

CORRUPTION LEAD TO MORE JOB LOSSES, MORE POVERTY AND MORE UNEMPLOYMENT

1.1. Background to the corrosive scourge of Corruption

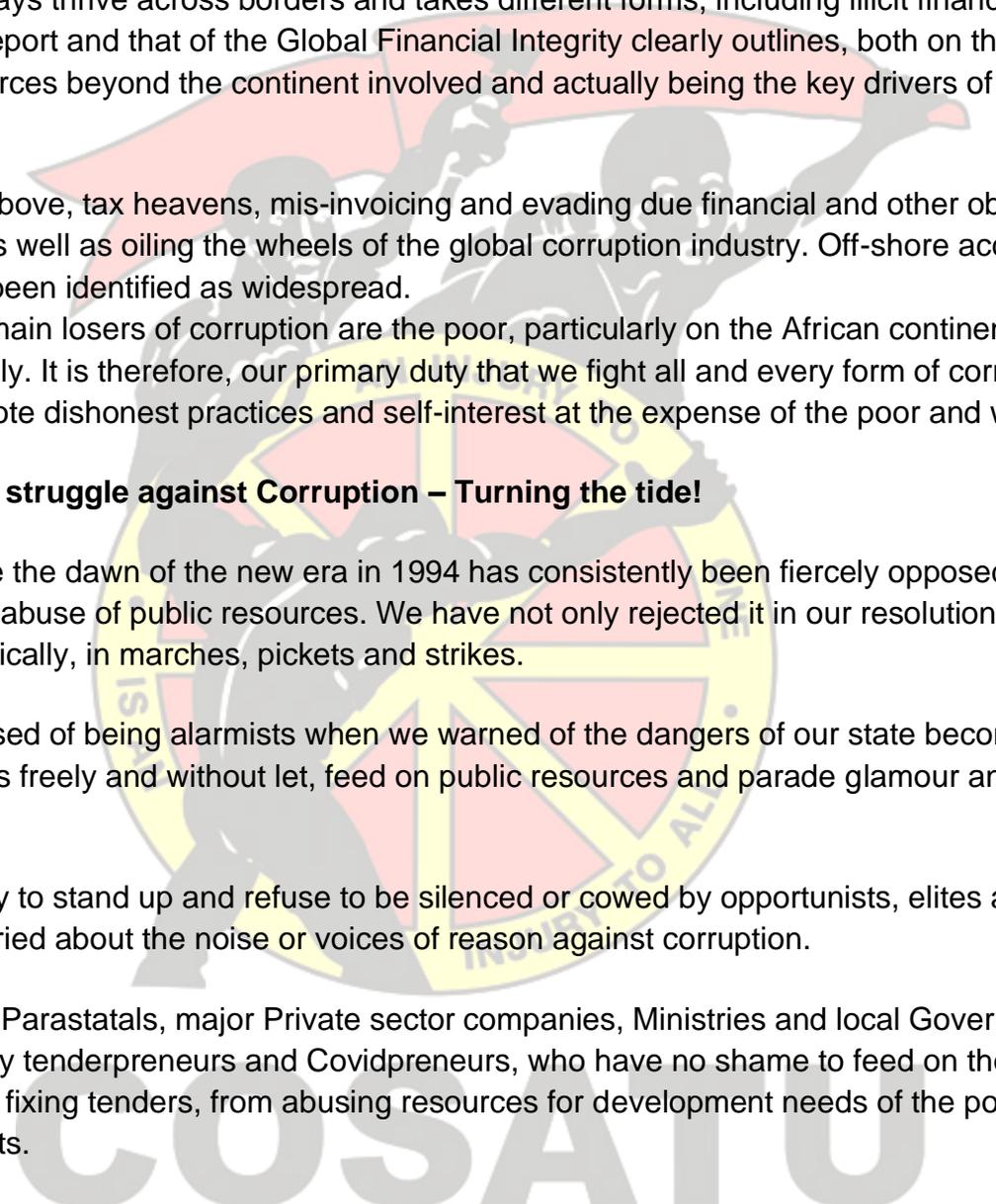
- 1.2. Corruption has emerged as amongst the biggest threat to our hard-won democracy since the 1994 breakthrough. It is like cancer eating at the moral fibre of our society and eroding the moral standing of our revolution and the cause for which our people laid down their lives.
- 1.3. According to government figures in 2017, “Corruption costs the SA Gross Domestic Product (GDP) at least R27 billion annually, as well as the loss of 76 000 jobs that would otherwise have been created”.
- 1.4. **Illicit Financial Outflows:** According to the State Security Agency, nearly R80 billion passes through the country's points of entry illegally every year, putting South Africa as one of the countries on the continent with high illicit financial movements. The South African economy has been affected negatively by decades of transfer pricing and other forms of illegal capital flight by multinational companies.
- 1.5. **Collusion and Cartel Behaviour:** A World Bank study on competition in SA noted, for instance, that in the case of four cartels in maize, wheat, poultry and pharmaceuticals - products which make up 15.6% of the consumption basket of the poorest 10% - conservative estimates indicate that around 200,000 people stood to be lifted above the poverty line by tackling cartel overcharges.
- 1.6. Currently, we are in the midst of a massive corruption storm in South Africa, triggered by the COVID 19 demand for Personal Protective Equipment (PPEs) and the general social service and relief necessities of the people and the country during this period.
- 1.7. However, this does not mean corruption started with the COVID 19 procurement problems. It could only be a culmination of years of systemic corruption, abuse and deliberate weakening of public resource controls and the prioritisation of private interests over public goods and services in that regard.

- 1.8. The history and scale of corruption in South Africa is not without context. It is true that apartheid capitalism was a system based on chronic parasitism, legalised plunder and looting, the crude exploitation of black and women workers as cheap labour and the resultant massive destitution and suffering of the overwhelming majority of our people.
- 1.9. The recent developments have only served to prove that the deeply entrenched infrastructure of corruption and abuse of power was never defeated and destroyed after 1994. It only got renewed and inherited by some from our own ranks, who saw the ascendance of the ANC to state power as an ideal opportunity for “their time to eat”.
- 1.10. Corruption is driven by very sophisticated operations and networks of patronage and abuse of power by both public and private sector officials. It is also true that, at times, it is a direct product of weak or non-existent controls and systems, inappropriate laws or regulations and even more, the problem of poor enforcement.
- 1.11. It is, in the main, a product of the unholy intersection between public officials and private sector interests or individuals with vested interests in making personal or private gains from influencing how certain transactions, goods and services are to be delivered and for whose benefit.
- 1.12. Both private and public sector officials and executives have been cited in massive corruption scandals that often evade the headlines or gets put under the carpet. These are worth billions, if not trillions in rand denominated value terms. They milk millions of jobs, tax, national and community development worth and livelihoods lost to greed, abuse of resources and under-declaration or no declaration of conflict of interests assets.
- 1.13. **In July 2016, the United Nations Conference on Trade and Development (UNCTAD)** report stated: “Between 2000 and 2014, under-invoicing of gold exports from South Africa amounted to \$78.2 billion, or 67% of total gold exports” and that this “does not appear to be a simple matter of undervaluation of the quantities of gold exported, but rather a case of pure smuggling of gold out of the country.” The report asserted, among other things, that South African miners of silver, platinum group metals, gold and iron ore had systematically and fraudulently indulged in mis-invoicing in order to evade taxes and other legal obligations.

- 1.14. Amongst the reported scandals are those involving the following companies; Steinhoff, KPMG, Tongaat Hulett (the biggest Sugar Producing company in RSA), the US Consultancy McKinsey & Company, as well as the Gupta family which owned over 12 companies in South Africa - across various sectors, including Oakbay Investments, Sahara Computers and mining group Tegeta Exploration and Resources.
- 1.15. Further, a whistleblower filed a complaint with the US Securities & Exchange Commission in 2018 against EOH in relation to alleged corruption in an R120 million department of defence software deal as reported by TechCentral

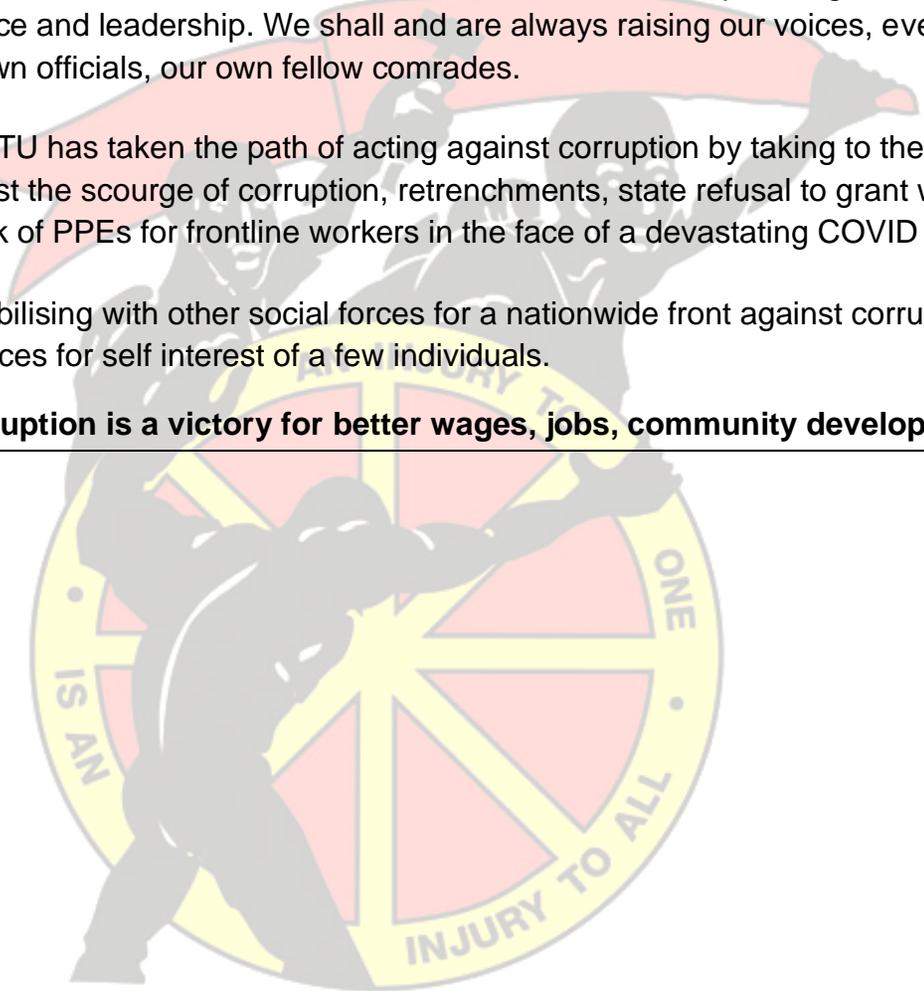
2. Corruption a global problem we must fight wherever it manifests itself

- 2.1. The Corruption Perceptions Index (CPI) is an index published annually by Transparency International since 1995 to evaluate how countries are either perceived or in real terms performing on matters of corruption.
- 2.2. Transparency International is an international organisation that deals with corruption. It defines corruption as the “abuse of entrusted power for private gain”. It goes on to state that “corruption erodes trust, weakens democracy, hampers economic development and further exacerbates inequality, poverty, social division and the environmental crisis”
- 2.3. The latest Report of the Global Financial Integrity, titled, “The Global Crisis of Corruption”, alarming the worsening extent of the scourge throughout the world. From Panama Papers to Luanda Leaks, all of them paints a gloomy picture of this financial pandemic of huge proportions.
- 2.4. It states that, “Corruption is a global scourge. It represents a huge loss to taxpayers and governments around the world struggling to provide adequate services for their citizens. It is particularly damaging in developing countries, where lost tax revenues undermine efforts by governments to progress on the internationally agreed-upon United Nations 2030 Sustainable Development Goals (SDGs), as well as other national economic development priorities and emergencies like the Covid-19 pandemic”.

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- 2.5. Corruption always thrive across borders and takes different forms, including illicit financial flows as the AU High Level Panel Report and that of the Global Financial Integrity clearly outlines, both on the African continent and the extent of forces beyond the continent involved and actually being the key drivers of major corruption practices.
 - 2.6. Linked to the above, tax heavens, mis-invoicing and evading due financial and other obligations to countries and citizens, as well as oiling the wheels of the global corruption industry. Off-shore accounts that also evade taxation have been identified as widespread.
 - 2.7. In all this, the main losers of corruption are the poor, particularly on the African continent and in our country more specifically. It is therefore, our primary duty that we fight all and every form of corruption and abuse of power to promote dishonest practices and self-interest at the expense of the poor and working people.

3. COSATU and the struggle against Corruption – Turning the tide!

- 3.1. COSATU since the dawn of the new era in 1994 has consistently been fiercely opposed to any and all forms of corruption and abuse of public resources. We have not only rejected it in our resolutions and speeches, but even more, critically, in marches, pickets and strikes.
- 3.2. We were accused of being alarmists when we warned of the dangers of our state becoming a predator state, wherein hyenas freely and without let, feed on public resources and parade glamour and extravagance as the new normal.
- 3.3. We have a duty to stand up and refuse to be silenced or cowed by opportunists, elites and all who are closer to the till and worried about the noise or voices of reason against corruption.
- 3.4. We have seen Parastatals, major Private sector companies, Ministries and local Government officials run amok by corruption by tenderpreneurs and Covidpreneurs, who have no shame to feed on the plight of the poor; from food parcels to fixing tenders, from abusing resources for development needs of the poor to collapsing job creating projects.

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- 3.5. It is for this and such reasons that COSATU will forever remain a champion of good, ethical and principled values of governance and leadership. We shall and are always raising our voices, even if its our own allies, our own leaders, our own officials, our own fellow comrades.
 - 3.6. Once again, COSATU has taken the path of acting against corruption by taking to the streets and acting with decisiveness against the scourge of corruption, retrenchments, state refusal to grant workers their wage increments and lack of PPEs for frontline workers in the face of a devastating COVID 19 Pandemic.
 - 3.7. We are actively mobilising with other social forces for a nationwide front against corruption and abuse of public and workers resources for self interest of a few individuals.

A Victory against Corruption is a victory for better wages, jobs, community development and incomes!

COSATU