

Telekom may be facing trouble in South Africa. Its IT subsidiary T-Systems may have profited enormously from the corruption system of ex-president Jacob Zuma.

Text by Jürgen Berke, translation by Ruth Rohde

The scandal triggered a state crisis in South Africa. President Jacob Zuma had to resign from office and was sentenced to 15 months in prison for refusing to testify on corruption scandals during his term in office from 2009 to 2018. For three years, the commission of enquiry, named after its head Raymond Zondo, has been digging its way through a network of systematic nepotism that is difficult to understand and from which European companies have also profited, possibly including Deutsche Telekom.

Beneficiaries of corruption

The Zondo Commission plans to present its final report at the turn of the year. The Telekom subsidiary T-Systems is considered a beneficiary of corruption not quite as blatant as in the case of the China Railway Rolling Stock Corporation, but apparently more so than corporations such as ABB, McKinsey, KPMG and SAP. This is the conclusion of Paul Holden, co-head of the anti-corruption organization Shadow World Investigations in London. His 7,000-page report and his statements before the Zondo Commission heavily incriminate the South African subsidiary of T-Systems. The chain of evidence is long. According to the report, large IT contracts with the state-owned South African companies Eskom (energy supply) and Transnet (operator of railways, ports and pipelines) apparently only came about because T-Systems maintained close ties to the Indian entrepreneurial family Gupta. They were close friends of President Zuma and controlled state institutions and thus important decisions. South Africans call this system of exploitation "state capture". Because of these connections to Gupta, the state-owned companies could, according to Holden, have paid the equivalent of almost 700 million euros to T-Systems. What is vulnerable is a mega deal with the energy supplier Eskom.

Originally, a five-year contract for IT services was due to expire at the end of 2015. Eskom was dissatisfied with T-Systems' services and wanted to re-tender the contract. But the contract was extended and ran for more than ten years. T-Systems even managed to push through higher prices against the market trend. At the end of 2020, Telekom announced its withdrawal from South Africa and sold T-Systems' national branch to the IT provider Gijima. Telekom confirms to be in the focus of the Zondo Commission but does not want to comment on "ongoing proceedings" "as a matter of principle". "The commission's final report is still pending; we cannot preempt the content and results." Telekom has been cooperating extensively with investigators for several years, he said.

Corruption investigator Holden is certain that the commission will pillory T-Systems as a beneficiary of corruption under President Zuma. Other companies have bought their way out, paying back revenues from controversial contracts in full or in part to affected state-owned firms. The industrial group ABB and the US consultancy McKinsey, for example, are refunding sums in the tens of millions - voluntarily and without an admission of guilt.