

## Fundamentals for the Future – Limiting Corruption

Written by Administrator  
Saturday, 17 November 2012 22:06 -

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In this series we are looking at the different areas that are fundamental to the welfare of the societies we live in. Strangely, the number of such topics is not large and you would think that we could all learn from this.

Watching the recent meeting of the Chinese Communist Party, I was impressed with the main theme – getting corruption under control. To emphasize this point they had just decided to sideline one of the new leadership that had been a candidate for national leadership. I contrast that with what happens here and our own horrendous record in this field.

One of the little acknowledged characteristics of the Rhodesian Government was its basic integrity. It is no secret that Ian Smith retired with very little to show for a lifetime of public service. There were others in the ranks that did rather better and I can recall scams over dam sites, public works and contracts and other things – but by comparison with what we have seen in recent years, this was child's play.

In the first decade of Independence, the basic integrity of the State was retained and when corruption was found, those responsible were sidelined and punished. We can all remember “Willowgate” and the suicide of a Cabinet Minister and the resignation of the then Minister of Education – a pity because he was otherwise an excellent Minister, perhaps the best we have ever had. But after that, little real action and from then onwards it was downhill all the way with the “fish rotting from the head”.

Yesterday I watched a programme on a TV station where it was stated that Africa loses an estimated \$140 billion a year to corrupt practices. That is more than \$250 per capita per year – enough to feed the entire population of Africa. This sum vastly exceeds total aid to Africa which runs at about \$40 billion a year for the Sub Sahara region. It represents an astonishing 15 per cent of the total estimated GDP of the entire continent.

Here in Zimbabwe corrupt practices takes many forms. Perhaps the most criminal were the use of the Reserve bank and exchange and price controls – all nominally meant to protect the real interests of the country but in effect being hijacked by a small, politically connected elite. Until 2008 corruption took many forms. First the State took over a third of all foreign exchange receipts lodged with the Reserve Bank. In return they deposited local dollars at the official exchange rate, in effect worthless currency, into the accounts of the people generating the

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foreign exchange.

By these means the State had access to about US\$1,5 billion a year, virtually for nothing. These hard currency resources were then used to buy luxury vehicles, make hard currency allocations to politically connected people in return for worthless local dollars bought on informal markets at market exchange rates which were a tiny proportion of the official rates. The printing of money to make these transactions possible, eventually led to the near total collapse of the economy under the weight of 240 million per cent inflation. In turn this inflation destroyed the private savings and cash capital of the entire nation.

A State monopoly importing liquid fuels siphoned off at least 10 cents a litre on fuel imports – all of it banked outside the country. On imports of 150 million litres a month this was \$15 million or \$180 million a year. Then there was NSSA – collecting 6 per cent of the salaries of all workers for their pensions and workers compensation. This was worth at least \$200 million a year. When we took it over in 2009, there was less than \$200 million in assets left in the Fund, accumulated over the previous 23 years; some \$3 billion in workers social savings had disappeared.

There were many other similar examples of State sponsored looting of local assets, but by any measure, through these “macro” corrupt practices, Zimbabwe was losing at least \$2 billion a year up to 2008. If we add into this all the corrupt deals done over State contracts, defense purchases and the rest, corrupt losses must have been nearly \$3 billion a year – a huge sum for a country with a GDP of about \$10 billion.

After 2008, having lost control of all of the above sources of funds to the MDC, the Zanu PF elements in the inclusive government took control of the diamond and gold trade. The diamond deals involved the output from the Marange fields taken over by force in late 2008 and the gold deals involving the production of perhaps as much as 10 tonnes of gold a year from local small scale miners. By my own estimates, the diamond sales run to as much as \$4 billion a year. The Minister of Mines admitted \$2 billion in 2011 and it must be at least double that. Gold sales must be running at \$500 million a year. Nearly all of these revenues disappear. The diamonds are flown out of the country and gold finds its way to the Rand Refinery in Johannesburg where we now contribute 70 per cent of its turnover. Once refined, the gold disappears.

You do not need to be a genius to see where some of this money is going. Harare is awash with luxury cars and you can see even new Rolls Royce's on the streets as well as all other

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luxury models. Drive around the country and look at the houses going up – many covering over 2000 square meters. Some with tennis courts on their roofs, indoor heated swimming pools, elevators. The trade deficit is nearly \$4 billion – but no one gives us credit, it's all cash, where does this extra money come from? At least some of the corrupt money here comes home.

You simply cannot develop a country carrying this sort of burden, no country can. If we cannot get it under control, we will always be poor. Remember that on top of all this, we pay taxes – at least another 25 to 30 per cent of total GDP. How in fact we can still be standing up and functioning is a tribute to our innovative and energetic private sector and the wealth under our feet. If we can stop this boat leaking, believe me we can show the world a thing or two about growth.

Eddie Cross

Harare 16<sup>th</sup> November 2012