <small>World Economic Forum Global Competitiveness Index, Adjusted Score</small>	48	79
<b>Favoritism in Government Score</b> <small>World Economic Forum Global Competitiveness Index, Adjusted Score</small>	29	60
Major Correlates of Corruption		
<b>GDP Per Capita Score</b> <small>Percentile rank, nominal, World Bank data</small>	52	89
<b>Government Effectiveness Score</b> <small>World Bank Worldwide Governance Indicators</small>	65	90
Survey Responses on Corruption	South Africa	Top 10 Countries
<small>World Bank Enterprise Surveys</small>		
Share of firms reporting at least one bribe request	4%	1.4%
Share of public contracts reportedly subject to bribe requests	3%	1.1%
Share of businesses reporting corruption is a major constraint	17%	7.5%

## FCPA Enforcement Profile

Enforcement Actions: **2** - low concentration

Problem Sectors: No observable pattern

## FCPA Enforcement History (as reported)

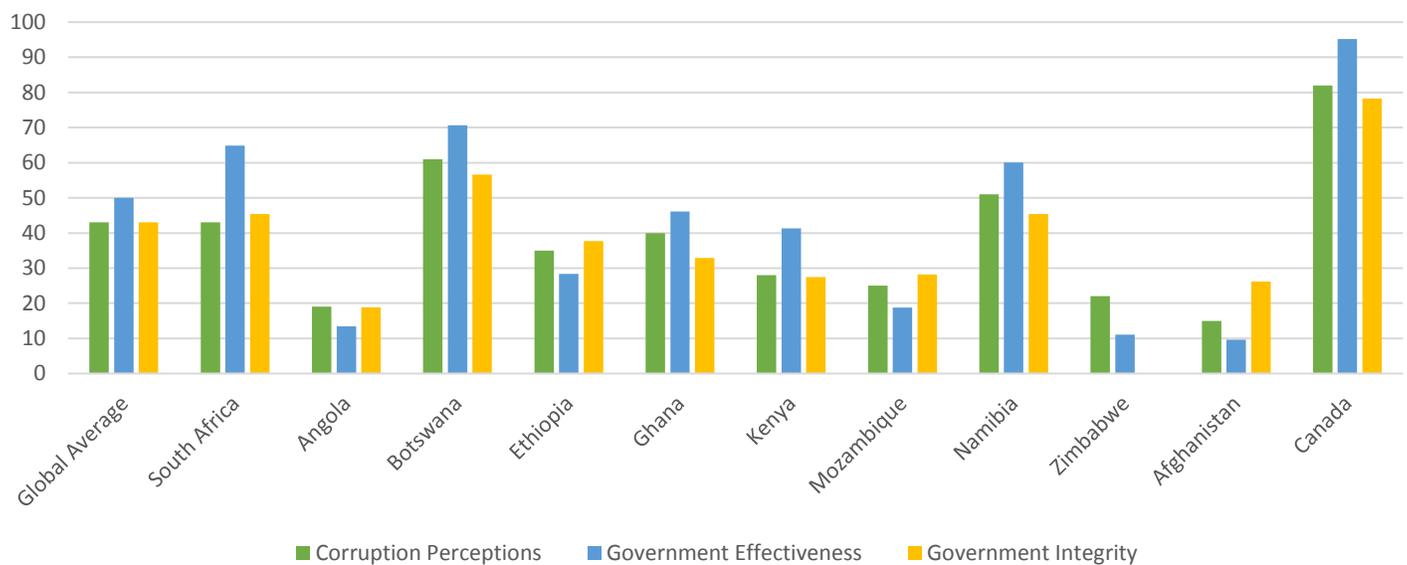
**Titan Corporation**—In the course of a larger multi-country FCPA investigation, the military intelligence and communications company was among other things found liable for actions of briefly-held subsidiary Datron World Communications. Datron allegedly made significant commissions payments, at times up to 50% of annual revenues, without conducting due diligence into whether these funds would be used for bribing foreign officials.

**Hitachi, Ltd.**—Hitachi allegedly set up a profit-sharing scheme with the ANC political party to secure public contracts to build power plants in South Africa. Hitachi then sold 25% of its local subsidiary to a front company owned by the ANC, reportedly to ensure that public officials supporting Hitachi's bids could directly benefit from the awarded contracts. Hitachi also allegedly paid bonuses to the front company in return for contracts. Both practices reportedly secured more than USD 5B worth of work.

The characteristics of a country’s information environment impact the risks within that jurisdiction as well as the degree of confidence or uncertainty in any risk assessment. These factors can affect the scope of an investigation, the means employed, and the degree of analysis required to properly understand research findings.

Information Source	Characteristics or Limitations
Corporate Registries	Corporate registration information is available online to South African citizens, but shareholding information is not available.
Litigation Searches	Litigation records have until recently been available online, although records are often poorly updated, even when records are manually retrieved.
Depth of News Media	Major news outlets can feature in-depth investigative journalism, but many outlets have political slant.
Freedom of Press	Reporters without Frontiers rank 28/180 (180=worst) Freedom House score 38/100 (100=least free)
Linguistic Challenges	Most news is in English. Records are in either English or Afrikaans.
Financial Disclosure Regulations	Tax Justice Network Financial Secrecy Score—56/100 (100=most secret).

## Country Comparison



## Analysis: South Africa Third Party Corruption Risk

Ranking 9<sup>th</sup> in sub-Saharan Africa, South Africa’s transparency scores hover near the global average. A 2014 OECD report criticized South Africa for failures to adequately implement the Anti-Bribery Convention, noting a very poor success rate in prosecuting corruption. According to Transparency International, more than 80% of South Africans think that corruption is getting worse and that the government is doing a poor job in dealing with it. Much of this pessimism can be attributed to high-profile corruption issues, most notably the scandal resulting in the recent expulsion of President Jacob Zuma who stands accused of numerous corruption and money laundering charges. Zuma’s relatives and his family’s business interests were frequently alleged to have benefited from his position. His relations with the prominent Gupta family suggested pervasive corruption in procurement to the point of “state capture.” Public procurement more generally is reportedly an area of corruption risk, as is the mining sector, where inherent corruption risks are exacerbated by poor governance.

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