In world corruption rankings, how does Pretoria rate?

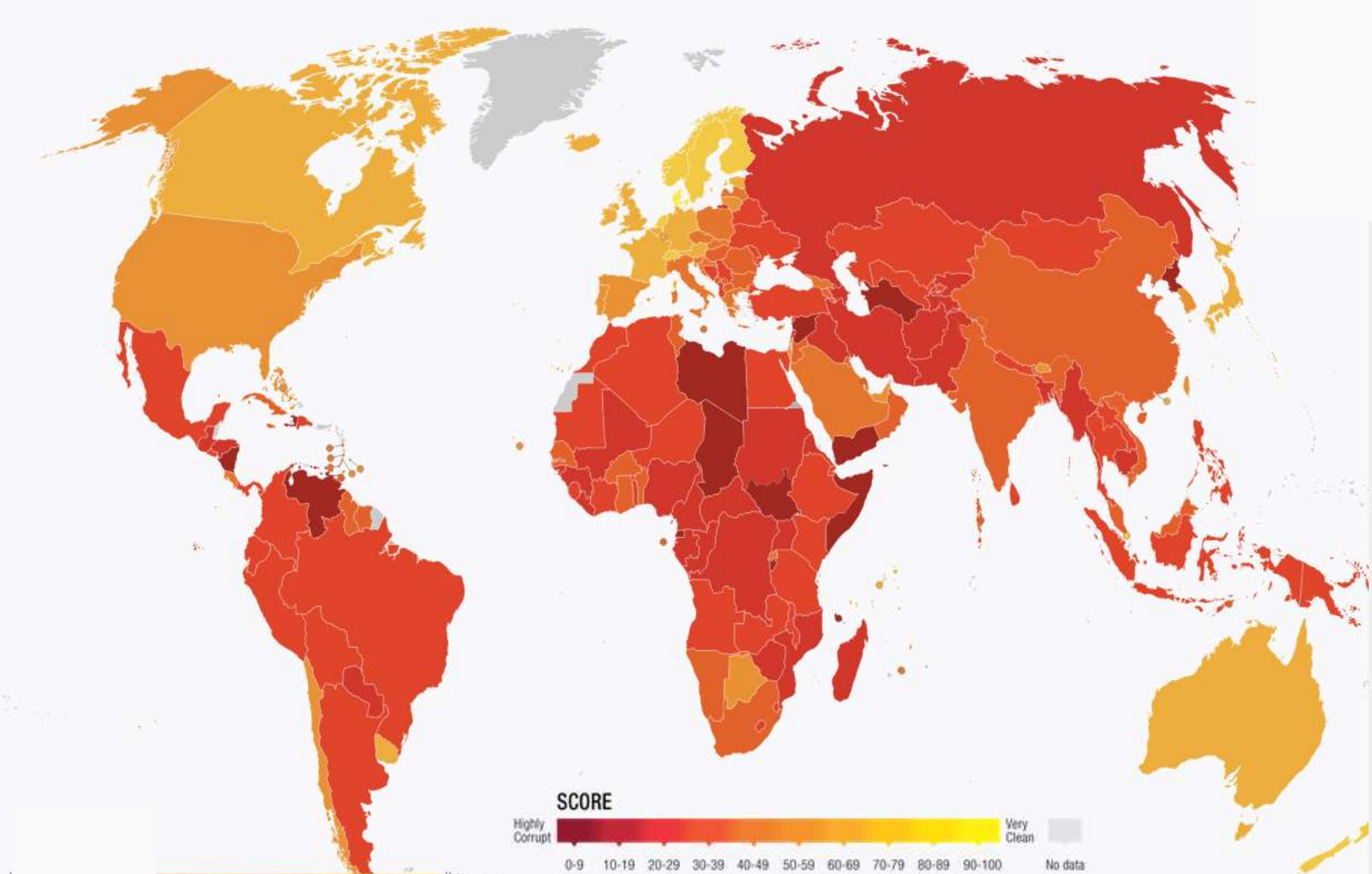
The main agency rating "perceptions of corruption" among 180 countries' state bureaucracies and politicians is Transparency International.

In the 2022 survey, SA rated #72nd least corrupt, or 108th most corrupt.

Source: https://www.transparency.org/

CORRUPTION PERCEPTIONS INDEX

TRANSPARENCY INTERNATIONAL
the global coalition against corruption



https://fcpablog.com/2022/04/12/new-corruption-index-adds-forecasting/

New corruption index adds forecasting

Abe Collier April 12, 2022 7:48 am

Measuring corruption across time is one of the most difficult tasks in governance studies. Early measures, like Transparency International's CPI, focused on the perceptions of experts. More recently, however, governments, compliance officers, and investors have sought measures of corruption that provide greater forecasting abilities.

A new free corruption analysis tool, the Corruption Risk Forecast (CRF), provides both greater detail and predictive metrics. Developed through a partnership between two non-profits, the European Centre for Anti-Corruption and State-Building (ERCAS) and the Center for International Private Enterprise (CIPE), the CRF offers several advantages over previous corruption indices.

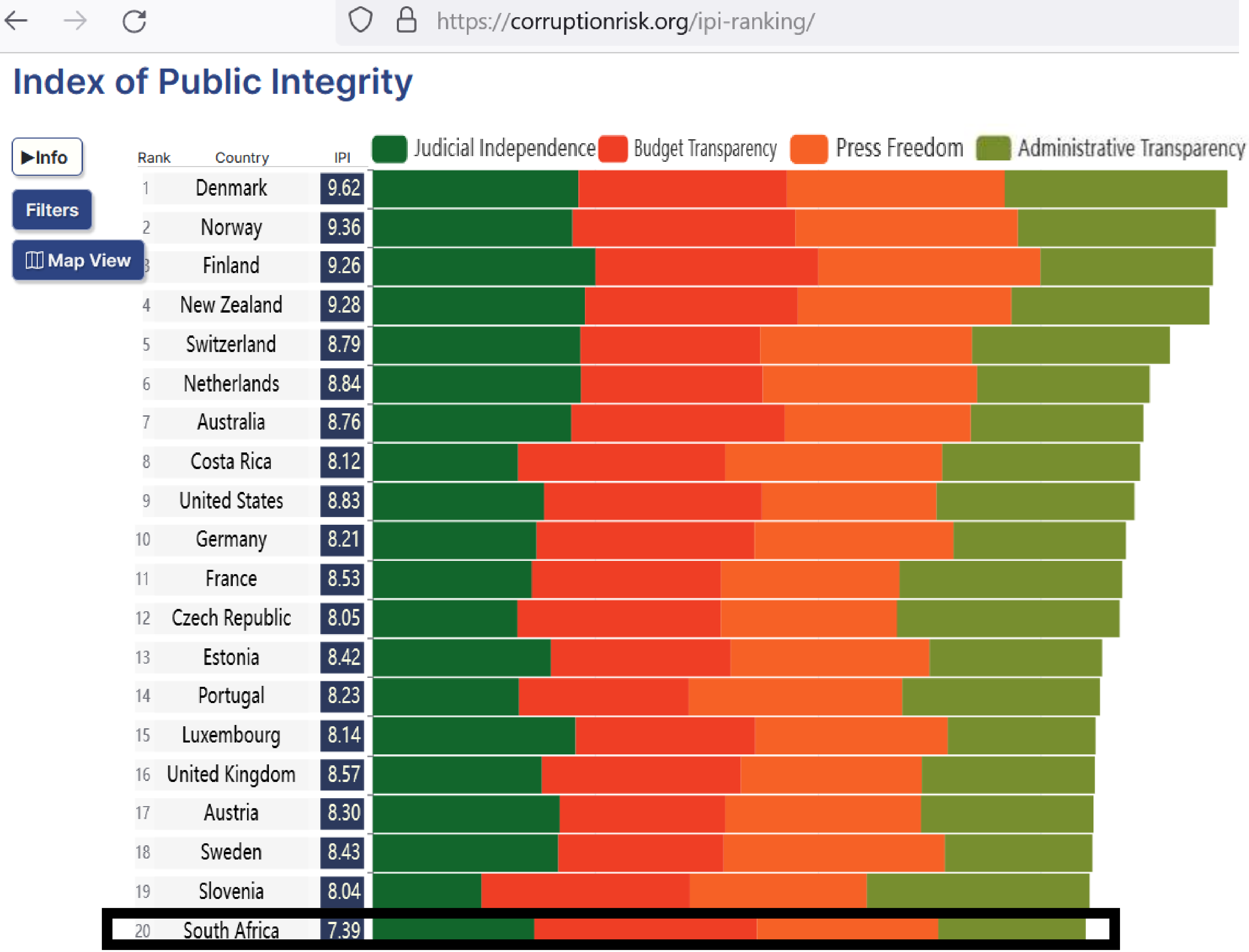
The CRF relies on 30 fact-based indicators directly linked to observed sources instead of subjective coding of non-numerical data, which varies from year to year. The data used in the CRF is granular and comprehensive, spanning from the accessibility of land or business ownership information to the online disclosure of government mining concessions.

Altogether, the CRF provides a broad-based and nuanced understanding of how 120 countries (with adequate data) manage — or don't manage — corruption.

"We have a model of corruption, based on societal enablers and disablers, which allows us to predict where a country is going," says Professor Alina Mungiu-Pippidi, Director of ERCAS, whose peer-reviewed academic work forms the basis of the forecast. "One example of enabler is fiscal transparency, while the lack of many citizens with broadband Internet connections (e-citizens) acts as a disabler. The data stretches 12 years back, and the trends interact in a model close to real-life, allowing us to predict evolutions for the near future."

This information provides new analytical tools for compliance work. For example, a compliance officer tasked with assessing corruption risk for a new factory being built in Poland would be able to use the CRF to access free data on the evolution of administrative transparency over time or find a link to the government's building permits page. They could also examine Poland's public integrity context features against its neighbors or countries from the same income group to make more informed decisions.

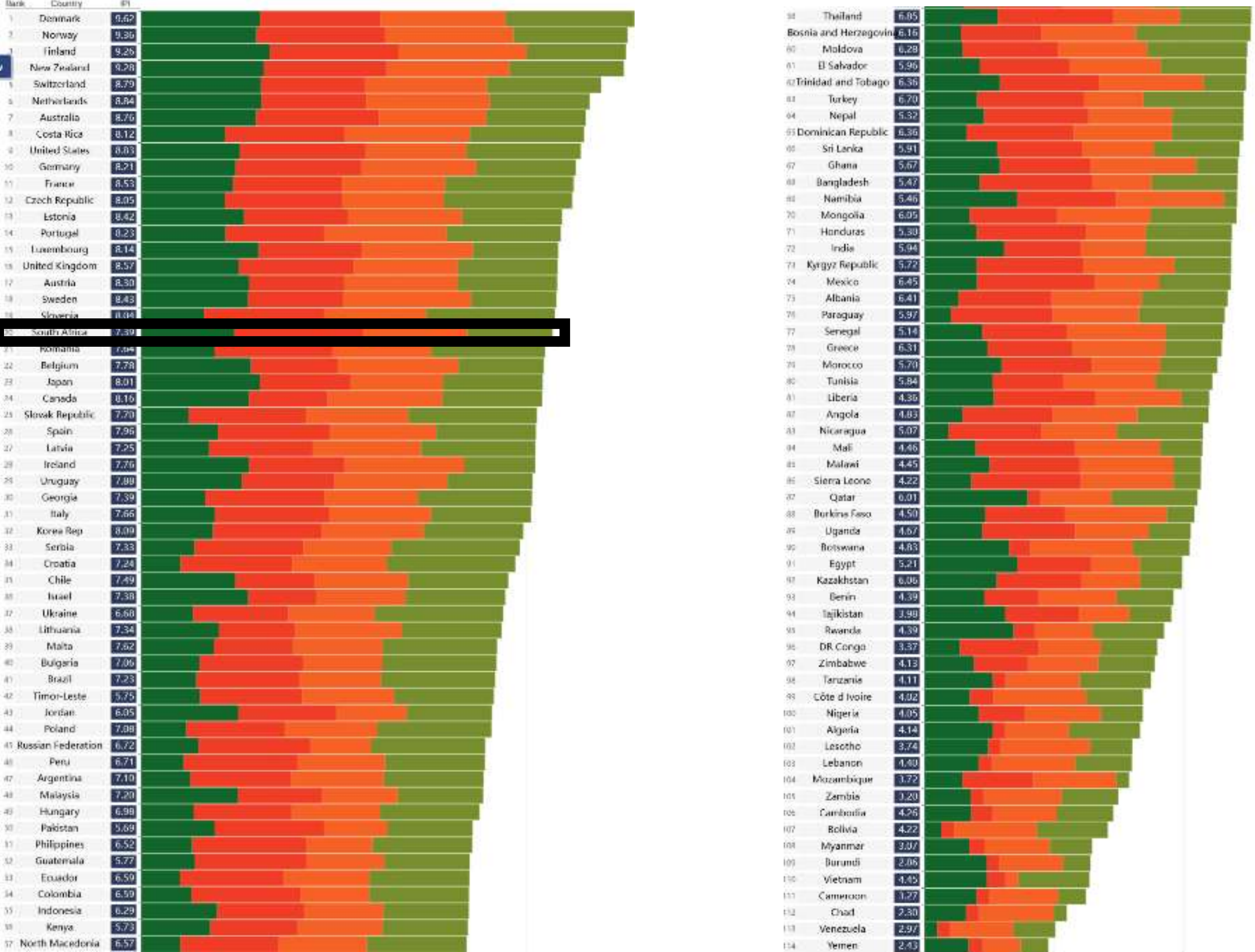
Explore the data and detailed explanations of the methodology on the recently launched CRF website.

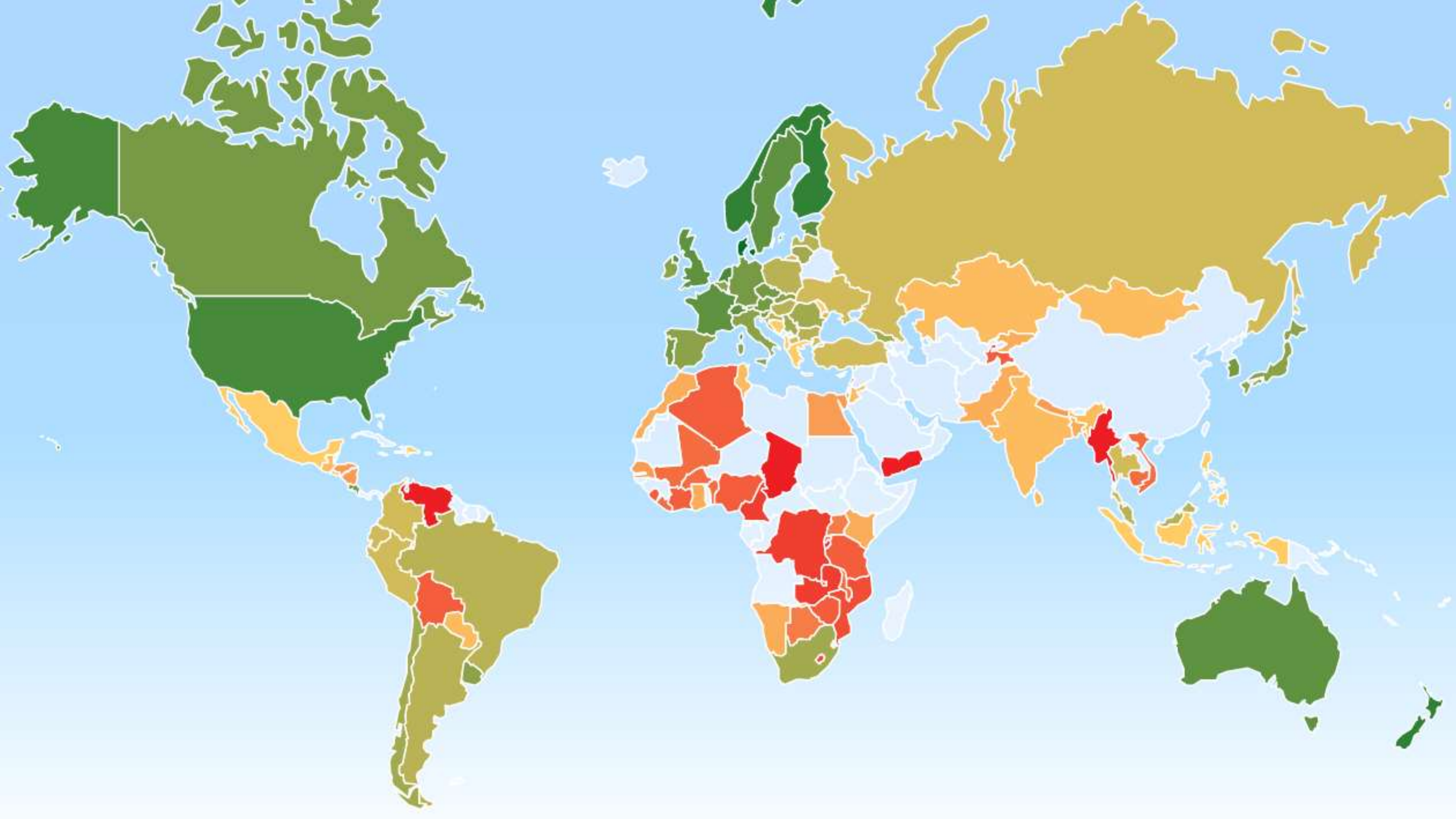


[Index of Public Integrity (IPI)](https://corruptionrisk.org/ipi-ranking/)

Assess each country's ability to control corruption.

The IPI assesses a **society's capacity to control corruption** and ensure that public resources are spent with integrity. Evidence from comparisons across countries shows that establishing effective control of corruption requires much more than the mere adoption of specific tools and strict legal regulations. It relies on a balance between a state calibrated to reduce the possibility of the abuse of influence and a society's capacity to hold its government accountable. The IPI illustrates the most important dimensions of this equilibrium through 6 components: *Administrative Transparency*, *Online Services*, *Budget Transparency*, *Judicial Independence*, *Press Freedom*, and *e-Citizenship*. Read more on the IPI Methodology.


Rank Country IPI
1 Denmark 9.62
2 Norway 9.36
3 Finland 9.26
4 New Zealand 9.28
5 Switzerland 8.79
6 Netherlands 8.84
7 Australia 8.76
8 Costa Rica 8.12
9 United States 8.03
10 Germany 8.21
11 France 8.53
12 Czech Republic 8.05
13 Estonia 8.42
14 Portugal 8.23
15 Luxembourg 8.14
16 United Kingdom 8.57
17 Austria 8.30
18 Sweden 8.43
19 Slovenia 8.04
20 South Africa 7.39
21 Romania 7.64
22 Belgium 7.78
23 Japan 8.01
24 Canada 8.16
25 Slovak Republic 7.70
26 Spain 7.96
27 Latvia 7.25
28 Ireland 7.76
29 Uruguay 7.88
30 Georgia 7.39
31 Italy 7.66
32 Korea Rep 8.09
33 Serbia 7.33
34 Croatia 7.24
35 Chile 7.49
36 Israel 7.38
37 Ukraine 6.68
38 Lithuania 7.34
39 Malta 7.62
40 Bulgaria 7.06
41 Brazil 7.23
42 Timor-Leste 5.75
43 Jordan 6.05
44 Poland 7.08
45 Russian Federation 6.72
46 Peru 6.71
47 Argentina 7.10
48 Malaysia 7.20
49 Hungary 6.98
50 Pakistan 5.69
51 Philippines 6.52
52 Guatemala 5.77
53 Ecuador 6.59
54 Colombia 6.59
55 Indonesia 6.29
56 Kenya 5.73
57 North Macedonia 6.57
58 Thailand 6.85
Bosnia and Herzegovina 6.16
60 Moldova 6.28
61 El Salvador 5.96
62 Trinidad and Tobago 6.36
63 Turkey 6.70
64 Nepal 5.32
65 Dominican Republic 6.36
66 Sri Lanka 5.91
67 Ghana 5.67
68 Bangladesh 5.47
69 Namibia 5.46
70 Mongolia 6.05
71 Honduras 5.30
72 India 5.94
73 Kyrgyz Republic 5.72
74 Mexico 6.45
75 Albania 6.41
76 Paraguay 5.97
77 Senegal 5.14
78 Greece 6.31
79 Morocco 5.70
80 Tunisia 5.84
81 Liberia 4.36
82 Angola 4.83
83 Nicaragua 5.07
84 Mali 4.46
85 Malawi 4.45
86 Sierra Leone 4.22
87 Qatar 6.01
88 Burkina Faso 4.50
89 Uganda 4.67
90 Botswana 4.83
91 Egypt 5.21
92 Kazakhstan 6.06
93 Benin 4.39
94 Tajikistan 3.98
95 Rwanda 4.39
96 DR Congo 3.37
97 Zimbabwe 4.13
98 Tanzania 4.11
99 Côte d Ivoire 4.02
100 Nigeria 4.05
101 Algeria 4.14
102 Lesotho 3.74
103 Lebanon 4.40
104 Mozambique 3.72
105 Zambia 3.20
106 Cambodia 4.26
107 Bolivia 4.22
108 Myanmar 3.07
109 Burundi 2.06
110 Vietnam 4.45
111 Cameroon 3.27
112 Chad 2.30
113 Venezuela 2.97
114 Yemen 2.43



Forecasted trend: **Stationary**

South Africa has managed, in the past decade, to halt the decline in its governance, which had always enjoyed better quality than predicted by human capital. Its judiciary is the best in the region, its budget transparency is at a maximum globally, and freedom of the press is very good for both region and income group, although that has registered a significant decline over the past decade. The country has considerable room to progress by investing in administrative transparency. The investment in e-services will only pay off if similar efforts are done on increasing e-participation. South Africa is on top of the region on e-citizens and growing, but an absolute laggard in its income group. That is where its development potential lies: investment in Internet literacy, online services and Internet household connections.

Components	2008	2020	Trendline
Budget Transparency	9.15	10	
Administrative Burden	7.91	8.56	
Judicial Independence	7.68	6.93	
Press Freedom ⓘ	7.48	6.58	
E-Citizenship	1.42	4.17	

● positive change; ● negative change; ● change not statically significant.

Components	Component Score (max=10)	World Rank	Income Group Rank	Regional Rank
Opportunities for Corruption				
Administrative Transparency	6.63	**49**/114	**16**/29	**1**/26
Online Services	7.39	**46**/114	**17**/29	**1**/26
Budget Transparency	10	**1**/114	**1**/29	**1**/26
Constraints on Corruption				
Judicial Independence	7.25	**25**/114	**3**/29	**1**/26
Freedom of the Press	8.13	**25**/114	**3**/29	**3**/26
E-Citizenship	4.94	**76**/114	**26**/29	**2**/26

Opportunities are permanent enabling circumstances for corruption. Empirical evidence exists that administrative discretion (lack of administrative transparency and poor regulation) combined with unaccountable resources (non-transparent public finance, both from domestic sources and international aid) create opportunities for corruption.

Constraints are permanent disabling circumstances of corruption. They encompass the legal response of authorities as well as the response by society (a free press and digitally enabled citizens organized as civil society or as individual voters).

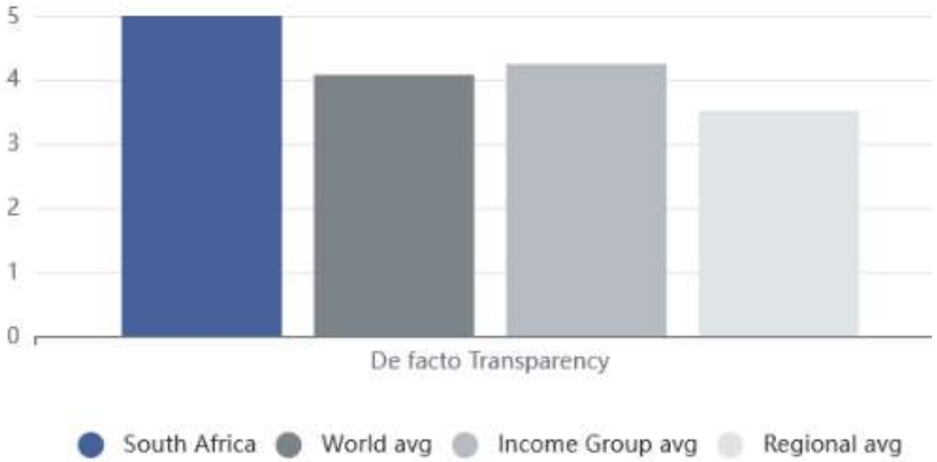
ⓘ Societies manage to control corruption if they find the right balance between opportunities and constraints.

Corruption Risk Forecast | Index of Public Integrity | **Transparency Index**

T-Index Score: 13.5 / 20

De Facto Transparency: 8.5 / 14

De Jure Transparency: 5 / 6



De Facto Components

De facto components refer to the online availability, accessibility, and coverage of public data in selected relevant domains. These were assessed as completely existing (1 point), existing with partial information or paid access (0.5 point), or not existing (0 points).

Past expenditures (last fiscal year)	Yes
Current expenditures (budget tracker)	No
Public Procurement Portal	Partial
Land cadaster	Partial
Register of commerce	Yes
Auditor General's report	Partial
Supreme Court's hearings schedule	Yes
Supreme Court's rulings	Yes
Financial disclosures for public officials	Partial
Conflict of interest disclosures	Partial
Official Development Assistance (ODA)	Partial
Mining concessions	Partial
Building permits in the capital city	Partial
Official gazette	Partial

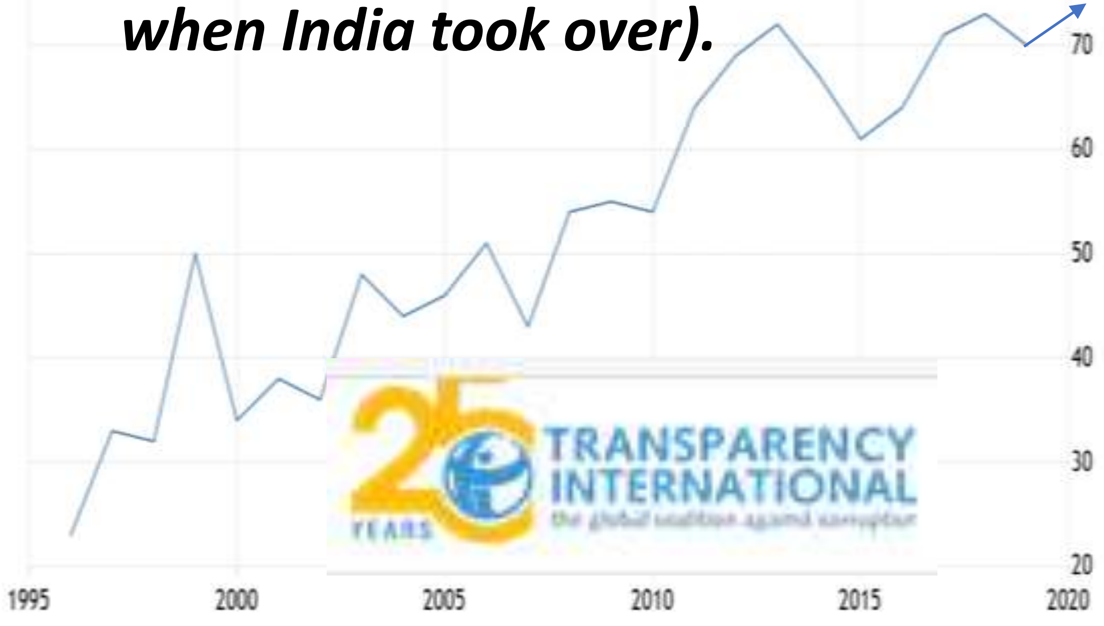
De Jure Components

De jure components refer to the existence of formal transparency commitments in relevant selected domains. These were assessed as existing (1 point) or not (0 points).

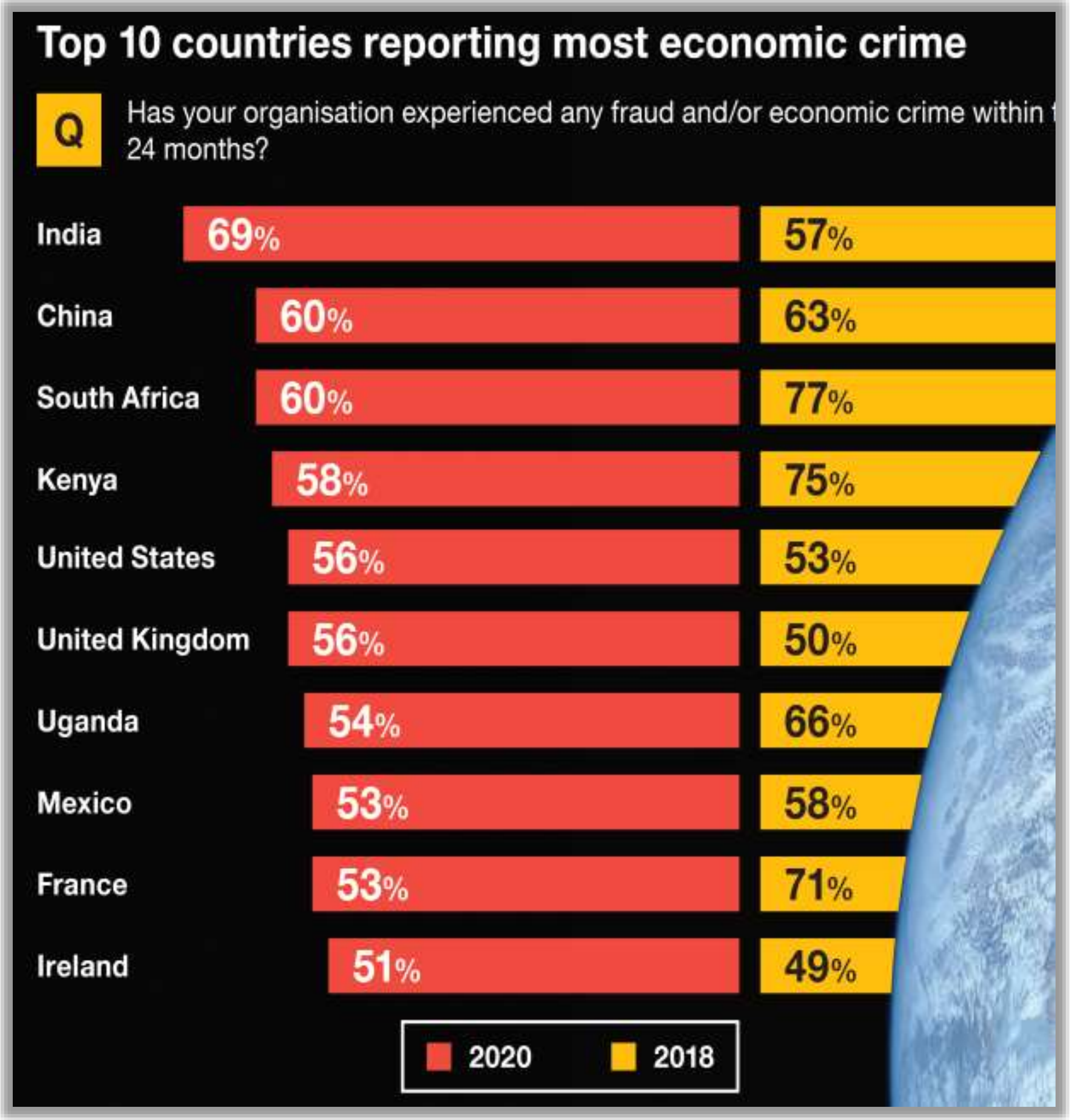
Freedom of Information Acts (FOIA)	Yes
Open Government Partnership (OGP)	Yes
Extractive Industry Transparency Initiative (EITI)	No
United Nations Conventions Against Corruption (UNCAC)	Yes
OECD Convention against Bribery of International Officials	Yes
Financial Action Task Force Against Money Laundering (or equivalent)	Yes

TI state corruption perceptions in SA worsened most rapidly from 1996-1999 (Mandela), 2000-06 (Mbeki) and 2009-13 (Zuma), reaching a peak of #108th most corrupt state in the world in 2022.

However, throughout the 2000s, PwC surveys of "economic crime" revealed SA corporations were worst in the world (until in 2020 when India took over).



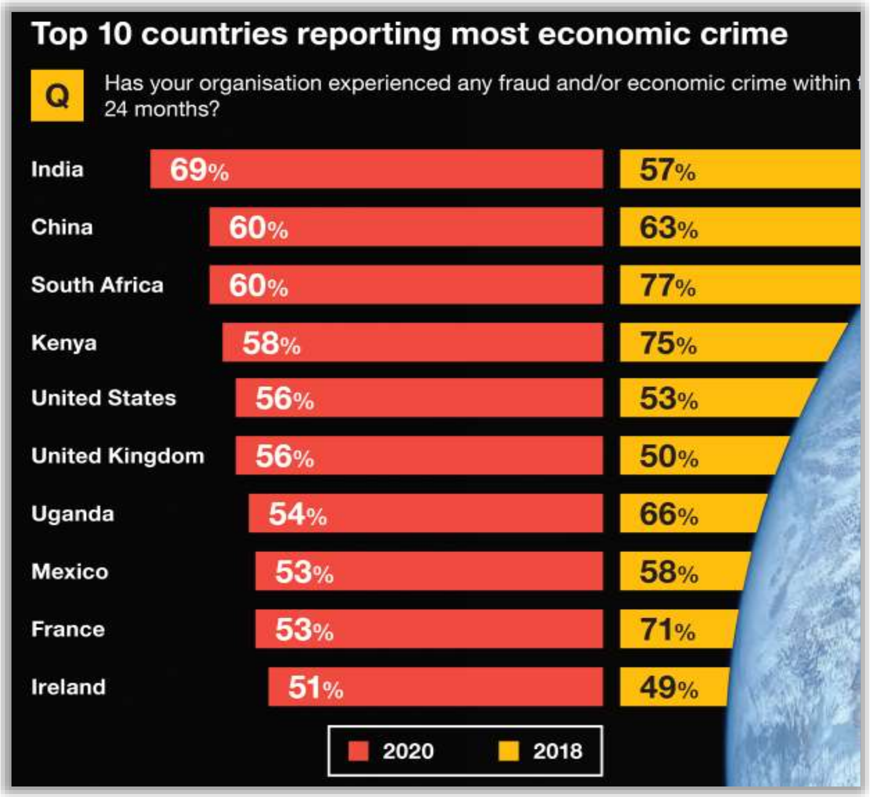
PwC Economic Crime and Fraud Report, 2020



Source: https://www.transparency.org/ and https://www.pwc.co.za/en/press-room/global-economic-crime-and-fraud-survey-2020.html

Trevor White, PwC Forensic Partner (Global Economic Crime and Fraud Survey Leader for South Africa):

"Given the spate of recent scandals in South Africa, both in the public and private sectors, it is no surprise that organisations consider bribery and corruption to be the most serious economic crime to affect businesses. This, combined with increased involvement of senior management in perpetrating such acts, has resulted in a sharp increase in the value of losses incurred as a result."



"The level of involvement of senior management as the main perpetrator escalated from 20% in 2018 to 34% in 2020."

Source: https://www.transparency.org/en/cpi/2019/results and https://www.pwc.co.za/en/press-room/global-economic-crime-and-fraud-survey-2020.html

long-standing corporate crime spree

World fraud champs

GRAEME HOSKEN | 19 February, 2014 00:19

SUNDAY TIMES

Times LIVE

South Africa is the world leader in money-laundering, bribery and corruption, procurement fraud, asset misappropriation and cybercrime. File photo
Image by: SUPPLIED

South Africa is the world leader in money-laundering, bribery and corruption, procurement fraud, asset misappropriation and cybercrime.

Financial Mail

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FM FOX

8 out of 10 managers commit economic crime in SA, PwC survey

FEBRUARY 20 2014, 09:21

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2018 PwC survey: South Africa Kenya France Russia

SA's economic crime highest in the world - PwC

Feb 28 2018 07:43

Johannesburg - Economic crime is a scourge in South Africa, PwC's latest survey on global economic crime has shown.

South African organisations continue to report the highest instances of economic crime in the world with economic crime reaching its highest level over the past decade, according to the firm's biennial Global Economic Crime Survey released on Tuesday.

"Once again South Africa has the dubious honour of having the highest levels in the world," said Trevor White, PwC South Africa Global Economic Crime and Fraud Survey Leader.

- **READ: Corruption in SA could be 'almost out of control'**

A staggering 77% of South African organisations have experienced economic crime, followed in second place by Kenya with 75%, and thirdly France with 71%. Russia was listed as fourth.

RELATED ARTICLES

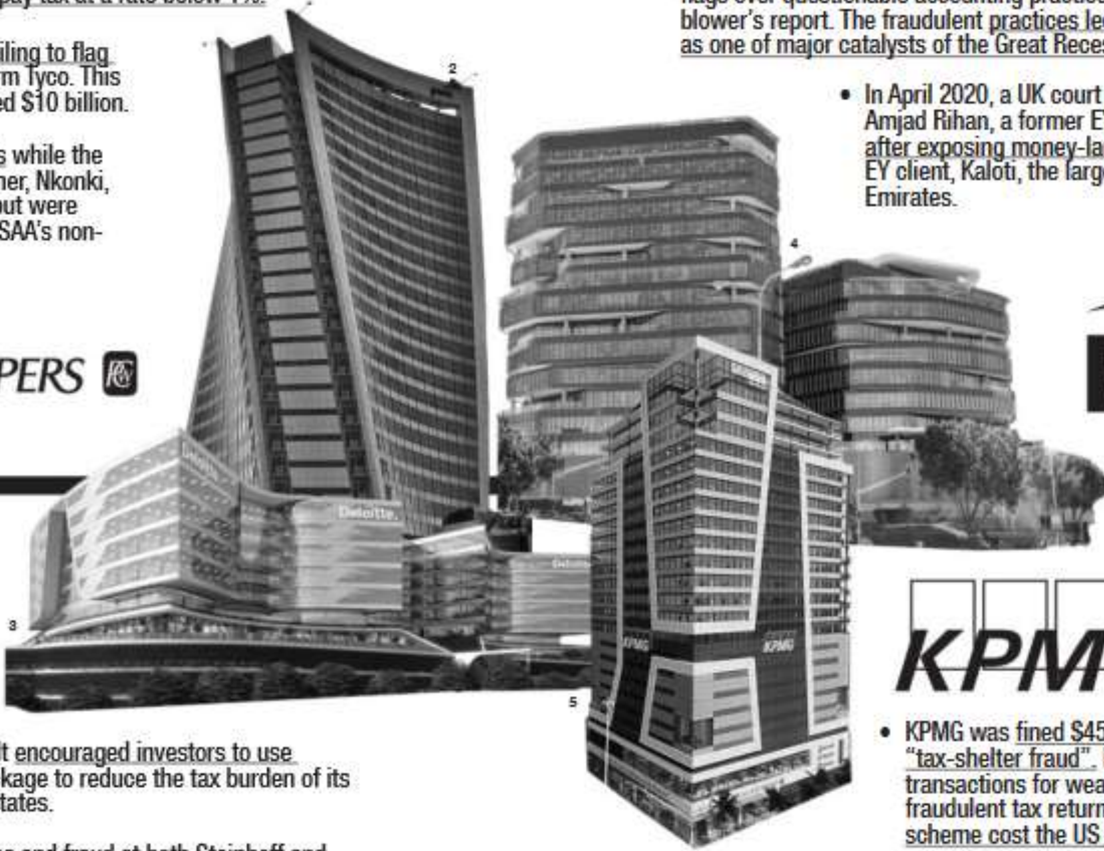
- Tribunal hears Zuma era corruption, rooted in apartheid

- PwC acted as auditor and consultants for Sonangol, the Angolan government owned oil company which was used by Isabel dos Santos to secret away billions from the Angolan fiscus through a network of 400 shell companies.
- In 2014, PwC was found to have negotiated over 500 deals with tax authorities in Luxembourg which allowed companies to pay tax at a rate below 1%.
- In 2007, PwC was fined $225 million for failing to flag an overstated profit of $5.8 billion at US firm Tyco. This fraud ultimately cost investors an estimated $10 billion.
- PwC failed to identify major misstatements while the external auditors at SAA. PwC and its partner, Nkonki, earned R19 million for their work at SAA, but were only fined R200 000 for failing to disclose SAA's non-compliance with legislation.

PRICEWATERHOUSECOOPERS

- EY paid $123 million to US regulators in 2013 after admitting that, between 1999 and 2004, its senior partners had been involved in developing, marketing and defending tax avoidance schemes to dodge taxes worth $2 billion.
- EY acted as auditors and consultants for Lehman Brothers and did not raise red flags over questionable accounting practices at the bank nor act on a whistle-blower's report. The fraudulent practices led to Lehman's collapse in 2008, viewed as one of major catalysts of the Great Recession.
- In April 2020, a UK court ordered EY to pay $11 million to Amjad Rihan, a former EY partner. Rihan was forced to resign after exposing money-laundering and compliance failures by EY client, Kaloti, the largest gold refinery in the United Arab Emirates.

EY



Deloitte.

- In 2013, a Deloitte document was leaked. It encouraged investors to use Mauritius to escape taxes, as part of a package to reduce the tax burden of its wealthy clients at the expense of African states.
- Deloitte failed to report suspicious activities and fraud at both Steinhoff and Tongaat Hulett. The Steinhoff fraud resulted in an overnight loss of R120 billion, to the detriment of 948 pension funds. The Government Employees Pension Fund (GEPF) alone lost over R21 billion. Tongaat's "accounting irregularities" meant that the company's assets were overstated by R10 billion.
- Deloitte's audit of African Bank failed spectacularly in 2014. **Deloitte missed red flags in the overstated future cash flow predictions** for the Bank and ignored the red flags raised in their own internal reports.
- Deloitte earned R207 million in fees for an Eskom tender based on an irregular contract. In March 2020, Deloitte agreed to pay back R150 million, which allowed them to keep over R57 million earned between April 2016 and September 2017.

KPMG

- KPMG was fined $456 million (nearly R10 billion) in 2005 for "tax-shelter fraud". Between 1996 and 2003, it concocted transactions for wealthy individuals and filed false and fraudulent tax returns that claimed phoney tax-breaks. The scheme cost the US fiscus $11 billion (over R200 billion).
- KPMG auditor, Sipho Malaba, failed to raise any red flags in VBS statements and provided a falsified regulatory audit opinion. VBS's failure had catastrophic consequences for its poorest depositors, stokvels, and municipalities.
- In 2015, KPMG produced the erroneous and fictitious "rogue unit report" for SARS. This report was used to fire over 50 senior SARS officials and it was a contributory factor in diminishing SARS' capacity.
- KPMG provided tax-advisory services to and audited Linkway Trading, a Gupta shell company. Linkway was used to launder money from the Estina Dairy Farm. KPMG earned R40 million rand for its work.

KPMG, Deloitte, EY and PwC failures include:

- **Steinhoff, audited by Deloitte, which failed to detect a R106bn fraud over more than a decade. Says Open Secrets: "It is hard to accept that an alert external auditor, using the proper standard of professional scepticism and common sense, and with insight into all of Steinhoff's accounts, should not have raised red flags earlier."**
- **VBS Mutual Bank, audited by KPMG, where more than R2bn was stolen in a crude scheme. KPMG's lead auditor on the VBS account, Sipho Malaba, was arrested last week. He is said to have received R33.9m to hide the hole in VBS's accounts — money he allegedly used to buy Land Rovers, properties and pay off debt.**
- **SAA, where PwC failed to pick up misstatements over a number of years.**
- **The firm, and partner Nkonki, were paid R19m for this, but were only fined R200,000 by the regulator.**
- **Tongaat Hulett, where Deloitte missed that the sugar company's assets, including sugar cane, were overstated by more than R10bn.**
- **Numerous state entities, including Eskom, where Deloitte earned R207m based on an irregular contract, and the SA Revenue Service, where KPMG produced an erroneous "rogue unit report" that was used to fire 50 senior officials.**

Corporate criminals loot SA state

Treasury hunts fraud worth R233bn in spending

Oct 06 2016 07:45 Sam Mkokeli **Moneyweb**

Johannesburg - It's South Africa's equivalent to the proverbial $640 Pentagon toilet seat - a paper binding machine that the government buys from its suppliers for almost R28 000, about 13 times what it costs in a store.

Kenneth Brown, the nation's 54-year-old chief procurement officer, cited the binding machine as an example of the massive waste that means as much as 40% of the government's R600bn budget for goods and services is being consumed by inflated prices from suppliers, and fraud.

"It means without adding a cent, the government can increase its output by 30% to 40%," he said in an interview in Pretoria. "We could be building more roads, more schools without even adding more money to the current budget."

Since the office was set up in 2013, Brown and his team of 93 have led a Treasury drive to contain spending and renegotiate business deals that's taken on new urgency as South Africa faces a possible credit-rating downgrade to junk.

Kenneth Brown

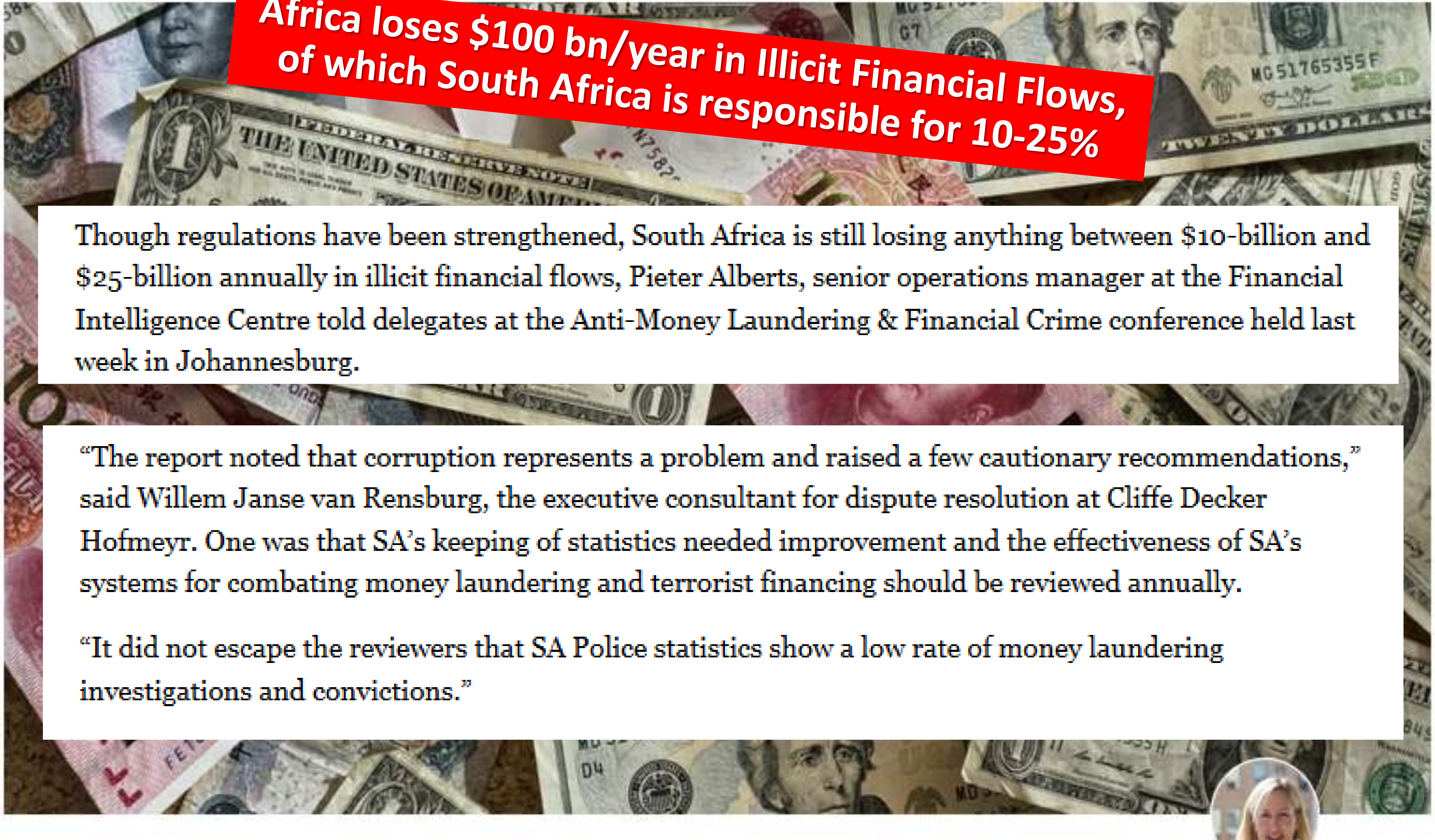
Source: https://www.moneyweb.co.za/news/south-africa/treasury-hunts-fraud-worth-r233bn-in-spending/

BUSINESS MAVERICK

SA's anti-money laundering measures under global spotlight

By Sasha Planting • 27 October 2019

Africa loses $100 bn/year in Illicit Financial Flows, of which South Africa is responsible for 10-25%



Though regulations have been strengthened, South Africa is still losing anything between $10-billion and $25-billion annually in illicit financial flows, Pieter Alberts, senior operations manager at the Financial Intelligence Centre told delegates at the Anti-Money Laundering & Financial Crime conference held last week in Johannesburg.

"The report noted that corruption represents a problem and raised a few cautionary recommendations," said Willem Janse van Rensburg, the executive consultant for dispute resolution at Cliffe Decker Hofmeyr. One was that SA's keeping of statistics needed improvement and the effectiveness of SA's systems for combating money laundering and terrorist financing should be reviewed annually.

"It did not escape the reviewers that SA Police statistics show a low rate of money laundering investigations and convictions."

SA's IFFs cost 3-7% of GDP

BUSINESS MAVERICK

SA's anti-money laundering measures under global spotlight

By Sasha Planting • 27 October 2019

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"It did not escape the reviewers that SA Police statistics show a low rate of money laundering investigations and convictions."

The major profit-generating crimes in SA include fraud, theft, corruption, racketeering, precious metals smuggling, abalone poaching, "419" Nigerian-type economic or investment frauds and pyramid schemes, according to the 2009 FATF report on South Africa. At the time the evaluators also noted the "increasing numbers of sophisticated and large-scale economic crimes and crimes through criminal syndicates."

Source: :https://www.dailymaverick.co.za/article/2019-10-27-sas-anti-money-laundering-measures-under-global-spotlight/

BusinessDay

MORNING NEWSLETTER November 6 2017

Paradise Papers: SA names aplenty in huge tax leak

OPINION

Paradise for corporates and ultrarich

Koketso Moeti 05 Jan 2018 00:00

Miners at Marikana protest in 2012. Their poor living conditions were exposed by the Farlam inquiry. (Delwyn Verasamy/M&G)

COMMENT

The Paradise Papers — detailing offshore investments leaked to the newspaper Süddeutsche Zeitung last year — revealed that more than 500 South African individuals and companies are named in the 13.4-million files, showing how corporates and the rich use loopholes to avoid paying their fair share of tax.

NATIONAL

Paradise Papers: Ramaphosa's Shanduka deal flop

Amabhungane Micah Reddy Will Fitzgibbon 9 Nov 2017

Influential: Is Deputy President Cyril Ramaphosa as squeaky clean as the international media would have us believe?

In June 2012, the company owned by deputy president Cyril Ramaphosa trumpeted its entry into the regional energy market through a 37.5% stake in the Kuvaninga independent power producer project in southern Mozambique.

This was two years before Ramaphosa had been picked as deputy president to Jacob Zuma, and before he sold out of Shanduka.

SA's largest investment company, the Public Investment Corp (PIC), which manages R1.8-trillion in government pensioners' money, would also later invest in the project.

In the early days, Investec, the SA bank headed by CEO Stephen Koseff, was the main funder. The bank spoke of the need to adopt "flexibility" and "guerrilla tactics" to succeed at Kuvaninga.

Investec's finance team wrote that the Mozambican market was "not necessarily at first sympathetic to project finance principles".

This is why "locking in a strong and active local partner with a suitably aligned interest" was vital.

But perhaps of more concern was that the deal was to be structured through Mauritius, a tax haven famous for hiding details of people behind deals.

While there is no suggestion that Ramaphosa or Investec were involved in any wrongdoing, their involvement in a project structured through this tax haven could raise eyebrows.

This is especially since the leaked Paradise Papers show that Appleby, the offshore law firm, already had concerns about Kuvaninga's main promoter, Carlos Pinto, the owner of US-based Enventure Partners.

Appleby was involved in setting up Pinto's Marihold One, which agreed to sell part of its right to participate in the Kuvaninga project to Shanduka for US$3.5-million.

The ultimate goal was for Kuvaninga to sell power to Mozambique's power utility.

In September 2010, a month after Marihold was incorporated in Mauritius, it signed an agreement with Shanduka, which required Ramaphosa's company to plough in $3.5-million for the "right to invest".

AMABHUNGANE

Ramaphosa and MTN's offshore stash

Craig McKune and George Turner, Craig McKune, George Turner 09 Oct 2015 00:00

Cyril Ramaphosa. (David Harrison, M&G)

Emmanuel Mayah, Jeff Mbanga, Francis Kokutse and Nick Mathiason contributed to this joint investigation by the M&G Centre for Investigative Journalism (amaBhungane) and ***Finance Uncovered****, a global reporting project involving journalists in 54 countries.*

Shortly after Cyril Ramaphosa left MTN to become South Africa's deputy president last year, he lashed out at companies that make profits "disappear" by shifting them "to low-tax operations where there is little or no genuine activity".

Further reading:

- How MTN Uganda's offshore stash sent Uganda Revenue Authority on the hunt
- MTN's Mauritian billions

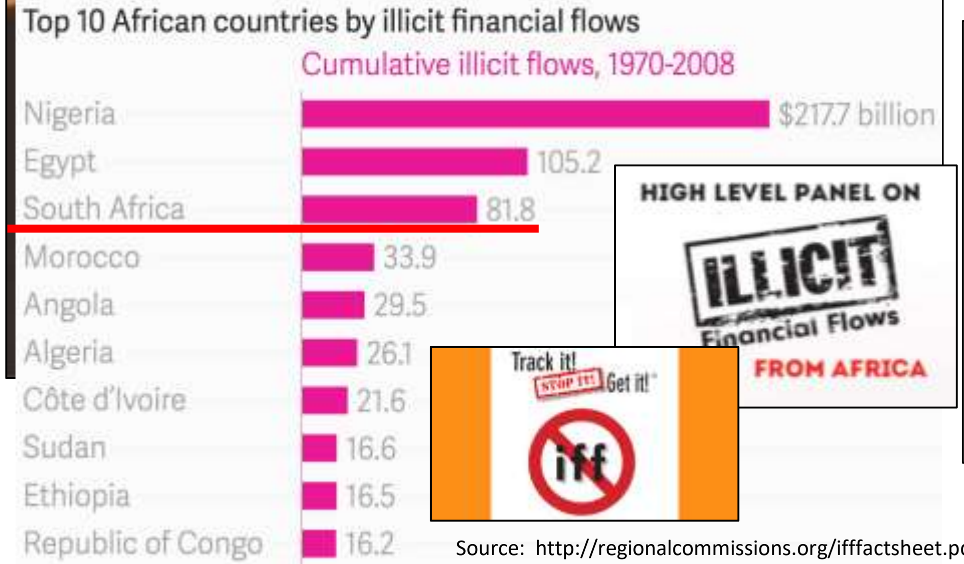
Cyril Ramaphosa's Lonmin tax-dodge headache

Craig McKune, Andisiwe Makinana 19 Sep 2014 00:00

Cyril Ramaphosa at the Farlam Commission of Inquiry in Pretoria. (Moeletsi Mabe, Gallo)

Evidence before the Marikana commission that Lonmin moved millions in platinum revenue from South Africa to tax-free Bermuda is likely to prove embarrassing for ANC deputy president Cyril

Reparations case by Jubilee SA

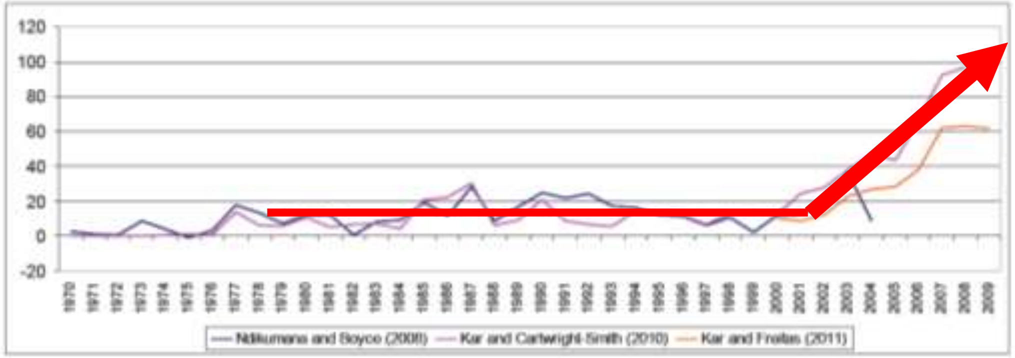


United Nations
Economic Commission for Africa

Illicit Financial Flows Fact Sheet

Illicit financial flows estimates

- Cumulative estimate of IFFs between 1970 – 2008 stands at $US854bn a $22bn yearly average
- Trend has increased between 2000 & 2008, with $50bn being lost to financial outflows every year



Box 2.1 Aggressive tax avoidance by multinational corporations being curtailed in South Africa

The South African authorities informed the Panel about a case in which a multinational corporation was found to have avoided $2 billion in taxes by claiming that a large part of its business was conducted in the United Kingdom and Switzerland, which at that time had lower tax rates for their business, and moving the legal site of their business to these jurisdictions. When the South African authorities investigated the case, they found that the UK and Swiss subsidiaries/branches had only a handful of low-paid personnel with relatively junior responsibilities, and that these offices did not handle any of the commodities in which the company dealt (nor were they legally able to take title to those commodities). The company's customers were often in South Africa, but for each transaction, a paper trail was created that would route the transaction through the Swiss or UK offices to give the impression that these offices were critical to the business. The South African authorities were able to reclaim the tax that was avoided because it was clear that the substance of the company's activities was conducted in South Africa.

GLENCORE

Source: http://regionalcommissions.org/ifffactsheet.pdf and https://www.brookings.edu/blog/africa-in-focus/2020/03/02/new-trends-in-illicit-financial-flows-from-africa/

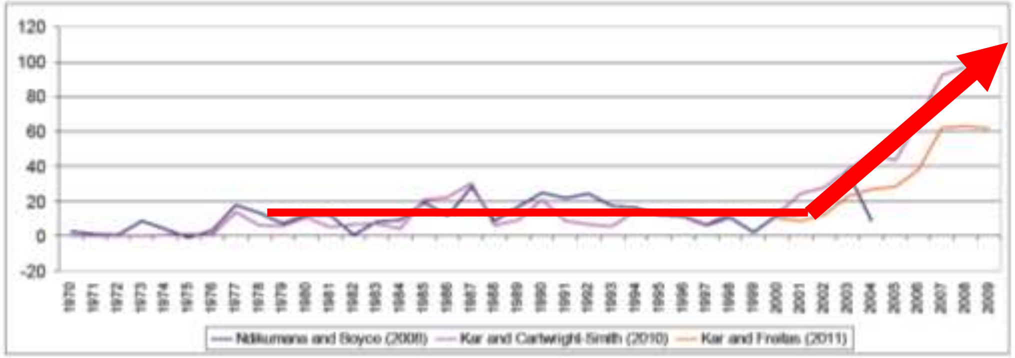
"The African Union itself has estimated that every year over $148 billion are drained out the continent through various corrupt activities and acts."

United Nations
Economic Commission for Africa

Illicit Financial Flows Fact Sheet

Illicit financial flows estimates

- Cumulative estimate of IFFs between 1970 – 2008 stands at $US854bn a $22bn yearly average
- Trend has increased between 2000 & 2008, with $50bn being lost to financial outflows every year



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Mbeki to brief Magufuli on Tanzania's illicit financial flows

28 November 2018, 12:25 PM | Nthakoana Ngatane | @SABCNewsOnline

Former President Thabo Mbeki is expected to brief Tanzanian President, John Magufuli, on the impact of illicit financial flows on his country.

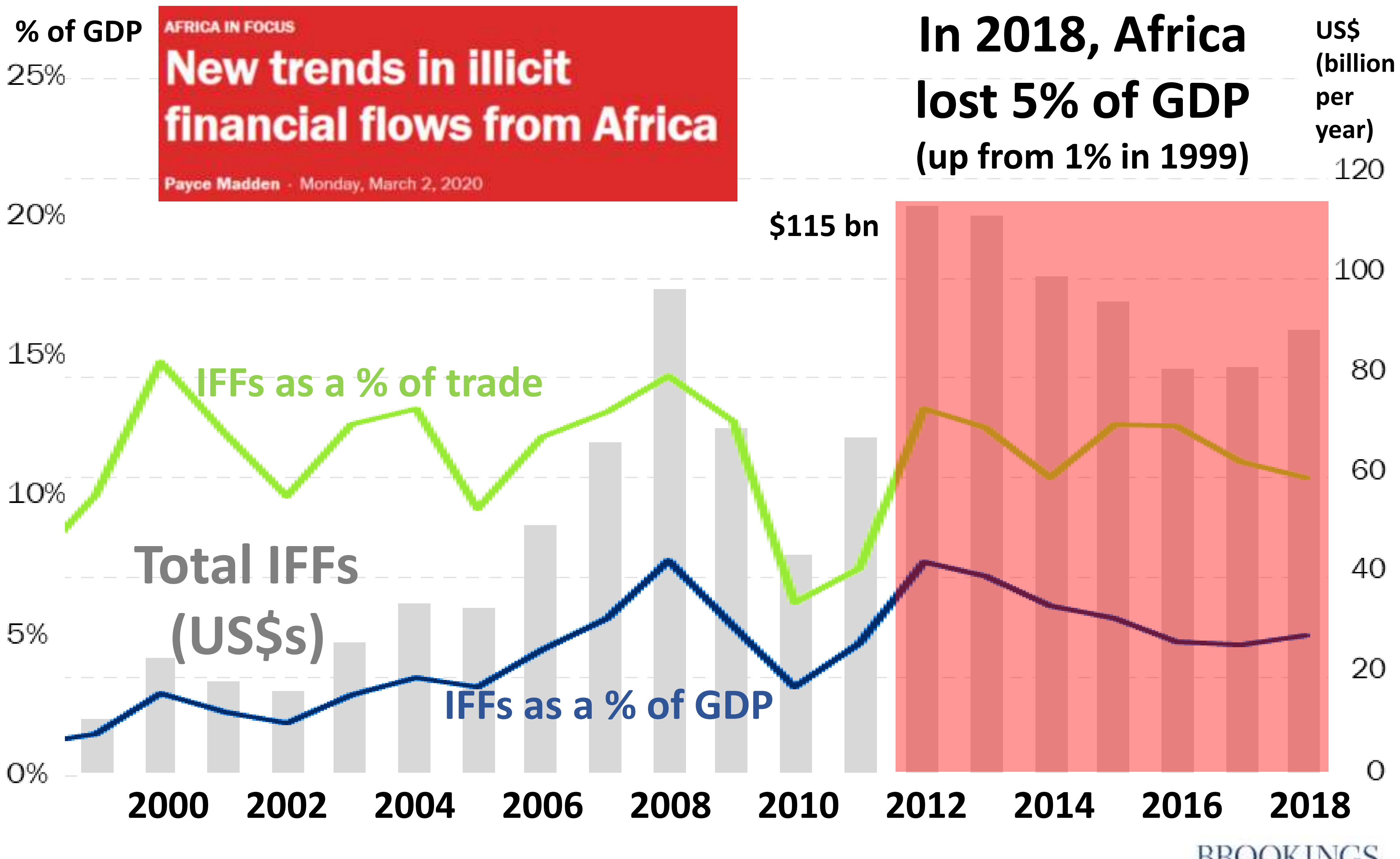
Former President Thabo Mbeki is expected to brief Tanzanian President, John Magufuli, on the impact of illicit financial flows on his country.

Mbeki chairs the African Union High Level Panel on Illicit Financial Flows.

While Magufuli is known for clamping down on unnecessary and irregular expenditure since he came to power, Tanzania, like other African countries continues to lose billions.

The amount of money lost by African countries through illicit flows annually is approximately $80 billion dollars.

Source: https://www.sabcnews.com/sabcnews/mbeki-to-brief-magufuli-on-tanzanias-illicit-financial-flows/ and https://au.int/en/speeches/20180125/statement-vera-songwe-united-nations-under-secretary-general-and-executive



Source: https://www.brookings.edu/blog/africa-in-focus/2020/03/02/new-trends-in-illicit-financial-flows-from-africa/

Leverhulme Centre for the Study of Value

A.N.C.I.R
The African Network of Centers for Investigative Reporting

Value of mispricing attributable to De Beers, 2004-12: US$2.825 billion

2004	58.346
2005	207.03
2006	108.72
2007	382.52
2008	3.61
2009	527.60
2010	36.06
2011	133.16
2012	426.56

Rough and polished

A case study of the diamond pricing and valuation system

Sarah Bracking and Khadija Sharife

	Domestic Production					Imports			Exports									
	KP: Volume cts (mill)	KP: Value USD (mill)	KP USD per carat [A]	Local beneficiation volume cts (mill)	Local beneficiation as % imports (by vol)	Volume cts (mill) [G]	Value USD (mill) [C]	USD per carat	Volume, cts (mill) [D]	Value USD (mill) [E]	USD/cts	E-C Value of dom. Prod. USD (mill) [M]	D – G Vol of dom. Exports	Prod (adjusted for import) [M/I], [H]	Difference actual export price and KP listed price USD (mill) [H – A], [I]	Value of mispricing USD (mill) [I x J], [K]	Estimated De Beers % (per cent)of exports by value [F]	Value of mispricing attributable to De Beers USD (mill) [FK]
2004	14.09	1,075.76	76.34			0.93	608.64	655.59	14.82	1,835.69	123.84	1227.05	13.89	88.34	12.00	166.68	95	158.346
2005	15.56	1,319.09	84.78			1.10	728.56	664.75	20.39	2,148.29	105.37	1419.73	19.29	73.60	-11.18	-215.66	96	207.03
2006	14.93	1,361.82	91.18			0.74	672.18	905.99	15.78	1,930.28	122.32	1258.1	15.04	83.65	-7.53	-113.25	96	108.72
2007	15.21	1,417.33	93.18			1.24	2,113.89	1,705.67	13.89	1,867.33	134.44	-246.56	12.65	-19.49	-112.67	-1425.28	97	1,382.52
2008	12.90	1,236.24	95.82			0.68	582.25	850.09	10.14	1,484.83	146.39	902.58	9.46	95.41	- 0.41	-3.88	93	3.61
2009	6.14	885.54	144.23			0.66	357.20	544.73	9.55	1,018.67	106.67	661.47	8.89	74.41	-69.82	- 620.70	85	527.60
2010	8.86	1,194.28	134.75	0.129	32.25	0.40	307.96	773.16	3.76	709.22	188.76	401.26	3.36	119.42	-15.33	- 51.51	70	36.06
2011	*7.04	1,388.68	197.13	0.167	12.41	1.35	460.17	339.79	6.65	1,370.45	205.94	910.28	5.3	171.75	-25.38	-134.51	*99.	133.16
2012	7.08	1,027.13	145.13	0.150	1.31	11.47	1,082.13	94.31	8.01	1,355.53	169.13	273.4	-3.46	-79.02	-224.15	-775.56	55	426.56
Total																3,340.34		2,825.26

Source: http://thestudyofvalue.org/2014/05/15/new-lcsv-working-paper-explores/

AIDC Alternative Information & Development Centre

129 Rochester Street, Observatory
P.O. Box 12943 Mowbray 7705

Press conference 2 June 2014

During the 2014 platinum strike, disputes over manipulated corporate profits had major implications for wage demands

"WHY HAVE AMPLATS, IMPALA AND LONMIN BEEN SYSTEMATICALLY SELLING THEIR PGM METALS BELOW MARKET PRICES?"

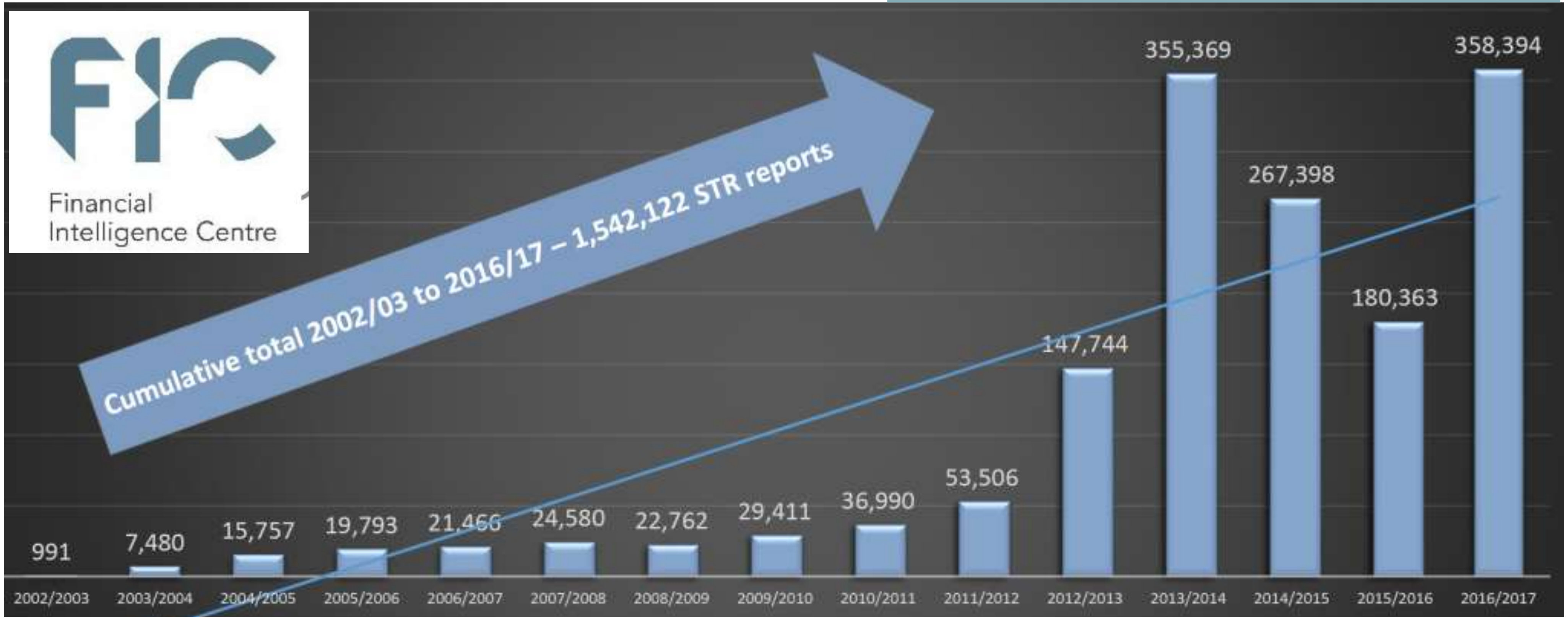
Our research reveals that the world's three biggest platinum producers have been systematically under-selling their metals. Over ten years this amounts to a forfeiture of potential revenue of more than R15 bn. Not only is this a forfeiture of revenue to the companies and their shareholders but represents a loss in tax revenue for the state and for possible investment in SA.

Taxation, and especially mining taxation, is complicated. However, when R100mn of profits is transferred abroad without being taxed, we can say that R28mn in corporate tax revenue is lost if the corporate income tax is 28%. In addition, the remaining R72mn of the R100mn has disappeared from the wage bargaining process, and potential investments such as housing for migrant workers or in health and safety. Revenue from VAT and personal income tax is also lost to the government.

Source: http://octfi.org/wp-content/uploads/2014/06/Press_conference-Statement.pdf

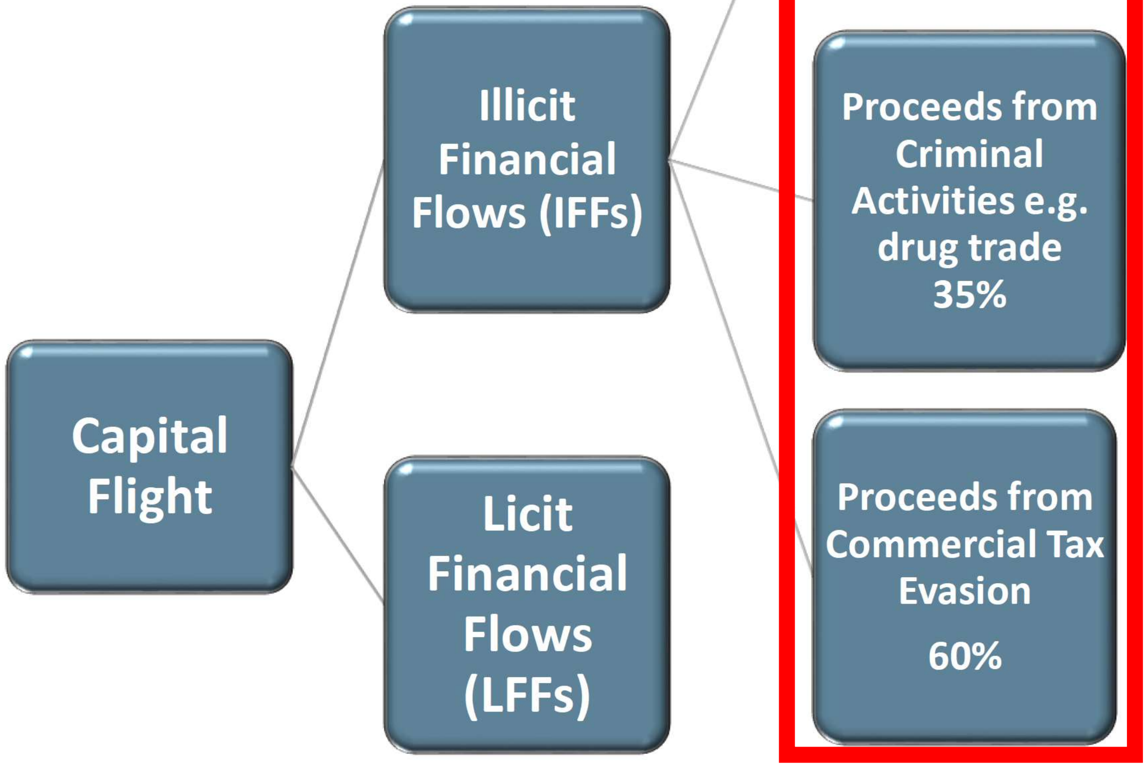
“Suspicious and Unusual Transaction Reporting”

Corruption, Cyber/Electronic Fraud, Serious Economic Offences, Serious Fraud, Illicit Tobacco



Source: :https://www.saicb.co.za/uploads/files/11.-Pieter-Alberts-Financial-Intelligence-Centre2.pdf/

IFFs are understood as the ***international flow*** component of **illegal activity/corruption**, which takes place **domestically**, as well as **internationally**.



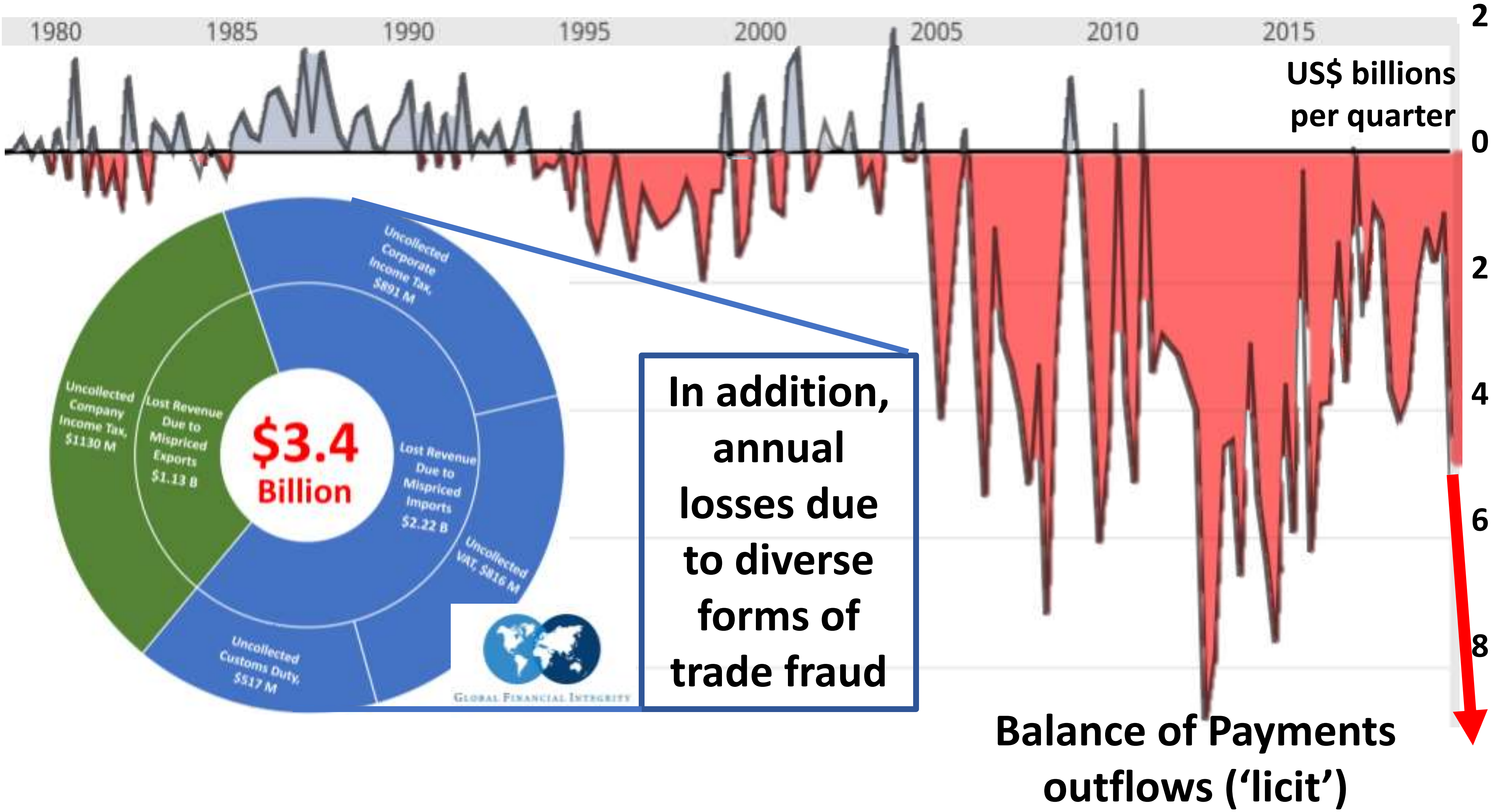
INTER AGENCY WORKING GROUP ON ILLICIT FINANCIAL FLOWS

- National Prosecuting Authority;
- Asset Forfeiture Unit of NPA ;
- SIU;
- SAPS / DPCI;
- SARS;
- SARB Bank Supervision;
- SARB Financial Surveillance;
- Financial Services Board;
- Financial Intelligence Centre.

Financial Intelligence Centre

Source: :https://www.saicb.co.za/uploads/files/11.-Pieter-Alberts-Financial-Intelligence-Centre2.pdf/

Balance of Payments and International Investment Position Manual (BPM6): an economic flow that reflects the creation, transformation, exchange, transfer, or extinction of economic value and involves changes in ownership of goods and/or financial assets, the provision of services, or the provision of labour and capital.



Source: https://fred.stlouisfed.org/series/ZAFB6FATT01CXCUQ and definition at https://ec.europa.eu/eurostat/cache/metadata/en/bop_6_esms.htm

BusinessDay

POLITICS CORONAVIRUS COMPANIES ECONOMY BUSINESS

NATIONAL

Tax fraud and evasion cost R50bn a year, says Dennis Davis

No need to raise taxes if Sars can plug gap

27 DECEMBER 2019 - 13:30 *by* LINDA ENSOR

Fiscal drain of at least R50 bn/year

In an interview on Friday and in an article published earlier in the week by the Daily Maverick, the chair of the committee, judge Dennis Davis, said a report issued by Global Financial Integrity in November 2018 estimated that SA lost $3.4bn in tax revenue in respect of exports and imports in 2016.

Another 2018 study estimated that R7bn a year was lost due to base erosion and profit shifting, which involves diverting profits made in SA – particularly by multinational companies – to lower-tax jurisdictions.

Davis said the amount lost due to VAT fraud and tax evasion by high-net-worth individuals has not yet been quantified. "If you take all of that, a R50bn estimate is very conservative," he said.

As the leaked Panama Papers revealed, there is a significant group of individuals who illegally secreted billions of rand out of the country.

Source: https://www.businesslive.co.za/bd/national/2019-12-27-tax-fraud-and-evasion-cost-r50bn-a-year-says-dennis-davis/

DEFINITION OF TRADE MISINVOICING: A method of moving IFFs, including the deliberate misrepresentation of the value of imports or exports in order to evade customs duties and VAT taxes, to launder the proceeds of criminal activity or to hide offshore the proceeds of legitimate trade transactions, among other motivations.”

GLOBAL FINANCIAL INTEGRITY

Scenario A: The parent TNC in the example is domiciled in a relatively high-tax (34 per cent) country, and it has a foreign affiliate in a lower-tax (10 per cent) host country. A component is produced by the affiliate in the host country at a cost of $400, and sold to the parent in the home country at the (transfer) price of $550, which becomes part of the parent TNC's cost of goods sold. The home country parent firm incurs an additional $300 to complete the product which contains the transferred component. The product is sold at $2000. Tax liabilities are calculated using the host affiliates's and parent firm's pre-tax income, resulting in total tax liabilities of $226.

Tax bill: 13%

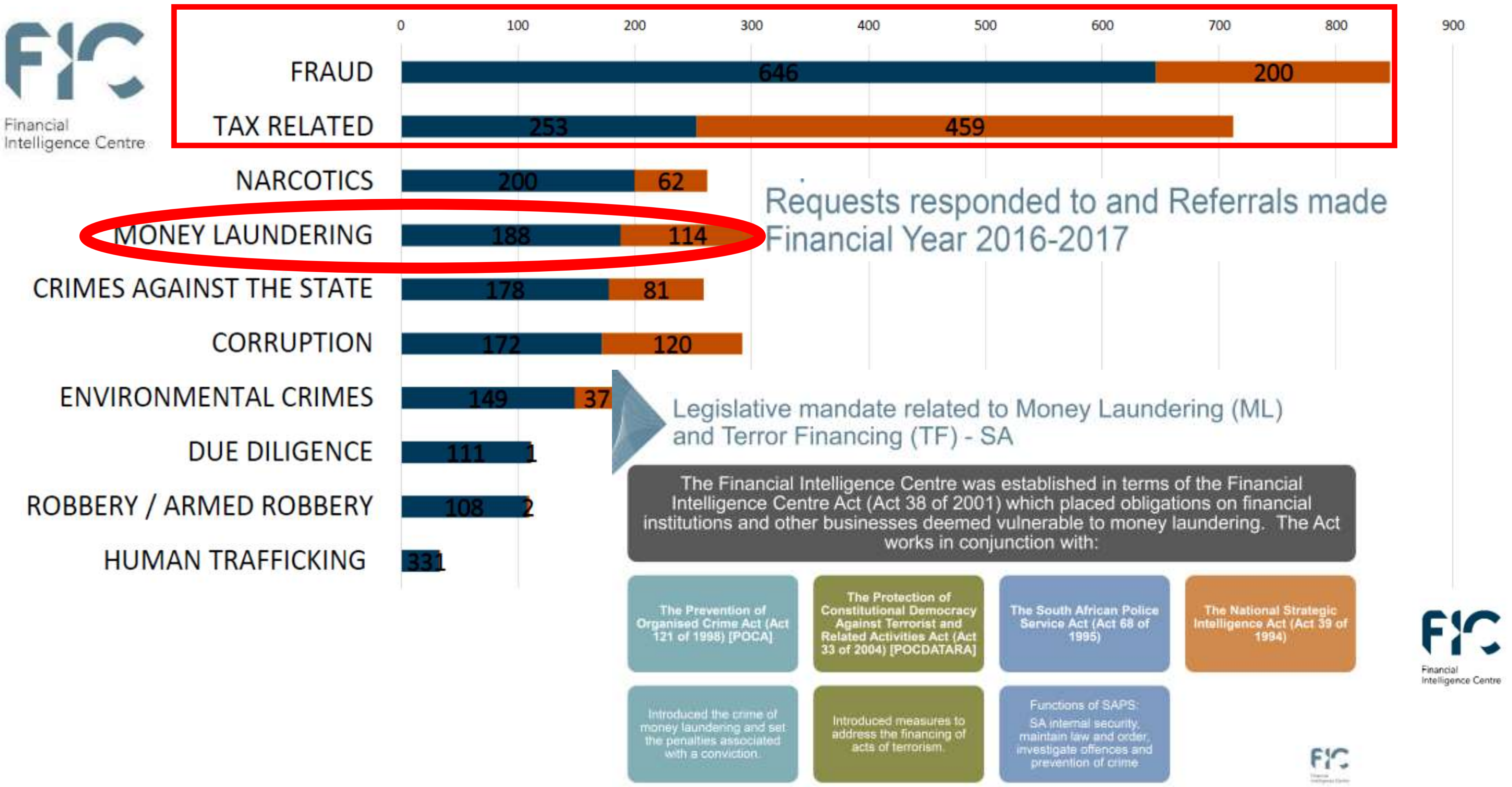
Transfers to income statement	Affiliate in low-tax country (10 per cent tax rate)	Parent in high-tax country (34 per cent tax rate)	Total TNC income
Revenue	$550	$2,000	$2,000
Less costs of goods sold	$400	($550* + $300)	$700
Gross margin =	$150	$1,150	$1,300
Less operating expenses	$100	$500	$600
Income before taxes =	$50	$650	$700
Less tax expense	$5	$221	$226
Net income	$45	$429	$474

Scenario B: Income is shifted from high-tax to low-tax country when the component produced by the affiliate in the host country is sold by the parent in the home country at the (transfer) price of $700. The result is that there is no effect on total revenues, costs and pretax income of the TNC. There is a net reduction of $226-$190=$36 in the TNC's overall tax liability, resulting in $36 increase in consolidated net income. When the results are consolidated, the affiliate's selling price cancels out $550 of the parent firms' costs of goods sold. The net effect of any transferred good or service on a company's pre-tax profits is zero.

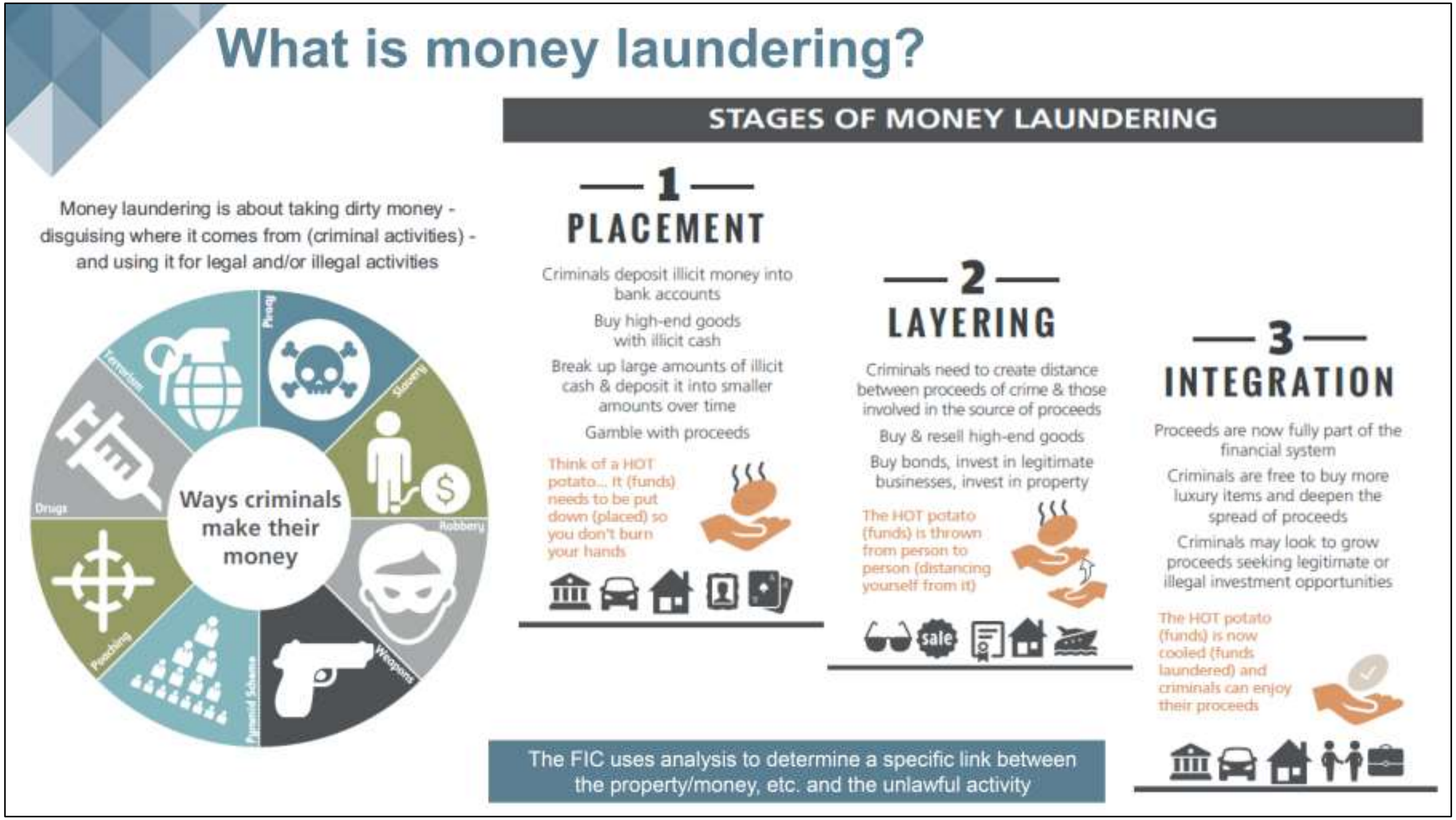
Tax bill: 9%

Transfers to income statement	Affiliate in low-tax country (10 per cent tax rate)	Parent in high-tax country (34 per cent tax rate)	Total TNC income
Revenue	$700*	$2,000	$2,000
Less costs of goods sold	$400	($700* + $300)	$700
Gross margin =	$300	$1,000	$1,300
Less operating expenses	$100	$500	$600
Income before taxes =	$200	$500	$700
Less tax expense	$20	$170	$190
Net income	$180	$330	$510

Source: https://gfintegrity.org/report/2019-iff-update/ and https://unctad.org/en/docs/psiteiitd11v1.en.pdf



Source: https://www.saicb.co.za/uploads/files/11.-Pieter-Alberts-Financial-Intelligence-Centre2.pdf/



Source: :https://rebels.co.za/resources/SAFARI/SAFARI-Feb-2019/Pieter-Alberts.pdf

Survey Ranks South Africa Top for Cryptocurrency Ownership

ECONOMICS
by **Jeffrey Gogo**

Feb 19, 2019

South Africa has been ranked as the top country for ownership of cryptocurrency, according to a global survey by social media management company Hootsuite and global agency Wearesocial. The survey found that 10.7 percent of internet users in the country own cryptocurrency. Thailand is second, with 9.9 percent of mobile users owning cryptocurrency and Indonesia third with 9.5 percent, while the global average was 5.5 percent.

News > Business > Business News

Zimbabweans turn to bitcoin as cryptocurrency value soars to $13,500

Some Zimbabweans are turning to the cryptocurrency as political turmoil deepens in the country

Shafi Musaddique | Wednesday 15 November 2017 12:30 |

INDEPENDENT

A local analyst noticed it "looks like people [of Zimbabwe] trust bitcoin more than anything else to maintain the value of their money. That is what's propelling the price." Almost immediately after the new President was sworn-in, Golix, a local exchange in Harare, showed bitcoin collecting a near twenty percent premium, lifting it to almost a clean ten thousand dollars above then-traded prices outside of the country.

The struggling nation is beset by inflationary problems the likes of which haven't been seen since the Weimar Republic's Reichmark days of the early 20th century.

As at least part of the reason why the Mugabe regime fell, former Minister of Finance, Ignatius Chombo was promptly arrested and charged with corruption and abuse of power. As of this writing, his bail is being reported as denied. International press outlets also report Mr. Chombo owns one hundred properties throughout the country, though he has spent the better part of the last 20 years in various low-level government agencies.

The new President, Emmerson Mnangagwa, appointed previous Minister of Cyber Security, Patrick Chinamasa, to act as Minister of Finance until a cabinet is in place.

Source: https://news.bitcoin.com/survey-ranks-south-africa-top-for-cryptocurrency-ownership/ and https://www.independent.co.uk/news/business/news/zimbabwe-bitcoin-coup-us-dollar-currency-robert-mugabe-exchange-rate-money-a8056286.html

How to reduce money laundering

23 January 2020 BUSINESSTECH

The 2020 review of South Africa's anti-money laundering standards could have wide repercussions for the way its banks conduct vetting procedures, including adverse media screening.

Banks are concerned about the results of the review given the country's poor record on financial crime since the last such evaluation 10 years ago.

South Africa has strengthened its anti-money laundering (AML) regulations but is still losing between $10 billion and $25 billion a year in illicit financial flows.

This means bankers have to up their game in AML compliance and the technology that can help them get there.

Low investigation rate

Inter-governmental regulatory body the Financial Action Task Force (FATF) is currently reviewing South Africa's compliance with AML rules and will report its findings in 2020.

The report will assess South Africa's technical compliance with the **FATF 40+9 recommendations** – the international standards on money laundering – and, crucially, its effectiveness in implementing compliance measures.

The last time FATF assessed South Africa, in 2009, it found the country wanting in several areas. The task force said corruption was a problem and recommended the country review its systems for combating money laundering and terrorist financing (TF) annually. It also said South Africa should improve the way it keeps statistics.

Source: https://businesstech.co.za/news/industry-news/367824/how-to-reduce-money-laundering-in-2020/

‘Price-rigging’ banks face billions

If all 17 institutions are penalised, the country’s R140-billion budget deficit could be wiped out in one fell swoop

- Mail & Guardian
- 17 Feb 2017
- Lisa Steyn & Lynley Donnelly

In trouble: Local banks have agreed to co-operate with the competition authorities and some may have to cough up.

If South Africa’s Competition Commission were to succeed in its price-fixing case against some of the world’s biggest banks, it would be enough to wipe out the country’s budget deficit, a commentator said on Thursday.

DAILY MAVERICK

TOP STORY

House of Cards: SARS’s 9/11 as pack comes tumbling down in probe of suspicious deposits

Barclays Africa apologises for its role in rand-fixing

Renee Bonorchis 23 Feb 2017 17:56

Barclays Africa apologised for its role in a rand-fixing affair involving more than a dozen banks, saying that it alerted regulators about the practice after suspending two traders.

“We deeply regret that this conduct took place within our organisation,” CEO Maria Ramos said on Thursday, without identifying the employees.

“Those who contravened our rules will be held accountable.”

The Competition Commission listed more than a dozen banks, including Barclays Africa, in its probe earlier this month and named more than 30 traders for price fixing and market allocation in the trading of foreign-currency pairs involving the rand. Citigroup on Monday said that it agreed to pay a penalty of almost R70-million to settle the case and would make witnesses available to help prosecute other banks.

Investec's Panamania

Noseweek Issue #202, 1st August 2016 By Barry Sergeant

Shady offshore ventures were veiled in bland corporate spin.

So why then did Investec bother (finally) to issue a haughty statement early in June, trashing the notion that it is active in offshore tax havens? Investec had, once upon a time, the statement suggested, briefly entered the offshore banking world by accident (in 1998 it bought a UK bank which made it something of a speciality), but – as soon as possible (in 2013) – had got shot of all that shady stuff. You have to do some arithmetic to work out that this “briefly” lasted 15 years – and that’s on the unlikely assumption that Investec hadn’t been doing its own offshore business before that.

Come to think of it, why would Investec have bought a bank called Guinness Flight Trust Services if it didn’t want to get into the offshore “Trust” business.

A great deal has happened since the year 2000 that has made doing business in tax havens a lot riskier (see “Tax noose tightens” below), but the chief effect has been that the business has simply become ever more devious. Keystone legal vehicles continue to persist across the world, permitting opacity to reign globally. These lawyer-constructed “structures” include trusts, nominee companies, shell companies, “intellectual” property transfers and entities, charities, and other supposedly benevolent structures, such as foundations.

BusinessDay

OPINION NATIONAL POLITICS COMPANIES ECONOMY BUSINESS

Investec's Stephen Koseff backs trader over forex collusion claims

The Competition Commission is seeking to prosecute more than a dozen local and global banks for forex price-fixing among their traders

15 MARCH 2017 - 06:17 *by* HANNA ZIADY

BusinessDay

OPINION NATIONAL POLITICS COMPANIES ECONOMY BUSINESS

Banks to face more forex charges

Affidavit outlines further allegations against Standard New York and Bank of America involving rigging rand-dollar exchange market

18 APRIL 2017 - 18:42 *by* MOYAGABO MAAKE

Banks slapped with fines for weak anti-money laundering controls

Lynley Donnelly 26 May 2017 09:38

Several local and international banks have been slapped with administrative fines by the South African Reserve Bank, for weak anti-money laundering and combating of financing terrorism controls.

The banks include Investec, Absa, Standard Chartered, as well as Habib Overseas Bank.

Overall, banks were fined a total of R46.5-million.

COMPANIES / FINANCIAL SERVICES

The rigging of the rand — how they did it

It has emerged that a number of the traders identified in the Competition Commission currency-rigging complaint are not new to this

BL PREMIUM

Business Day has taken a closer look at the issue and pieced together how the rigging was done. It also emerged that a number of the traders identified in the commission complaint were not new to forex rigging. Here are the details:

In January, the US Federal Reserve permanently banned Jason Katz, who worked for BNP Paribas, Standard New York, and Barclays during the period of the commission's investigation, from participating in the forex market due to his role in manipulating forex prices.

This followed an earlier $342m penalty against Barclays for control deficiencies related to forex trading. JP Morgan and Citigroup, which are named in the Competition Commission's complaint, were among banks that agreed to pay $2.5bn in penalties to the US department of justice for currency rigging.

Later that same month, Citibank's Christopher Cummins pled guilty to conspiring to fix prices in the department of justice's long-running investigation into currency rigging.

In SA, not much has happened to traders since the Commission's probe commenced in 2015, with public records showing Clint Fenton — whose LinkedIn profile states is a head trader at Investec — was removed from the JSE's register of officers and traders on its interest rate and currency derivatives markets in July 2016.

Bloomberg reported Barclays' Duncan Howes was suspended in May 2015, without citing reasons. Two Absa currency traders have also been suspended.

1. Maximising profits or avoiding losses

Jason Katz, BNP Paribas
Christopher Cummins, Citibank
Duncan Howes, Absa
Nicholas Williams, Barclays
Clint Fenton, Investec
Akshay Aiyer, JP Morgan
Murat Tezel, Australia and New Zealand Banking Group (ANZ)

seven dealers posted nonexistent bids (paid by dealers for currencies on the market) and offers (prices quoted to customers wanting to buy either the dollar or rand) on trading platforms such as Reuters, to push the prices of bids and offers up or down to benefit financial institutions at expense of customers

2. Fixing the bid-offer spread

Duncan Howes, Elaine Naidoo, John Daly, Premal Bhana and Thulani Kunene, Absa
Nicholas Williams and Peter Taylor, Barclays
Jason Katz, BNP Paribas, Standard New York, Barclays
Christopher Cummins, Citibank
Richard de Roos and Louis Friedman, Standard New York
Bryan Brownrigg, Standard Bank
Darren Dempsey, Nomura
Chris Harkins, Jason Atkins, Mark Chia, Bevan Murray, Luke Fryday, Tim Donnelly, Macquarie Bank
Murat Tezel, ANZ
Akshay Aiyer, JP Morgan

traders agreed on the size of bid-offer spreads charged to customers for certain volumes of currencies exchanged

3. Agreeing to fix prices of bids and offers

Duncan Howes, Absa
Nicholas Williams, Barclays
Gavin Cook, Bank of America
Jason Katz, BNP Paribas, Standard New York, Barclays
Christopher Cummins, Citibank
Bernard Barisic, James Mullaney, Matthew Sweeney, and Patrick McInerney, Standard Chartered
Paul Simister and Akshay Aiyer, JP Morgan
Chris Hatton, HSBC
Fredrich Putter, Credit Suisse
Clint Fenton, Investec
Murat Tezel, ANZ
Nigel Dousie, Commerzbank

shared confidential customer information such as identities, positions and order information — including whether the customer planned to split a large order for dollars or rand into various small orders between different dealers

4. Agreeing to co-ordinate times of trading

Duncan Howes, Absa
Nicholas Williams, Barclays
Gavin Cook, Bank of America
Jason Katz, BNP Paribas, Standard New York, Barclays
Christopher Cummins, Citibank
James Mullaney, Matthew Sweeney, Bernard Barisic, and Patrick McInerney, Standard Chartered
Paul Simister and Akshay Aiyer, JP Morgan
Chris Hatton, HSBC, Credit Suisse
Clint Fenton, Investec
Murat Tezel, ANZ

refrained from trading at particular times, for example, when a trader had a large order, he would be allowed to go first to avoid driving prices up or down; smaller trades would then follow, cheating customers out of benefiting from advantageous prices

Source: https://www.businesslive.co.za/bd/companies/financial-services/2017-02-17-the-rigging-of-the-rand--how-they-did-it/

Because banks have knowledge of their clients' expected deals for the day or even for the next weeks and months, they use that knowledge to rig the market (make a profit) and give their clients a bad deal. Banks may even share sensitive client information with each other, which is illegal.

Even if they don't share this information, each bank on its own can use the information of its own clients to manipulate the market or make a profit illegally. Sharing client information is illegal but so is gaining from the fact that the bank is using the clients' monies to profit itself.

Here is how they play it, using a hypothetical case, and using a funny rate between dollar and rands.

Very much aware that there is going to be a large order for dollars against the rand, the trader could buy some rands, lets say R600m, for the bank's own trading account (unlike in equity markets, this is not against the rules in foreign exchange). He might also stage the purchases of the R600m so that the bank is likely to pay less for the rands than the price at 4 pm – which is what the client ends up being charged for. Note that much of the "fixing"/dealing (collusion) happens close to the minute of the exchange rate fixing time (normally at 4 pm).

Here is how they could play the game. Note the usage of the word "fix".

- 3:40 pm: A client calls the foreign exchange desk of a bank to convert some of its US dollars into R600m. It asks if the trade can be settled at the market benchmark price (fixed rate)– established at 4 pm each day and named by the markets as "the fix" or "the fixing".
- 3.48pm: The trader immediately buys R50m for the bank's own trading account at the market price of 1.6000 dollars to the rand. He does this as he knows he has a very large amount of rands to buy over the next 12 minutes meaning there is a good chance that the price will rise.
- 3.50pm: The trader has now made sure that his bank has been looked after. His R50m trade has caused the price of rands to tick up to 1.6010 and the trader buys R100m at that price. He repeats this trade every two minutes, which drives the price higher each time. He stops when he has bought a total of R600m for his client by 4 pm at an average price of 1.6035.
- 4pm: The "fixing" states the price of the rand to the dollar is now 1.6060. The trader has filled his client's order and can also sell the R50m he bought for the bank. As the client has asked to pay the fixing price, he receives his R600m at a cost of $963.6m (R600m x 1.6060).

Redge Nkosi

But the bank has paid $962.1m (R600m x the average price of 1.6035), meaning it has made $1.5m out of the client's transaction. Add in the $300,000 won on the R50m side bet, and the trader has just made $1.8m for his bank in 15 minutes. A bonus can be paid for such "good work".

But what they did here is that they not only exchanged client information, which is illegal, they worked together to manipulate the rate, thus disadvantaging the country, which is illegal, and the normal citizen who should have benefited from a normal trading rand.

Source: https://www.thejournalist.org.za/spotlight/currency-manipulation-collusion-and-other-corrupt-practices

No evidence of currency manipulation, says Tito Mboweni

In reply to EFF question, finance minister says Competition Commission is investigating a case of price fixing and market allocation in the trading of foreign-currency pairs

11 AUGUST 2019 - 19:39 *by* BEKEZELA PHAKATHI BusinessDay

Tito Mboweni. Picture: THE HERALD

Mboweni said the currency market is a deep and liquid market, and it is difficult to determine any material or long-lasting impact of any one transaction on the level or value of the currency.

"It is important for members to differentiate between the impact of any transaction on consumers and the impact on the value of the rand – the investigation before the Competition Commission appears to be related more to the conduct of bank traders towards clients, rather than providing evidence of their affecting the actual value of the rand," he said.

"We should all await the outcome of the Competition Commission's investigation…"

Source: https://www.businesslive.co.za/bd/national/2019-08-11-no-evidence-of-currency-manipulation-says-tito-mboweni/

Investec's top execs did strike it rich

Kabelo Khumalo

Investec's Hendrik du Toit has received a £4.6m bonus.

INVESTEC's annual report on Friday showed that its top four executives were paid a combined £19 million (R322.83m) in salaries, bonuses and other benefits in the 2016 financial year, up from the £17.8m they pocketed from the previous year, thus dwarfing the pay of their industry peers.

Leading the way was the group's head of the Asset Management (IAM) unit, Hendrik du Toit, whose total compensation comprised of a £4.6m bonus and £440 950 in gross remuneration.

The group's chief executive Stephen Koseff 's total remuneration came to £4.8m, which includes an gross remuneration of £1.4m, a bonus of £1.9m, long-term incentive awards of £1.4m, while the company's managing director Bernard Kantor's total pay also amounted to £4.8m, including a gross remuneration of £1.4m, a bonus of £1.9m and long-term incentive awards of £1.4m.

Glynn Burger, the group risk and finance director, took home £4.3m, including a gross remuneration of £1.3m, a bonus of £1.6m and long-term incentive awards of £1.3.

Du Toit's IAM unit grew its asset under management to £95.3bn in the period from £75.7bn in the corresponding period, while it posted operating profit before non-controlling interest £164.8m, an increase of 22.3 percent and contributed 27.5 percent to group profit.

Bonuses

Perry Crosthwaite, the chairperson of the remuneration committee at Investec, in the annual report, said that the committee had approved bonuses to executives In light of the positive financial performance of the group during the 2017 financial year and the resultant progress achieved across a range of financial and non-financial and strategic measures.

"Hendrik du Toit was awarded a bonus of £4.65m, determined solely in relation to the performance of Investec Asset Management 20 percent of the bonus awarded to Du Toit was deferred into the IAM Deferred Bonus Plan," Crosthwaite said.

Executive pay has been a bone of contention in South Africa as wage gap and equality remain stubbornly high.

Earlier in the year, Business Report reported that Standard Bank last year paid its top six executives a combined R209m in salaries, bonuses and other benefits, with group head of corporate and investment banking David Munro netting more than the companies' joint chief executives in the 2016 financial year.

Munro, who has since left to take on the chief executive position at Liberty took home R45.2m in total earnings for the year. His earnings included a basic salary of R6.7m, annual cash reward of R12.9m, annual deferred award of R15.6m and R10m in performance reward plan.

The bank's joint chief executives Sim Tshabalala and Ben Kruger earned R44.4m each. Nedbank's top 7 executives pocket R150m in salaries, bonuses and other benefits last year, with the companies chief executive Mike Brown accounting for R36.7m of this.

Absa's top 7 executives were awarded R114.4m in salaries and other benefits in the 20
year, with chief execu
Ramos total take home
amounting to R29.5m.

Tightening

The King IV Report
rate Governance recomm
tightening of requireme
muneration for compani

Last week, profes
vices firm Deloitte, relea
ecutive Compensation R
that covered companies
top 100, as at September

Among other things
found that the executive
tion industry has much
providing informed a
commentary to all st
such that the executive
versy is translated into a
debate towards a bal
generally supported solu

"Chief executive to
compensation grew from

Source: https://www.pressreader.com/south-africa/pretoria-news/20170703/282037622184442

Source: https://www.bloomberg.com/news/articles/2016-01-11/rand-sinks-most-since-2008-as-traders-fret-over-china-liquidity

Just three months to save SA

The credit ratings agencies that hold the economy's fate in their hands will need to see concrete action by June, write **Colin Coleman, Christo Wiese** and **Cas Coovadia**

SOME important things happened this past week. Led by Finance Minister Pravin Gordhan, a joint team of National Treasury, business and trade union leaders, the three of us among them, spoke on a roadshow in London, Boston and New York to hundreds of investors representing trillions of dollars of assets. We also met CEOs of global corporations and, importantly, key representatives of all three ratings agencies.

We discussed the prospects of maintaining our sovereign investment-grade rating. We answered investors' questions to the best of our collective ability and listened to their perspectives. We heard loud and clear the voices of the capital markets and, through our responses, we did our best to put Team South Africa on the front foot.

What did we hear from these market participants?

Their confidence has undoubtedly been shaken by the December events now commonly referred to as "9/12". Nonetheless, goodwill towards the success of the South African democratic project remains high.

But capital will not invest at all costs, and the sustainability of our fiscal plans, economic growth and constitutional democracy is at the heart of the retention of our sovereign investment-grade rating.

In particular, while many investors would have liked to see a more front-loaded and deeper fiscal plan — with more austerity and higher taxes — the recent budget mostly ticked the fiscal consolidation box.

ON THE ROAD: Team SA in London

THE PAPER FOR THE PEOPLE
Sunday Times
March 13, 2016

Source: https://www.timeslive.co.za/sunday-times/opinion-and-analysis/2016-03-13-sa-has-3-months-to-save-itself/

Source: https://investigativecenters.org/ and https://www.icij.org/ and https://www.occrp.org/en

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BUSINESSTECH

BANKING BUSINESS FINANCE MOTORING INDUSTRY NEWS IT SERVIC

South Africans have R30 billion tucked away in Swiss banks

Staff Writer 3 July 2017

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 02138
September 2017

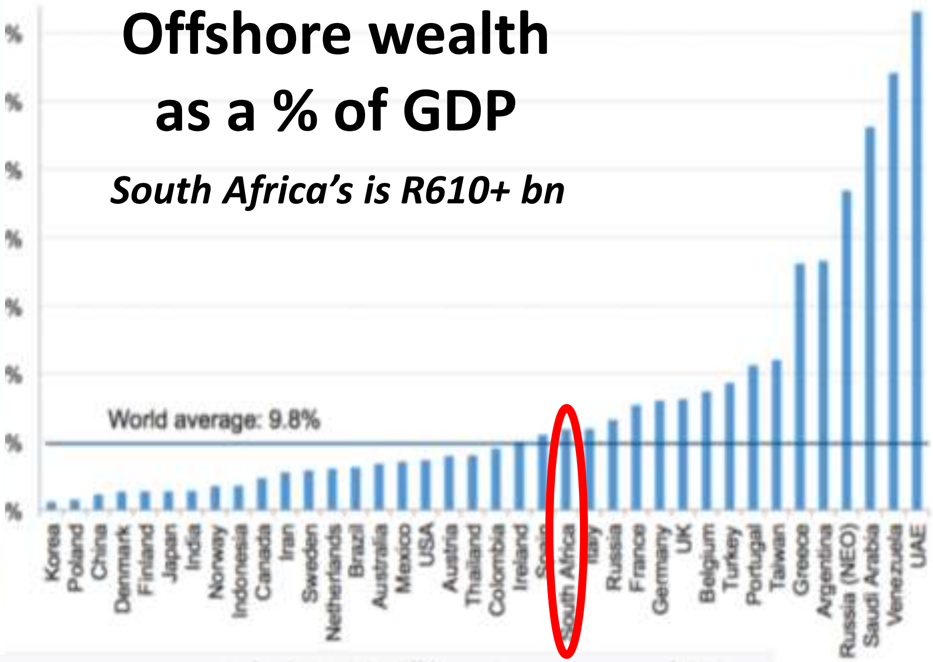
WHO OWNS THE WEALTH IN TAX HAVENS? MACRO EVIDENCE AND IMPLICATIONS FOR GLOBAL INEQUALITY

Annette Alstadsæter
Niels Johannesen
Gabriel Zucman

Working Paper 23805
http://www.nber.org/papers/w23805

Offshore wealth as a % of GDP

South Africa's is R610+ bn



Sources: https://businesstech.co.za/news/wealth/183149/south-africans-have-r30-billion-tucked-away-in-swiss-banks/ and https://www.nber.org/papers/w23805.pdf ideas for a prosperous Africa

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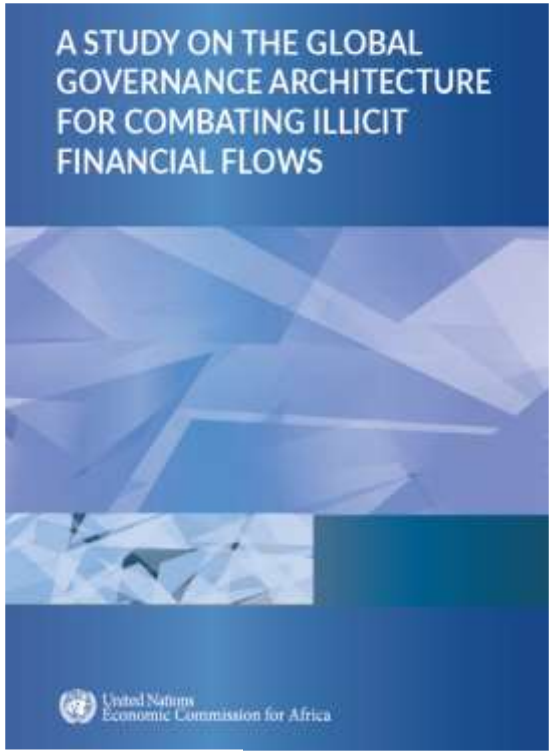
First printing April 2018

A study on the global governance architecture for combating illicit financial flows

The most up-to-date estimates by the Economic Commission for Africa indicate that during the period 2000-2015, net illicit financial flows between Africa and the rest of the world averaged US$73 billion (at 2016 prices) per year from trade misinvoicing alone. Recent exposure of illicit financial flow scandals shows that those involved in such activities have used a range of practices to perpetrate the flows. Furthermore, there are a number of fundamental enablers of illicit financial flows that cut across institutions, sectors and stakeholders, such as: the benefits to the perpetuators, the facilitating infrastructure, the absorptive jurisdictions and the constraints of public authorities.

Source: https://www.uneca.org/publications/study-global-governance-architecture-combating-illicit-financial-flows and



South Africa

While the level is unclear because of statistical issues, South Africa may suffer from substantial IFFs. The South African Revenue Service Commissioner indicated in a recent presentation to the parliamentary Standing Committee on Finance that South Africa faces a very high risk of illicit outflows, which can partly be attributed to the country's world-class financial systems, along with its large extractive industry of mining and resources, the presence of large multinational corporations, and its open economy and tradable currency (African Monitor, 2017).

A presentation by the South African Treasury in June 2016 at the inaugural meeting of the Consortium to Stem Illicit Financial Flows from Africa revealed that South Africa has lost significant illicit financial outflows through transfer pricing abuses by multinational corporations. Pervasive tax abuse by multinational corporations was also confirmed in interviews conducted by the authors of the present study with government officials in June 2017, as well as in a number of academic studies (see, for example, Lord, 2014, Oguttu, 2016). It was also reported by Goredema (2007) that in 2001 between $2 billion and $8 billion were laundered through South African institutions every year. The South African real estate market, in particular, is considered to be a major conduit for criminals to launder their funds by purchasing and/or developing properties (Boles, 2017).

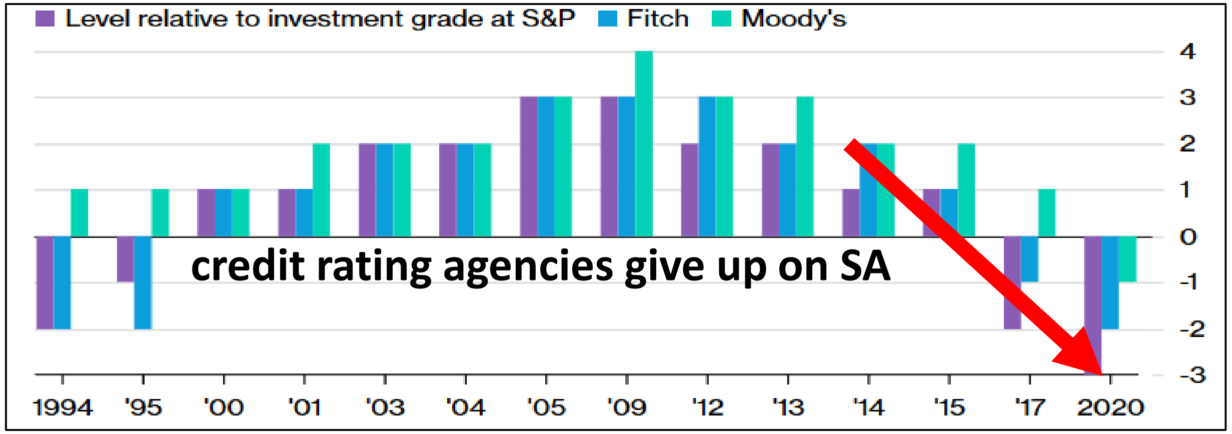
South Africa is a party to the Convention against Corruption, the Convention against Transnational Organized Crime, the United Nations Model Double Taxation Convention between Developed and Developing Countries, the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the Single Convention on Narcotic Drugs. It makes use of the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. It also participates in the work of FATF, the ECA Regional Anti-Corruption Programme for Africa (2011-2016) and the African Tax Administrative Forum. Data on corruption in South Africa are unavailable. In the Transparency International Index, the country is ranked 64 out of 176 countries, with a score of 45/100.

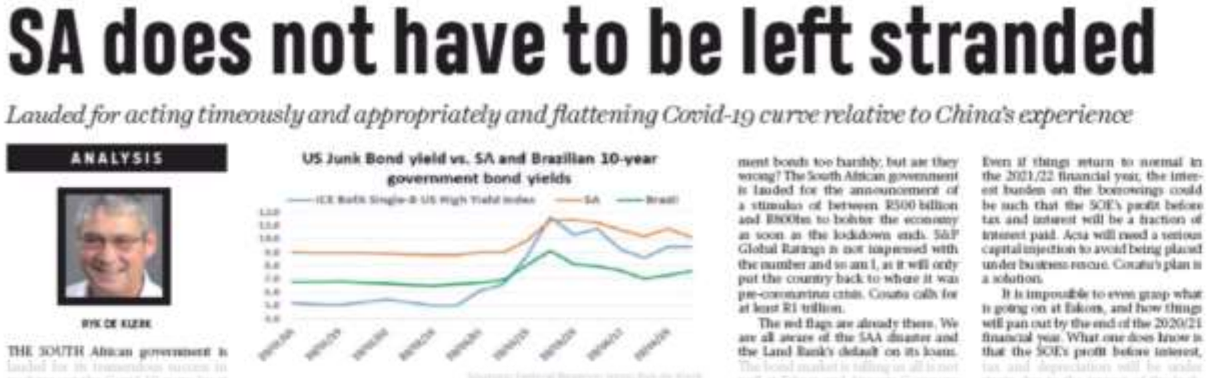
Global Financial Integrity and UNCTAD. The latter (2016) estimated the volume of IFFs effected through South African gold and platinum exports, but those relating to gold were later revised, as a large part of the apparent total was found to be because of differences between South African trade data reporting practices and those of its trading partners. It may well be that a significant share of the updated estimate of $19 billion worth of misinvoicing of gold from South Africa can be attributed to the re-exports of gold. Furthermore, estimates of IFFs through South African platinum exports may be distorted by underreporting (van Rensburg, 2017). As a result, in a number of reports, it is argued that South African officials need to clarify and update the classification of commodities and report consistently to international databases (UNCTAD, 2016; van Rensburg, 2017). Similarly, Morocco does not seem to produce its own estimates of IFFs to or from the country (Haut Commissariat au Plan, interview, 16 May 2017).

In some cases, African public institutions continue to lack the capacity to address IFFs and even though the Tax Inspectors Without Borders initiative has trained many tax auditors on the continent, others in key positions for tackling those flows, such as judges, tribunals, lawyers, accountants and others involved in finance and taxation, are not as aware of these issues; in addition, the initiative has failed to have the desired impact in some African countries and faces challenges of conflict of interest (ECA, 2017). In South Africa, for example, discussions with local finance industry employees showed a lack of awareness of issues surrounding the Base Erosion and Profit-Shifting action plan. Even if an audit is performed well, only a knowledgeable lawyer, judge or other finance professional would be able to act and make a judgment based on the conclusions of such an audit.

Source: https://www.uneca.org/publications/study-global-governance-architecture-combating-illicit-financial-flows

In South Africa, according to expert opinions and the parliamentary Standing Committee on Finance (2017), the fight against IFFs is not prioritized by some elements within the State. This seems to be the case especially for the South African Police Service, whose leaders have repeatedly refused to attend parliamentary meetings on subjects related to IFFs, or simply refused to answer questions when attending such meetings. The Committee members also have highlighted on several occasions that there has been little, if any, action taken to implement the recommendations made by various stakeholders with a view to combating IFFs. The Committee also highlighted the fact that "not one of the 1,700 South African residents identified in the Panama Papers has been prosecuted" (p. 3). This is the case event though the Financial Intelligence Centre has examined the Panama Papers and handed over the case files to the prosecuting institutions. The Police Service has "dealt with" only one out of 31 cases handed over by the South African Reserve Bank on IFF-related matters.[14] Political will and corruption can often be directly related to the ability of developed and developing States not only to update and strengthen laws but also to mandate the enforcement of these laws to rectify and reverse IFFs.





In my opinion, the time has arrived for inward investing by the savings sector by lowering the Regulation 28 limits of investing offshore and to ensure that the repatriated funds are productively employed in the economy through the prescribed asset mechanism.

What people and economists forget or would like to forget is that every rand savings leaving the country is one rand less for available investment or spending in this country. Although the offshore funding doors have closed on us, we need not be a beggar nation.

Ryk de Klerk, *Business Report,* 4 May 2020

Source: https://www.uneca.org/publications/study-global-governance-architecture-combating-illicit-financial-flows and https://www.pressreader.com/south-africa/cape-times/20200504/281934545112119