News Release

South African Finance Minister, urged African countries to join in a campaign to “name and shame”

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Corrupters Should be Punished Too, Says South African Finance Minister Companies involved in corruption should be "named and shamed"

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South African Finance Minister, Trevor Manuel, urged African countries to join in a campaign to “name and shame” companies involved in corruption on the continent.

Speaking on the second day of the World Economic Forum’s Africa Economic Summit 2004, Manuel also said the companies who were party to corruption at the Lesotho Highlands Water Project should be denied contracts elsewhere in Africa.

He was responding to a businessman, Carl Grim, Chief Executive Officer of Aveng, a South African civil engineering firm, who said bribes demanded for getting machinery spare parts into African countries raised the cost of doing business on the continent and discouraged investment.

“We need to hit at the corrupters as hard as we hit at those who take bribes,” Manuel responded during a plenary discussion on what is holding back Africa’s growth. “The public and private sectors must campaign together on this. We must have a campaign of name and shame.”

He said South Africa and Lesotho are working together to blacklist the companies involved in corruption in the Lesotho project. “It is imperative that we are joined in a campaign to ensure that those companies are denied contracts. That will open space for companies that have conducted themselves impeccably and have done no wrong.”

Manuel judged, from looking at the salaries of government officials in Africa, that they could not live off what they earned. The result is that “people have to go after baksheesh in order to survive.”

Linah Mohohlo, Governor of the Bank of Botswana, said the core issue is how countries are run. Corruption includes nepotism and in some countries leaders promoted their cousins to chief executives of quasi-government organizations.

Referring earlier to Botswana’s diamond wealth and how this had affected the country, Mohohlo said mineral resources do not of themselves develop a country. “What developed Botswana is the quality of the economic policies put in place. The country has benefited from a stable, consistent and transparent policy framework.

Mauritius, too, had developed by diversifying its economy away from the dominance of sugar, promoting the manufacturing and service industries while avoiding the excesses of corruption and rent seeking.

Xavier Sala-i-Martin, Professor of Economics, Columbia University, USA outlined the conclusions of the World Economic Forum’s *Africa Competitiveness Report*, released at the start of the Summit in Maputo. He said the four most important things that Africa needs to do to promote competitiveness are to improve institutions, especially public institutions that ensure property rights and counter corruption; to develop infrastructure; to develop health services; and to promote labour markets.

Referring to African demands that the US and the EU lower or abolish their agricultural subsidies, Sala-i-Martin said Europe would not abolish its subsidies.

“Europe will not change. The question is how Africa operates in a world in which subsidies continue. Don’t wait for them to lower the tariffs because it is not going to happen.”

Sala-i-Martin also spoke out against the temptation for governments to protect certain industries in order to promote development. Experience showed this policy to be “a miserable failure,” with protected industries not being the ones that developed.

“Japan protected agriculture and mining. It was the unprotected car industry that succeeded and led to big economic growth.”

Referring to a comment at a previous World Economic Forum meeting that “companies don’t care,” he said that in the past year companies had started operating in a way that tried not to do wrong. It was time now for them to start trying to do right in the societies in which they operate.

Vassi Naidoo, Chief Executive, Deloitte Touche Tohmatsu, South Africa said business had a key role in driving competitiveness in Africa.

“Business is the net creator of jobs. It is the business of business to create economic growth and it can only do this in conjunction with governments. The role of governments in making business competitive is to ensure the infrastructure that makes them cost effective, such as energy, telecommunications and transport infrastructure.

He highlighted four items in the *Africa Competitiveness Report 2004* which involved business and government working in partnership. These were the development of institutional capacity to ensure the consistent application of laws and regulations across the continent, the use of public-private partnerships to provide cost-effective infrastructure, promoting openness to trade, and addressing the cost of investment and capital goods.

“We need to encourage innovation and create an environment within which Africa is conducive to foreign direct investment,” Naidoo said.

He said there were too few “captains of industry” at this World Economic Forum meeting, and he urged the Forum to ensure greater business participation to help business and governments to reach a common understanding, purpose and vision.

Naidoo endorsed the view of Neil Cumming, Managing Director of Nampak in South Africa, who said companies investing in African countries should set an example by ensuring that they apply in their African operations the same high standards and business ethics that they apply in their home countries.

“The only way to deal with corruption is through your value system, your business ethics and your code of conduct. This tone is set at the top and the way senior executives behave should transcend the operation,” Naidoo said.

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