

ARTICLE

Article issued by CGF Research Institute and T.F.A.C

Johannesburg
 13 March 2012

FIGHTING CORRUPTION TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS (MDGS)

Crime experts, economists and NGOs were recently not surprised that an estimated R30 billion was being lost annually by South African taxpayers due to graft, incompetence and negligence in the public service. Corruption is fast becoming pervasive throughout South Africa, and current cases such as the re-opened South African Arms Deal -- estimated at a value of US\$4.8 billion alone -- do not inspire any confidence to suggest that South Africa is improving its reputation in this area, in fact quite the contrary.

To illustrate this further, research by TFAC (The Fight Against Corruption), found that 600 000 new low cost houses, 60 hospitals with a 280 bed capacity each, 3 000 rural clinics and 915 new schools could be built with the R30 billion estimated to have been misappropriated from state coffers. Moreover, TFAC asserts that one cannot -- in good conscience -- say that South Africa has the political will to fight corruption with its current systems, procedures and "arrangements/agreements" in place.

Research from *Transparency International's Corruption Perception Index* indicates that South Africa has fallen from a respectable 34th place in world rankings in 2000, to 64th place in 2011. Allied to this sharp fall, most analysts agree that our Foreign Direct Investment (FDI) is now also under severe pressure. This is largely due to our international investors raising South Africa's risk profiles due to the country's conflicting messages and the half-hearted attempts to rein in the ANC Youth League's nationalisation 'debate'. According to the *UN Conference on Trade and Development* (Unctad), South Africa lost 70% of its FDI from \$5.4bn in 2009 to a mere \$1.6bn in 2010. Whilst Angola appears to be the better choice of FDI destination on the African continent -- having earned top spot in 2009 and 2010 -- South Africa has only been rated 8th choice of FDI destination over the same period.

It is important to note that the perceptions of a country are very important, not just by its citizens, but indeed the foreign investors too. Most of the rating agencies will agree that South Africa's political and economic uncertainty -- even instability -- coupled with our high rates crime and corruption, have undeniably become the county's *Achilles tendon* as these major impediments reduce the confidence levels of doing business in South Africa. Quite ironically, while South Africa has been seen as the world's 'shining star' for a peaceful political transformation since the 1994 elections, including a successful 2010 FIFA World Cup™, foreign direct investment in South Africa has remained relatively low; at 1.5% of GDP from 1994 to 2010, compared to 2.9% for other middle-income economies. These statistics -- all be they brief -- do not bode well for the confidence of a country, its citizens and its international investors.



The first day of school,
 Johannesburg, Gauteng province
 (Photo by Emily Visser)
www.mediaclubsouthafrica.com

ARTICLE

At the current trend and reported corruption figures, it is quite obvious that South Africa's highest office will need to implement radical changes for good governance, if our country is to regain the respect and confidence of the rest of the world and their much needed FDI.

So how do the facts surrounding corruption and the country's FDI impact the Millennium Development Goals? In its simplest terms - the worse our country's image becomes to the investors, which is exacerbated by amongst other; crime, failing education and poor delivery of basic services, so despondency begins to set in amongst its people, the country's supply chain and their respective confidence levels. This in turn causes 'rot' to occur, with direct implications upon the country's ability to produce and grow its economy. At a quick glance, South Africa's 2012 forecasted 4.3% GDP (Gross Domestic Product) has been battling for years to achieve respectable figures, unlike our Indian and Chinese counterparts of the BRICS group (Brazil-Russia-India-China-South Africa) who have respectively achieved 8.9 and 9.6 percent in recent years. Whilst our real GDP has improved over the periods 2009-2011 (1.7% to circa 3%), these marginal growth rates -- realistically speaking -- are just not enough if South Africa intends to meet its MDG goals.

In order for African countries to achieve their *primary* MDG goals; to halve poverty, reduce child mortality by two thirds and achieve universal access to primary education by 2015, at least 7% year-on-year GDP is required. At our current rates of development, South Africa will battle to achieve the MDGs and in some cases, at least 150 years will still be required for some sub-Saharan African countries to achieve them.

With the backdrop of these sober facts; notwithstanding the government's and COSATU's best intentions to root out corruption -- such as the recent introduction *Corruption Watch* -- South Africa will *first* need to address its more pressing problems. For example, before South Africa can realistically address its MDGs, it will need to address the bankruptcy of some of its provinces and municipalities which has been caused mostly through corruption, maladministration, tenderpreneurship, nepotism and cronyism. Clearly, all these matters pose serious threats to our democracy and the basic rights of all our citizens.

Considering these conditions -- and given the poor state of affairs our country currently finds itself in -- if there is not a serious and committed effort on behalf of the government to remedy this rapidly declining socio-economic situation, the very fibre of our society will have been diminished as the scourge of corruption continues to decay our values. Regrettably, whilst there may be a *political will* by some to effect positive change, far too often the instruments of law to cause such change are not sufficient, neither consistently applied. The net result of poor performance in these matters may ultimately see South Africa declining further in its international rankings, such where the country is regarded as a high risk and poor 'investment of choice' destination.



Aids-awareness mural outside hostels in Vosloorus, a large township in the south of Johannesburg (Photo by Chris Kirchhoff)
www.mediaclubsouthafrica.com

ARTICLE

With this as a backdrop, a clear tone of our country's executive leadership is set; understandably it is very disconcerting and problematic to imagine how the MDGs can be achieved in South Africa when corruption is on the increase! Once again, the Transparency International's (TI) Corruption Perception Index research warns that the failure by governments to address corruption directly threatens the fulfillment of the MDGs. TI calls on governments, donors and non-governmental organisations to adopt anti-corruption measures in all their MDG action plans in order to reach the goals in the next few years and sustain progress beyond the 2015 timeline. Naturally the begging question one would ask is whether this is attainable?

Clearly, the impacts of corruption in South Africa are enormous, with estimates suggesting that the cost of goods rises by a whopping 20%; a situation which most South Africans can hardly afford. Expectedly, the worst hit victims of the consequences of corruption remains with the poorest of the poor – and those who cannot afford to pay for the greed of a few. These are the people who rely on South Africa and its leadership to achieve its MDGs, and some state of 'normality'.

Achieving the MDGs is not only about having enough money. It is also about finding solutions and bringing an end to the blatant corruptive business practices and greed. Furthermore, hard line criminal sanctions are seriously wanting; such where moral and ethical conflicts make it virtually impossible to run a business ethically, or even performing the simplest of tasks such as taking an exam and passing it without having to pay a bribe. In short, success in achieving the MDG's is mostly -- it seems -- about *politics*, and the need to devise political solutions to the underlying causes which plague many governments where corruption is endemic. Of course, getting rid of this corruption and cancerous behaviour involves more than merely providing money. It most certainly also requires a mental shift, being cognisant that corruption silently destroys and undermines the core values of a society's honesty and integrity. Accordingly, ethics and a value system are also paramount to achieving the MDGs.

The responsibility for dealing with corruption falls squarely on all parties from governments and donors, to civil society and citizens. We concur with TI where they call on all governments to take the first step to solving the problem by implementing the *UN Convention Against Corruption*. The Convention is the most all-inclusive global legal framework for combating corruption, which has specific articles that can advance MDG goals.

The race for achieving the MDGs should by now be entering the home straight! We ought to be preparing for a final push to achieving the Millennium Development Goals, and rejoicing in the improvement of billions of lives across the developing world. Sadly, this is hardly the case.

Anti-corruption measures and solutions exhibit that increased transparency, accountability and integrity translate into better outcomes for many of the MDG's targeted areas. The breakdown of transparency, accountability and integrity, is considerably thwarting progress towards achieving the MDG's. And as we take cognisance of our lack



Grassroots African football (Photo by Jessica Pitout)
www.mediaclubsouthafrica.com

ARTICLE

of overall MDG achievements to date, a clearer and more defined anti-corruption structure will be needed if we are to have any hope of achieving these lofty goals.

Needless to say, complacency is the constant companion of corruption! Our country and its people are being ravaged by corruption; it is time for citizens and organisations to take a proactive stand in combating and exposing corruption. Policies and procedures to combat and curb corruption are very necessary, but what is needed now more than ever before, is for organisations and individuals to put into action *practical tools and solutions* that make goals to rid South Africa of corruption, achievable.

Government and corporates lead the way in which society behaves and reacts to its environment and its challenges. They both have tremendous influence and through good governance guidelines such as the *King Report on Governance for South Africa 2009 ('King III')*, they are expected to promote and encourage sound corporate citizenship, underpinned by fairness, accountability, responsibility, transparent and ethical behaviour. As good corporate citizens, they should be inspiring a *responsible social revolution* towards combating and exposing corruption. The reality however is an on-going and daily barrage of negative media reports, where countless organisations and or their leaders are caught red handed in one and or another case of corruption or other fraudulent activity, where the monetary losses exceed all comprehension.



Snompi Mnyoni uses red earth to protect her skin from the sun. Central Drakensberg, KwaZulu-Natal province (Photo by Graeme Williams)
www.mediaclubsouthafrica.com

Answers to these problems of *raw greed and corruption*, and the plight of so many millions of destitute and dying people seem very distant, as a select few (by comparison) continue their comfortable, blissful lives. This article attempts to rudely awaken its readers to take immediate action, such where our collective efforts will demand the call upon government and businesses for greater transparency and accountability for those who transgress. Unless the public sector, organisations, businesses and their leadership are held liable for their unscrupulous behaviour, the chances to exterminate corruption and help the poor will be fruitless. Anti-corruption efforts need to be fully accepted and embraced as part of the county's ability to achieve all its MDG goals.

The world's leading economic powers, like the G20, have the ability to introduce transparency measures banning the use of *anonymous shell companies*, requiring multinational corporations to account for their sales and profits in every jurisdiction in which they operate, and sharing tax information automatically between countries. Representing 85% of the world's economy, they carry the power necessary to exert enough pressure on these secrecy jurisdictions to ensure that the world moves towards transparency and away from a system that plunders the pockets of the world's poorest people, including millions of South Africans.

Global Financial Integrity revealed that despite the onset of the global financial crisis in late 2008, the developing world still suffered nearly \$1 trillion in illicit financial outflows in 2009, a number that is almost 10 times larger than the official development assistance they receive each year from Western economies like the United States, United Kingdom and Norway.

ARTICLE

These profits from corruption, crime and tax evasion, bleed emerging economies such as South Africa of much-needed tax revenue. Revenue that is desperately needed to aid South Africa in achieving its MDGs. Furthermore, entrenched corruption shrinks South Africa's developing economy at a time when it can least be afforded. It poses a serious concern as to why Western powers -- which are struggling with their own economies -- should continue to give aid to South Africa, particularly if vast amounts of funds are flowing out of South Africa illicitly!

Of course, the end goal is a world in which official development assistance is obsolete, a world without poor countries and rich countries, a world that consists entirely of developed nations. Until that day, foreign aid will remain an essential tool in achieving the MDGs.

We must remain cautious about believing that the MDGs can be achieved through development aid alone. The wider politics of corruption must be placed at the top rung of the international programme in order for the goals to be realised!

We should be reminded of the former President of South Africa, Thabo Mbeki, who said at the opening ceremony of the United Nations Global Forum on Fighting Corruption and Safeguarding Integrity;

"Ousmane Sembene's character Houdia M'Baye, in his well-known novel, 'God's Bits of Wood,' recalls the words of another character (Ramatoulaye) who said, *"Real misfortune is not just a matter of being hungry and thirsty; it is a matter of knowing that there are people who want you to be hungry and thirsty – and that is the way it is with us."* (Sandton Convention Centre, 2 April 2007)

And whilst there are some people in positions of power who care less about the misfortune of other people and more about themselves; this article would be incomplete if it were not to balance those actions being taken by others who absolutely understand the meaning of 'humanness', and abhor all forms of corruption. This fight against corruption, particularly supported by the COSATU general secretary Zwelinzima Vavi, is beginning to find greater support not only from our government, but also the millions of poor people who suffer as a result of it. Vavi correctly points out that corruption has become the biggest threat to the realisation of South Africa's dreams, such where almost twenty percent of government procurement is currently lost to corruption as officials exploit gaps in the system and are awarded government tenders.

The South African government has certainly acknowledged this scourge of corruption and self enrichment on the part of the perpetrators, and through the initiatives such as the SA Revenue Services, who have launched the lifestyle audits, as well as the anti-corruption task teams established by President Jacob Zuma, including the Corruption Watch initiatives (allowing ordinary citizens to report graft), signs of improvement are definitely visible. In this regard, over the periods September 2004 to June 2011, the National Anti-Corruption Forum formally charged over 1273 public service officials with misconduct for corrupt activities. A powerful message is being sent that corruption is one of government's top priorities, as 603 officials have been dismissed from public service, 226 suspended, 134 fined and 16 demoted. As this example is set, millions of impoverished people who are dependant on the positive progress of the MDGs, will begin to experience a nation who embrace humanness, where pride and dignity can be restored in all its people.

ARTICLE

Corruption is truly a crime against humanity! We leave you with a quote that speaks about truth and wisdom:

“All it takes for evil to triumph is for good men to do nothing!” – Burke

Words: 2581

About CGF Research Institute (Pty) Ltd

Contact CGF Research Institute (Pty) Ltd to find out more about our governance, risk and compliance and policy services or access www.cgf.co.za or www.corporate-governance.co.za

Acknowledgements

CGF acknowledges and appreciates the support of T.F.A.C. for its tremendous support in preparing this article. To find out more about T.F.A.C., access www.tfac.org.za

