

Corruption and Development in Southern Africa:

Governance as a Conceptual Framework
for Combating Corruption and Accelerating
Economic Transformation

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Larry Nita

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INTRODUCTION

- o Regional Integration has the potential of transforming the economies SADC Countries
- o However, efforts on integration have been stagnated not in the least because of corruption.
- o In cognizance of this fact on 23 August 1998, in Harare Zimbabwe at the SADC Secretariat a Declaration Against Corruption was made.
- o Subsequently, SADC Protocol Against Corruption was adopted in Malawi in August 2001, making it the first sub-regional anti-corruption treaty in Africa

Intro...cont'd

- o The Protocol seeks to ‘**promote and strengthen the development of mechanisms needed to prevent, detect, punish and eradicate corruption** in the public and private sector.’
- o Despite various national anti-corruption initiatives in the form of laws, policies and institutions by the SADC member states corruption has not abated
 - o It remains very high

CONCEPTUAL EXPLANATION

Corruption

- o The World Bank defines *corruption* as an act where public officials including both bureaucrats and politicians, violate formal rules of conduct in pursuit of their private benefit, whether for wealth in the form of bribes or for political advantage.

Conceptual Explanation...Cont'd

- o SADC Protocol Against Corruption defines *corruption* as any act referred to Article 3 and includes;
 - o bribery
 - o any other behaviour in relation to persons entrusted with responsibilities in the public and private sectors which violates their duties as public officials, private employees, independent agents or other relationships of that kind and aimed at obtaining undue advantage of any kind for themselves or others.

- o Though the SADC definition is much broader what is common in all definitions are:
 - o *Violation of formal rules*
 - o *For private benefit*

- o As a result people who are rightfully meant to benefit (development wise) do not benefit as expected or do not benefit at all.

Conceptual Explanation...Cont'd

Development

- o According to Dudley Seer (1977) Development is a sustainable progress of bringing about fundamental changes including quality of life aspects such as;
 - o equality of opportunity for all
 - o social justice
 - o equitable distribution of income
 - o democratization of the process of development

Conceptual Explanation...Cont'd

- o Whereas William Rodney (1972) sees development as a multi-dimensional concept involving socio-economic and political spheres and goes beyond the academic prescriptions of economic growth and development.
- o For both Seer's and Rodney's considerations to pass it would require both increase in output and changes in the technical and institutional arrangement by which this is achieved and their positive impact on the well-being of people.

Conceptual Explanation...Cont'd

- o The above descriptions place the state at the centre of development whose conduct could either enable or indeed a stifle development. State's capacity to manage resources effectively and efficiently to improve the well-being of the people, is a classical example of the state's dominant role in development .
- o Therefore governance becomes a key element in every development agenda. And governance could therefore also be a catalyst for both corruption and development.

Conceptual Explanation...Cont'd

Governance

- o So what is Governance?
- o UNESCO refers governance to structure and processes that are designed to ensure;
 - o accountability
 - o transparency
 - o responsiveness
 - o rule of law
 - o stability
 - o equity and inclusiveness
 - o empowerment and broad based participation

Conceptual Explanation...Cont'd

Governance

- o Whereas the United Nations Development Programme (UNDP) defines governance as the exercise of economic, political and administrative authority to manage a country's affairs at all levels.
- o In its 1992 report entitled "Governance and Development", the World Bank set out its definition of governance as "the manner in which power is exercised in the management of a country's economic and social resources for development.

Conceptual Explanation...Cont'd

- o The draft policy paper of African Development Bank, dated April 1999, defines governance as a process referring to the way in which power is exercised in the management affairs of a nation.
- o The Asian Development Bank (AsDB) adopts The World Bank's of good governance . In an October 1995 policy paper called “Governance: Sound Development Management”, the AsDB outlined its policy on this topic and Good governance is defined as “the manner in which power is exercised in the management of a country’s economic and social resources for development”

Conceptual Explanation...Cont'd

- o The term can be used in several contexts such as corporate governance, international governance, national governance and local governance; and as seen above may also be defined in various ways but the common denominator to these several contexts and various definitions is that they denote the different ways in which power and authority relations are structured in a given society with regard to both formal and informal actors involved in decision-making and implementing the decisions made and the formal and informal structures that have been set in place to arrive at and implement the said decisions. Depending on its attributes governance could be good or bad.

Conceptual Explanation...Cont'd

- o The 2007 publication of The Office of the United Nations High Commissioner for Human Rights defines good governance "as the exercise of authority through political and institutional processes that are transparent and accountable, and encourage public participation. "Good governance" is a normative conception of the values according to which the act of governance is realized, and the method by which groups of social actors interact in a certain social context. The lack of a generally accepted definition of the concept is compensated by the identification of principles that strengthen good governance in any society. The most often enlisted principles include: participation, rule of law, transparency of decision-making or openness, accountability, predictability or coherence, and effectiveness.

Conceptual Explanation...Cont'd

- o Other than in relation to formal rules Governance also represents the norms, values and rules of the game through which public affairs are managed in a manner that is transparent, participatory, inclusive and responsive.

Conceptual Explanation...Cont'd

- o The common denominator for these definitions is their state-centricity; as a result of which Governance is profoundly attached to the state.
- o In this context, therefore Governance is all about what states do or is expected to do or omits to or not do.
- o The absence of good governance has proved to be particularly damaging to the "corrective intervention" role of government with corruption depicted as a tale of poor governance; whereas accelerated economic transformation as an attribute of good governance.

CORRUPTION AND DEVELOPMENT IN SOUTHERN AFRICA

State of Corruption in SADC

- o The Transparency International survey discloses that most of the SADC countries are falling in the category of more corrupt
- o Corruption is believed to have been attributed by the following *inter-alia* reasons: **government intervention, trade restriction, complex tax systems, low wages in the civil service, population size, natural resource endowment, non-transparent rules, laws and procedures, quality of bureaucracy, leadership style and the type of the penalty system.**

CORRUPTION AND DEVELOPMENT IN SOUTHERN AFRICA...Cont'd

State of Corruption in SADC

- o The state of corruption in the SADC region has been worsening as evidenced by Transparency International's Corruption Perception Index(CPI).

Country	2015 Rank	2016 Rank
Botswana	28	35
Mauritius	45	50
Namibia	45	53
South Africa	61	64
Zambia	76	82
Lesotho	61	83
Malawi	112	120
Mozambique	112	142
Madagascar	123	145
Zimbabwe	150	154
Democratic Republic of Congo	147	156
Angola	163	164

CORRUPTION AND DEVELOPMENT IN SOUTHERN AFRICA...Cont'd

Highlights of Forms and Levels of Corruption in the Region

- o The widespread corruption entails the violation of the rule of law, which is ultimately sheer poor governance and in most cases result in loss of resources.
- o Corruption in Africa is found in all facets of life, it has really become endemic.

CORRUPTION AND DEVELOPMENT IN SOUTHERN AFRICA...Cont'd

Highlights of Forms and Levels of Corruption in the Region

Country	Case	Value
Malawi	<p>Dr. Bakili Muluzi from 1994 to 2004. He was accused of stealing USD 11 million in donor funds during his tenure.</p> <ul style="list-style-type: none">• The ruling Democratic Progressive Party (DPP) elites has been using this to cow the former leader to submit to the DPP's ruling elites in exchange of freedom from prosecution.	USD 11 million
	<p>The 'cashgate' Scandal 2013, (Dr Joyce Banda's term). It involved payments to 16 companies where no evidence was provided to support the provision of goods or services.</p>	USD 32 million.

CORRUPTION AND DEVELOPMENT IN SOUTHERN AFRICA...Cont'd

Highlights of Forms and Levels of Corruption in the Region

Country	Case	Value
Botswana	<p>The Morupule Power Station project tender process was flawed. It was hit by corruption allegations that involved awarding a tender to a Chinese that did not qualify.</p> <p>It was also alleged that that P8 Billion tender was increased by close to P2 billion from the initial \$693 to \$970.</p> <p>Currently, the plant cannot not produce to the anticipated generation capacity. The operating company is posting losses due to this fact.</p>	USD 970 million

CORRUPTION AND DEVELOPMENT IN SOUTHERN AFRICA...Cont'd

Highlights of Forms and Levels of Corruption in the Region

Country	Case	Value
Lesotho	In 1990s Ms Lydia Wu was made Lesotho's honorary consul based in Hong Kong to facilitate the process of identifying and attracting potential foreign investors. Corrupt senior military government officials colluded with Ms Wus to sell these passports at an estimated USD 2 800.00 per head and USD 3 300.00 per family to poor Chinese nationals and levied an estimated USD 8 million.	USD 8 million

CORRUPTION AND DEVELOPMENT IN SOUTHERN AFRICA...Cont'd

Highlights of Forms and Levels of Corruption in the Region

Country	Case	Value
Angola	The disappearance from the treasury of USD 900 million in 2001(which was then one-tenth of the country`s GDP)	USD 900 million
South Africa	<p>The ANC's relationship with Hitachi Company has been questioned, as the party is alleged to have improperly benefited from procurement relating to the construction of Medupi power station boilers.</p> <p>The ANC secured a stake in Hitachi Africa which is now the contracted company to the construction of the boiler at Medupi power station.</p>	USD 5.6 billion

CORRUPTION AND DEVELOPMENT IN SOUTHERN AFRICA...Cont'd

Highlights of Forms and Levels of Corruption in the Region

Country	Case	Value
Zambia	The disappearance from the treasury of USD 900 million in 2001(which was then one-tenth of the country`s GDP)	USD 900 million
South Africa	<p>The ANC's relationship with Hitachi Company has been questioned, as the party is alleged to have improperly benefited from procurement relating to the construction of Medupi power station boilers.</p> <p>The ANC secured a stake in Hitachi Africa which is now the contracted company to the construction of the boiler at Medupi power station.</p>	USD 5.6 billion

IMPACT OF CORRUPTION ON ECONOMIC GROWTH AND DEVELOPMENT

- o Ngulube in her empirical study, "Examining the Impact of Corruption on Economic Growth in Southern Africa Development Community", found that corruption has a harmful impact on economic growth.
- o The study which also checked the impact of corruption on economic growth by controlling policy variables as well as regional effects balances found that corruption has a damaging impact on economic growth.
- o Based on the experience of countries that are least corrupt and have high levels of economic growth rates, the study suggested a holistic approach of dealing with corruption.

IMPACT OF CORRUPTION ON ECONOMIC GROWTH AND DEVELOPMENT...cont'd

- o Corruption undermines economic development by generating considerable distortions and inefficiencies.
- o From the private sector perspective such distortions and inefficiencies include:
 - o cost of doing business
 - o unlevelled playing field (unfair competition)
- o Consequently, macro-economic effects take toll occasioning a decline in economic growth and reduction in Foreign Direct Investment(FDI)- FDI negative shock.

IMPACT OF CORRUPTION ON ECONOMIC GROWTH AND DEVELOPMENT...cont'd

- o From the perspective of public sector corruption undermines good governance by subverting formal processes and misallocating of resources.
- o In response to a request from the president of neighboring Rwanda for help in fighting an armed insurgency, Mobutu replied, "I told you not to build any roads.....building roads never did any good. I have been in power in Zaire for thirty years, and I have never built one road. Now they are driving down them to get you" (Robinson 2001)).
- o Zaire had only built one-tenth as much paved roadway in 1991 as at the time of its independence from Belgium in 1960. Despite his avoidance of investment in infrastructure, Mobutu was overthrown in 1997.
- o The disregard of rule of law manifested in the entrenched lack of transparency and accountability breeds numerous public issues of concern
- o Corruption is also a cost and therefore additional tax due to corruption leads to high tax burdens borne by the society or general public
- o Consequently, there are continued massive losses and inefficiency in the utilization of public resources.

**IMPACT OF CORRUPTION ON ECONOMIC GROWTH AND
DEVELOPMENT...cont'd**

- o Corruption hampers free movement of labour, capital, goods and service which negatively affects intra-region trade.

GOOD GOVERNANCE AS A CONCEPTUAL FRAMEWORK FOR PREVENTING AND COMBATING CORRUPTION IN SOUTHERN AFRICA

- o The conventional application of “good governance” is unequivocally based on a neoclassical analysis of the role of the state in economic development which assumes the following:
 - o Protection of stable property rights
 - o Achieve low corruption
 - o Commitment to democracy
 - o Protect majority interest
 - o Liberal market to ensure rapid growth and development

GOOD GOVERNANCE AS A CONCEPTUAL FRAMEWORK FOR PREVENTING AND COMBATING CORRUPTION IN SOUTHERN AFRICA...cont'd

- o For the sake of this paper four parameters are used to measure governance as either bad or good:
 - o (a) *Accountability*.

At the macro level this includes;

- o financial accountability
- o sound fiscal choices that improve the living standards of the poor and promoting economic development – over non-productive expenditures, such as military spending, stadia, etc.

At the micro level it includes operational efficiency and having auditing systems that meet international standards and that are open to public scrutiny.

**GOOD GOVERNANCE AS A CONCEPTUAL FRAMEWORK FOR PREVENTING
AND COMBATING CORRUPTION IN SOUTHERN AFRICA...cont'd**

b) *Transparency.*

Private-sector investment decisions depend on public knowledge of the government's policies and confidence in its intentions, as well as in the information provided by the government on economic and market conditions.

Transparency of decision-making, particularly in budget, regulatory and procurement processes, is also critical to the effectiveness of resource use and the reduction of corruption and waste

**GOOD GOVERNANCE AS A CONCEPTUAL FRAMEWORK FOR PREVENTING
AND COMBATING CORRUPTION IN SOUTHERN AFRICA...cont'd**

(c) The rule of law.

A fair, predictable and stable legal framework is essential so that businesses and individuals may assess economic opportunities and act on them without fear of arbitrary interference or expropriation.

This requires that the rules be known in advance, that they be actually in force and applied consistently and fairly, that conflicts be resolvable by an independent judicial system, and that procedures for amending and repealing the rules exist and are publicly known.

**GOOD GOVERNANCE AS A CONCEPTUAL FRAMEWORK FOR PREVENTING
AND COMBATING CORRUPTION IN SOUTHERN AFRICA...cont'd**

(d) Participation.

Good governance requires that civil society has the opportunity to participate during the formulation of development strategies and that directly affected communities and groups should be able to participate in the design and implementation of programmes and projects.

Even where projects have a secondary impact on particular localities or population groups, there should be a consultation process that takes their views into account. This aspect of governance is an essential element in securing commitment and support for projects and enhancing the quality of their implementation.

**GOOD GOVERNANCE AS A CONCEPTUAL FRAMEWORK FOR PREVENTING
AND COMBATING CORRUPTION IN SOUTHERN AFRICA...cont'd**

- o The need to prevent and combat corruption requires a consistent, coherent, broad-based approach and a long-term perspective;
- o Good governance can be achieved where the following are present:
 - o political will to ensure that anti-corruption legislation and administrative measures are enforced
 - o active civil society(which I may call a fourth arm of government) supporting anti-corruption
 - o Independent and yet interdependent state institutions
 - o Respect for separation of powers for the branches of Government

**GOOD GOVERNANCE AS A CONCEPTUAL FRAMEWORK FOR PREVENTING
AND COMBATING CORRUPTION IN SOUTHERN AFRICA...cont'd**

- o Members states parliaments should create the legislative frame work for addressing corruption, as well as promoting governmental accountability and acting as a check on the executive through parliamentary oversight bodies
- o The civil service must be well trained and adequately remunerated
- o They must also be taught civil virtues of honest and professional integrity as suppliers of public services.



oTHANK YOU