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Corruption in development – a killing virus

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THIS PAPER FOCUSES on a real problem that is occurring throughout the developing world and highlights on more specific issues relating to the problem within South Africa.

There is a virus that exists within many development programmes and more prominent in poorer countries - that virus is "Corruption" which is killing the potential at which funding can improve the lives of the people it is aimed at.

It is ironic that developing countries need money to develop systems and infrastructure to improve the livelihoods of its people, and yet it is this very lack of systems and infrastructure that forms the breeding ground for corruption to take place and hence reduces the effectiveness of how money is spent.

Corruption can be found in all levels of development work, from senior government officials to community members, and indeed often in our own back yard. It can snowball out of control such that it can't easily be challenged otherwise potential funding, or indeed our own job could be in jeopardy- how easy is it to bite the hand that feeds us? And yet it has to be contained - we need methods of challenging wrongdoings so that we can speak our mind without fear of being punished, and thus ensure that the dishonest are not becoming richer to the detriment of needy communities.

Honest and competitive contractors see work being snatched from underneath their nose, by under qualified, under experienced and over expensed individuals who become employed by providing "bonuses" to the adjudicator. Soon the honest contractor needs to follow suit if they are to survive, and so the virus spreads.....

The South African Framework

South Africa is fast learning that corruption is one of the major impediments to effective development. Obviously when democracy came to this country in 1994, there came with it new opportunities to address corruption in the context of the country's new constitutional values. However it also brings with it the reality of the constraints posed by corruption for development.

During the Apartheid years corruption and 'belly politics' was thriving within the country, but usually disguised due to the secrecy that existed within the political and institutional structures of that era. The whole system only catered for a minority of the population, with the public interest defined in relation to this group. In doing so, those in power wrote their own rules. It would seem that post 1994 the accounts of corruption would appear to be

increasing, however this is not necessarily correct and rather pays credit to the more open system in democratic post-apartheid South Africa. In actual fact, the democratic system has allowed the government to develop serious and informed policies and legal frameworks to combat the corruption that exists. The government realises and appreciates the importance anti-corruption measures in South Africa since the consequences are critical, and unless addressed will lead to:

- Distortion of public spending
- Discouragement of investment and growth
- Undermining of efficiency
- Undermining the quality of governance and basic human rights of its people
- Increasing the risk of reduced International support, both financially and morally

These are considered in more detail later.

What is meant by corruption within the development context?

To improve the quality of people's lives, development requires economic growth, equity and redistribution of that growth, poverty reduction and environmental safety. This often requires social change and Institutional development to ensure that new policies and behaviour are implemented in line with these criteria.

In essence, corruption is the abuse of public power for personal gain. The types of corruption that can exist in South Africa to hinder the development process include bribery, theft & fraud and Institutional corruption. It is not only witnessed in the Public sector, but also private companies, individuals and particularly at the junction of Public and Private sectors. Even when the public sector is not involved, the public effects can still be severe which will discourage potential investors.

Corruption is stimulated by low civil service salaries and poor working conditions, greed (belly politics), the effectiveness of the government in terms of delivery and transparency, weak policies and monitoring systems at all tiers of government and finally the overall culture of governance. The latter point is stimulated when the country sees top political figures and businessmen involved in illegal activities for the purpose of self enrichment or ambiguity over public ethics – it is then that lower ranks and members of the public follow suit arguing that it is an acceptable thing to do.

Another serious contribution that I have personally witnessed is when people feel they are owed a relaxing to the law within their own personal situation, because of their own contribution towards the freedom of this country. Certainly the efforts towards freedom are hugely appreciated and recognised by all, however it was a different battle during those times, a battle for freedom – now it's a battle for development and empowerment of its people, in a legitimate and fair manner, which does not fulfil the development objectives at the expense of the public good and to the exclusive benefit of corrupt officials, politicians and their collaborators.

In a developing context, these features of corruption become critical to the institutional and social dimensions of development. It is in the rules and practices of governance that the foundations of sustainable development are shaped or undermined. The very basis of development becomes jeopardised when these rules and governance are not monitored effectively.

How does development and corruption affect one another?

Developing countries, more often than not, rely on International aid and investment to assist in the growth of development in terms of the criteria set out above, however high corruption discourages International support since corruption increases the costs of transactions and makes them vulnerable to sanction elsewhere. As such this affects the quantity of help given to the poorer communities. It is important to note that developed countries are not any less corrupt than developing countries, however the lack of development opportunities tends to breed corrupted activities and as such the poorer communities are the most effected. Ironically, it is generally the poorest of the people within the developing countries that do not get involved in corruption since they do not have the resources to be able to do so – their prospects of influencing public resources become limited, and so the poor people become the primary victims. They are denied services because money is reallocated elsewhere, or else the corrupt payoffs result in their being insufficient money to complete a project in full.

Corruption jeopardises development in several ways:

It distorts public spending – by incorrect prioritisation of money, allocating money for uses other than what they were meant for and by undermining the tax system. During Apartheid there were cases of money being allocated to projects that never materialised and instead were reallocated to pension funds or private bank accounts. Larger schemes were sometimes funded in preference to smaller ones, since the opportunity to misuse funds for personal benefit was greater – this is sometimes still the case within some of the Municipal structures.

Corruption discourages investment and growth – money invested is not going to those that it is targeting. Profit margins are reduced to pay off bribes.

Corruption undermines efficiency – Time and money wasted as a result of corrupt activities come at the expense of productive activities. Efficiency is reduced because informal practices are carried out as opposed to structured rules and procedures. Additional costs are also incurred in the attempt to reduce or control corruption.

Corruption undermines governance – it breeds distrust and it operates in direct contradiction to accountability. “Corruption kills the development spirit...Nothing is as destructive to a society as the rush to quick and easy money which makes fools of those who can work honestly and constructively” (Frisch)

Corruption increases the risk of reduced International support. International investors are now starting to fund anti-corruption programmes as part of their other development programme to ensure more efficiency of their investment.

How is corruption being combated in South Africa?

The South African government recognises the problems and consequences of corruption and has therefore been focused and pro-active in addressing the problem ever since they were empowered in 1994. There is no easy solution to alleviating the problem, however good democratic governance and management can help to reduce the loop-holes that open the door to wrong doings. A culture of accountability is also essential, together with public service reforms, the raising of civic awareness and incentives for proper behaviour.

The following actions have been taken to address the problem by the South African Government:

Economic Reform – the political structure has changed completely since 1994. The implementation of a new constitution, enforceable policies, mechanisms and laws, have allowed the government to be liberal in their approach to reform. This has brought confidence to its investors and kept focus on the task of facilitating public service and development. The government's macro-economic Growth, Employment and Redistribution strategy (GEAR) has contributed to forming a decisive policy and regulatory framework. The biggest concern right now is the level of capacity that exists within the public sector to deal with their new responsibilities and mechanisms and to ensure compliance with these policies. Reduced capacity leaves the situation open to failure and specifically to corruption. Policies need to be adhered to and monitored effectively in order to reduce the risk. The Reconstruction and Development Programme (RDP) encompassed the government's development vision but it has been broad in terms of its objectives, and there has been insufficient specifics within the strategies developed and inadequate means of monitoring

progress. As such there has now been greater emphasis on institutional approaches.

Institutional Approach – policies and rules have been put in place for the private sector and civil society to adhere to good practice and to advocate against bad practices performed by others. Although there is vast room for improvement, there is greater transparency than ever before, and better definitions of responsibilities so that all participants can be accountable for their actions and decisions. National government is fully aware of the change in role of civil society compared to its role before 1994. NGO's are being engaged to support the government, develop policy and lead the way in terms of good practice on the ground. NGO's in particular, are sometimes more empathetic towards anti-corruption campaigns, and are more prepared to advocate against mal-practice in their sector. The Scorpions were formed to support the police force with special interests in fraud and corruption, and to date they have experienced high levels of success in tracking down law breakers in both the Public and Private sector.

Democratic consolidation – the Constitution of 1994 was written with a huge emphasis on human rights and a well defined accountability structure to ensure that conditions are right for the government to account in the best tradition of democracy. The Apartheid government was so rich with corruption that there were very few anti-corruption mechanisms for the new government to adopt, and so the new Constitution proved a huge step forward. Democracy alone does not mean no corruption – however a competitive political environment, the free flow of public information and transparent procedures are vital elements in providing a culture of honest governance. It is up to the political leaders to develop the necessary system within the democracy to ensure that corruption is kept to a minimum.

Public Sector reforms – South Africa is presently going through a whole restructure of Local Government on a Provincial level through a process of demarcation. This process is intended to help empower local government making them more effective. This includes sharpening their strategic focus, eliminating redundant agencies, and better equipping civil servants for their increased responsibilities. By making local government more efficient and effective, then government institutions will do the right things – the fundamental basis of doing things right. Financial systems have been redesigned, and is supported by the Medium Term Expenditure Framework (MTEF), compelling National and Provincial Government to plan their budgets with strategic goals in mind, over a 3 year period. Each District Municipality now has to develop an Integrated Development Plan (IDP) to identify all areas of development within their District over the same period. The important issue here from a corruption point of view is the fact that clear definitions, objectives, procedures and a well organised and managed public sector form the basis of an open and honest governance, and thus reducing the opportunities for corruption to take place.

Tax reform – tax evasion is a common mode of fraud in all countries. To reduce fraud in this area, it is important to create simple, moderate and uniform tax rates and regimes with few complex exemptions. The development of the South African Revenue Service (SARS), was a major step forward in redefining the tax laws and combating illegal and improper tax evasion.

Legal and Procurement reforms – in order for government to have a good relationship with the private sector and civil society it is imperative that it has in place a firm legal framework, setting a broad and very clear framework for transparent and accountable conduct in the business of government. Strong financial institutions are required to reduce opportunities for corruption, and indeed unlike other developing countries, South Africa has a well established central bank. However new challenges emerge from the financial system experienced at the moment due to the fact that conventional banks are not reaching lower income groups, making it difficult for people to get loans to start small enterprises. As a result this leaves a gap in the market for institutions such as “loan sharks” to develop, with extortionate interest rates, and they themselves fall under the category of fraud.

The service backlogs being experienced by government puts enormous pressure on them to deliver. Under this pressure, there is added temptation to by-pass public sector rules. The significance of adhering correctly to the rules should be seen with the same level of importance as delivery, but it would appear that this is not the case in some cases. One of the areas that appear to be by-passed too regularly is with regards to procurement procedures which are often overlooked in the interest of speedy delivery, potential bribes, and employment of family members / friends. This is one particular area that is weak and one that government needs to strongly address.

Political will – if South Africa is to seriously address the problem of corruption, they also need to have the political will to drive the process forward at all tiers of government. Good steps forward have been made in this regard with the creation of anti-corruption institutions and bodies, besides legislative reform such as the Public Finance Management Act. This shows that the government is determined to become more open and accountable. However there is still a long way to go.

Conclusion

Corruption will never go away, it is global phenomenon, prominent in developing countries because it is more easily exposed.

Corruption curtails development through scaring off investors, causing international marginalisation, curtailing growth, increasing economic transaction costs, misallocating public funds, undermining public policy and weakening governance.

There is no simple answer to eradicating corruption however strategies must be contextual, taking local condi-

tions into account. Both economic liberalisation and greater political and institutional transparency can liberate political resources and opportunities for combating corruption. It is important to mobilise civil society institutions to support government to develop opportunities for anti-corruption campaigns, advocate what is not working and assist in implementing new and revised strategies. Also specific reforms of the public sector, the legal system and political institutions are critical if corruption is to be controlled.

South Africa has gone a long way in an attempt to tackle some of these issues, but there is still a long way to go. It will need the full support of the public / private sector, civil society and the International community as a whole, if it is going to reach its objectives. Individually, we must also take on the responsibility of doing 'the right thing' and not being persuaded or tempted to do what is wrong for our own benefit and at the expense of our country.

We have the power and knowledge to kill this virus between us if can only find the political will.

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