

BUSA ANNUAL ANTI-CORRUPTION FORUM

21 October 2011

Sandton Convention Centre

Honourable Minister, esteemed guests, ladies and gentlemen, it is my pleasure to address this 3rd BUSA Annual Forum on Anti-Corruption.

Late last year, the Minister of Economic development, Mr Ebrahim Patel, unveiled South Africa's New Growth Path. What is evident as we sit in this room today, is that we will not meet any of those targets / unless we address issues of governance/ and corruption/ in this country and in this continent of Africa.

The achievement of a decent work agenda, characterised by economic growth that is job intensive and equitable is hugely dependant on how effectively and decisively we deal with corruption. It is also a view presented by the National planning commission in their diagnostic report that a corruption-free society is a precondition for a higher, job rich, growth path.

In the current global context, the global economy is continuing in recessionary mode. We know what is happening in the European Union and the possible repercussions for our own economy. Difficult times calls

for desperate measures, and as history has showed, upstanding corporate citizens often do succumb to this pressure. Indeed in South Africa as well, governance is an agenda item for executive committees and boards of directors across industry groups, taking up an inordinate amount of time and energy that should be spent focusing on growth and profitability.

Corruption has become an extremely prominent issue and has taken on a highly visible place in world governance. As we know, corruption is a systemic problem and is not only a huge issue for Government, but also for the business community and members of civil society.

In business cycles corruption manifests in various ways for instance, through collusion and price-fixing. Business must be committed to putting its house in order.

It was well stated that "The dilemma in corruption is that though it's bad for business, individual companies that engage in the practice receive a short-term advantage." Therefore, it is important to establish a system that makes it hard for companies to be corrupt.

Corporate governance is one of the antidotes. If governance is effective, it is hard for companies to offer

bribes or other company resources to government officials."

For government, corruption is an intolerable obstacle to efficient management of the economy; it hampers economic growth, prevents efficient service delivery and all the considerable efforts to eradicate poverty. It clearly undermines the rule of law and order of democratic institutions thereby putting them under threat of conditions that may lead to social unrest and organized crime.

In business corruption impedes fair competition between companies, irrespective of their size and origin: any illicit behavior distorts market competition and hampers sustained development.

There are also clear indications in the international community that the tide of public opinion is turning and that corruption is no longer tolerated in any manner by public opinion. The "Arab Spring" and growing calls in countries such as Zambia is evidence of this.

At the Seoul G20 The Anti-Corruption Action Plan marks a paradigm shift in the fight against corruption, by recognizing the need for public-private partnership and the proactive role played by the private sector.

Where is business in the fight against corruption?

It must also be said that we have had some successes in our combined long term efforts that seek to put in place institutions that prevent overall corruption.

I am referring for example to: The National Anti-Corruption Forum, a South African body which has been in existence since 2001. The NACF is a multi-stakeholder body on anti-corruption, with representation from business, government and civil society, labour which was established to combat and prevent corruption, build integrity and raise awareness.

- The National Anti-Corruption Forum drives the implementation of the national anti-corruption programme and various resolutions of the national anticorruption summit.

The Forum also focuses on increasing awareness and deepening knowledge on practical measures to fight corruption in the business sector with the goal of fighting corruption and conducting ethical, accountable and transparent business.

- 1.1. Business was invited by the B20 to participate in the B20 anti-corruption working group that will engage with the G20 anti-corruption working group at the November 2011 G20 Summit. The BUSA President co-chairs the anti-corruption working group.

1.2. Business drafted the following documents in partnership with GTZ, now called GIZ:

1.2.1. Charter of Ethical Business Practice

1.2.2. Anti-corruption brochure for foreign investors.

1.2.3. Guide on anti-corruption measures for medium and small businesses.

1.3. Currently business is running a 3-year communication and awareness project on anti-corruption in partnership with the Department of Public Service Administration (DPSA) and the Danish Embassy (DANIDA).

Programme Director, ladies and gentlemen, I am pleased to tell you that at international level, the UN Global Compact, the largest global platform on corporate citizenship, was established back in 2000 to bring together with the UN, civil society, governments and business for greater action on sustainability. The UN Global Compact recognises that business, as the primary engine driving globalization, can go a long way in ensuring that markets /commerce/technology/ and finance/ advance in ways that benefit economies and society everywhere and in this way contribute to ensuring a significantly more sustainable and inclusive global economy. It advocates for business action in the areas of human

rights, labour protection environment and anti corruption. Transparency and public accountability are integral parts of the initiative.

Some of the specific exciting initiatives.

Sensitising Future Business Leaders: Developing Anti-Corruption Guidelines for Curriculum Change

The Global Compact and the Principles for Responsible Management Education (PRME) will develop anti-corruption guidelines for management schools, including academic modules to address transparency, ethics and anti-corruption in the classroom. As a firm believer that ethical behavior is first and foremost a personal choice and responsibility, I believe this is critical in moulding and encouraging ethical future business leaders.

- **Promoting Collective Action through UN Global Compact Local Networks**

Global Compact Local Networks in Brazil, Egypt, India, Nigeria, and South Africa have been launched and are implementing high-impact collective-action platforms on anti-corruption. This will go a long way in enhancing the competitiveness of the South.

Collective action:

Business has made a conscious decision to base its anti-corruption strategy on the concept of collective action. I believe we must build on these successes and put into action our collective efforts through

“a collaborative and sustained process of cooperation among stakeholders. This increases the impact of credibility of individual action, brings vulnerable individual players into an alliance of like-minded organizations and levels the playing field between competitors. Collective Action can complement or temporarily substitute for and strengthen weak local laws and anti-corruption practices”

For example I believe time has come for transaction based agreements, such as the integrity pacts that seek to ensure that individual transactions are free of corruption.

The concept of Integrity Pacts was developed by Transparency International and has proved its effectiveness when applied in respect of a number of large international projects specifically aimed at preventing corruption in public contracting. The pact is essentially an agreement between a government or government department (at the national, sub-national, or local level) and all bidders for a public contract. It stipulates rights and obligations to the effect that neither

side will: pay, offer, demand or accept bribes; collude with competitors to obtain the contract; or engage in such abuses while executing the contract.

Integrity pacts have been tried and tested over ten years in hundreds of contracts in over 15 countries such as the Mexican Suburban Train and Berlin Airport in Germany.

What makes it a unique tool, and of particular relevance to this discussion, is the introduction of an independent monitoring system under the leadership of civil society, which ensures increased accountability of public resources

As the NACF, we are in the process of identifying upcoming big procurement projects in South Africa where we can use Integrity Pacts to demonstrate best practice. What we have in mind for example is the Rolling Stock project (within the Transportation sector).

Of course, programme director, for any of these initiatives to be successful, political will is key and so is the commitment of all involved parties whether government as the client, business as the service or product provider and civil society as the independent monitor.

Furthermore, it is imperative that Governments commit to acting individually and collectively to creating the legal and institutional framework that prosecutes corruption, encourages capacity building and establishes the correct balance between punishing wrongdoing and incentivizing compliant behavior. Governments also carry the responsibility for implementing measures to eradicate the solicitation of bribes that form the “demand side” of corruption.

Of critical importance is the role of professional bodies in supporting government by identifying and reporting instances lapses in governance.

Role of the media continues so we must be thankful for a vigilant media and civil society. Consider what could have happened had some of the recent misdemeanours not been brought to light. We would run the risk of being totally consumed by this practice. The fact that these matters are brought to the attention of the media, and thus the public – you and me – is a positive sign.

Ladies and gentlemen, I believe that the benefits of signing integrity pacts for all government tenders will be a significant contributor to us achieving a new job-rich and inclusive Growth Path. Not only will it reduce opportunity for corruption but also:

- Level the playing field for competitors;

- Support the growth of small and medium enterprises, which are so critical to job creation, but do not have the resources to stand up to corruption.
- Introduce transparency and predictability in business transactions; and

Build trust, increase the credibility of our country and attract more investment from both domestic and foreign investors. Our aim is to make fair financial practices South Africa's trade mark.

Secondly, I must touch on something rather controversial – the question of lifestyle audits. I would like to emphasise that this is not about being against wealth creation as it often portrayed in the media. It is a question of how the wealth is acquired! While I know this is a very sensitive issue; we have to take the bull by the horns if we are serious about dealing with the scourge of poverty and I strongly believe that, as a country we will be able to approach this matter in a fair, balanced, transparent and consistent manner.

Civil society is key in the effective implementation of all these processes. We can play our role as shop stewards on the factory floor, a mother in the community, a manager in a business, as government through the effective protection of whistle blowers.

As civil society, we can strengthen our role in the protection of whistleblowers by ensuring effective implementation of whistleblowing

laws. We can do this by raising awareness and training employees and companies on how to conduct whistleblowing. These would go a long way in promoting our accountability, transparency and integrity.

Corruption leads to poverty, starvation and deprivation. I do not believe I am overstating it when I say this is a crime against humanity. In this war, we must all be foot soldiers and stand up to be counted. . In conclusion, ladies and gentlemen, through such powerful, collaborative efforts, I believe we can envision a South Africa that is free of corruption, strong in competitiveness and where all citizens enjoy dignity and quality of life.

It is possible through our individual commitment and collective promotion of good governance! At an individual's level we need to take responsibility, if necessary take leadership, because by our own indifference, we become accomplices to corrupt practices.

All leadership must set a clear tone from the top with authenticity and clarity. In the words of the Deloitte Global CEO, Jim Quigley," There is no substitute for a strong code of personal ethics /and leaders everywhere must do more to recognise and reward individuals who act with integrity".

But above everything else, it is the collective responsibility amongst us all that will yield the desired results.

Thank you!