

THE TIME IS **NOW**



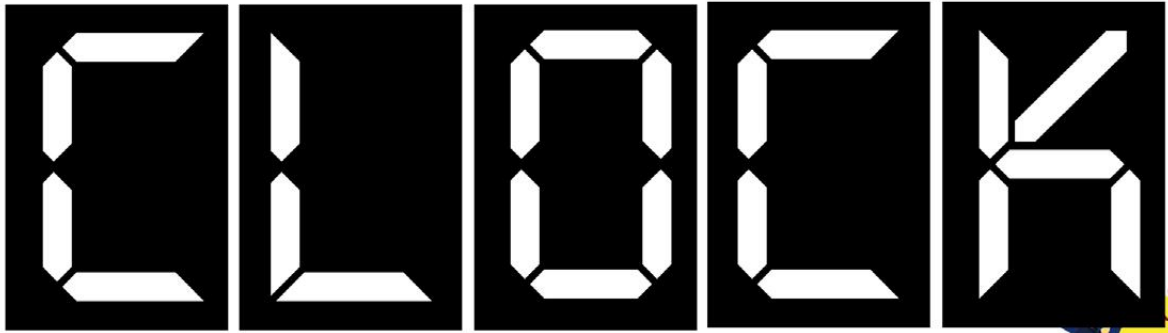
WORKING TO END CORRUPTION IN SOUTH AFRICA

ANNUAL REPORT 2017

**corruption
watch** 

0:02

THE RACE AGAINST THE



A NATION'S FIGHT AGAINST CORRUPTION AND INJUSTICE

KAVISHA PILLAY, EDITOR

**TIME IS CONSTANT; IT IS
REPRESENTED THROUGH CHANGE.**

We believe that it will always be there, that we will always have enough of it, and that there will always be more.

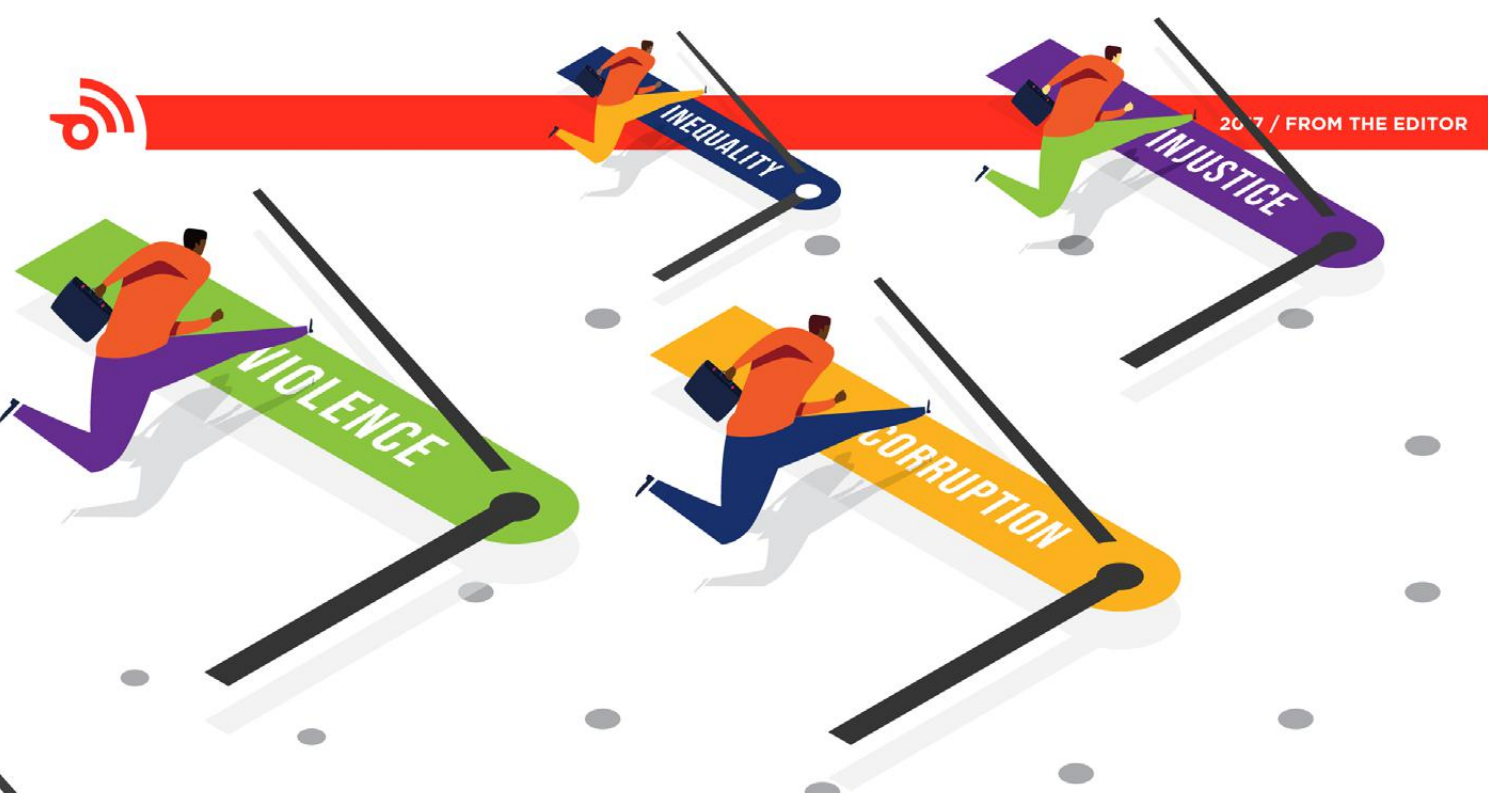
Unfortunately, ours is a country where time tells a long tale of our trauma and in some instances triumph. We are constantly trying to race against the clock to tackle that which will stop us from progressing as a nation – inequality and injustice. Looking back at the timeline of South Africa, specific years or dates are forever engrained into our memories. Dates such as 1955 (the adoption of the Freedom Charter), June 16 1976 (the Soweto students uprising), Feb 10 1990 (the release of Nelson Mandela) and April 27 1994 (our first democratic elections) are key moments in our history that will be remembered for generations to come.

2017 will also be a year remembered by many! It was a year that highlighted the strength of our people and the robustness of our constitutional democracy. It was year where ordinary South Africans demanded an end to state capture, insisted on accountability and rejected wholesale corruption. It was yet another moment in our history where we, the people of South Africa, mobilised to cripple a corrupt regime.

**TIME IS A CONCEPT THAT WE
USUALLY TAKE FOR GRANTED**

The mass build-up of people's power and resistance from all sectors of society in 2017 was hardly surprising. We should never forget the many milestones and achievements that we have reached as a nation since the advent of democracy; however we also have to acknowledge that the 2000s represent an era with too many instances of violations of fundamental human rights and abuse of state resources. It was during this time that hundreds of thousands of people died unnecessarily of AIDS due to state denialism, violence against women surged, children drowned in pit toilets, mental healthcare users were stripped of their dignity, miners were shot down, social grant beneficiaries fell prey to private sector greed, our criminal justice system collapsed, private companies and individuals captured our state, and corruption and mass looting reached a tipping point. So, naturally, anger at state failure has been brewing for some time now, far and wide in every small corner of our country.





We have to admit that we let our guard down. We believed that the principles and values of our Constitution, as well as the institutions established to protect our democracy would always prevail in isolation. We believed that these pillars of democracy would be able to withstand even the harshest of blows and not succumb to patronage and injustice. However, what the 2000s have taught us is that these pillars will only remain rigid if they are propped up by ordinary people, active civil society organisations and a robust and independent media. It did take us an extended period of time to build up a collective resistance and response to state failure and perhaps we waited for too long, but as the 1961 manifesto of Umkhonto weSizwe accurately advances:

**THE TIME COMES IN THE
LIFE OF ANY NATION WHEN
THERE REMAIN ONLY TWO
CHOICES: SUBMIT OR FIGHT.
THAT TIME HAS NOW COME
TO SOUTH AFRICA.**

While many chose submission,
many more chose to fight back.
And that we did.

This report provides a timeline of the major political and economic events that were experienced in 2017. Over the last few years, corruption and inequality bled into the depths of

our society and we took many blows as a nation. However, 2017 was also a year where we had significant wins which ultimately led to the fatal weakening of a corrupt president and his cronies. In small but significant ways individuals, organisations, institutions and the judiciary played an active role in preventing the further decline of our country. Although the fruits of these efforts were only experienced in February 2018 when former President Jacob Zuma was recalled and soon after when the majority of his corrupt cabinet was reshuffled, Corruption Watch's work to destabilise a corrupt system has been ongoing since our inception in 2012.

Looking ahead, we will intensify our efforts to root out all forms of corruption and continue to build anti-corruption activism across the country. Very few thought that in a new South Africa, her people would have to fight back against a morally corrupt regime and inequality, yet again. However this must be a lesson that we cannot allow time to lapse and believe that the issues we face as a society will self-correct over time. If anything, time has taught us that there is no better time than now. Now is the time to take action, it is a time to build and most importantly it is a time to progress as a nation. Our leaders might change, but like time the power of our people and democratic institutions needs to remain constant. We have to continue in the race for equality and dignity for we must be the generation that does its best to achieve social justice in our lifetime.

THE CLOCK IS TICKING.

0:04

CON





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LOOKING BACK LOOKING AHEAD >>>

AN IMPORTANT TIME IN THE FIGHT AGAINST CORRUPTION

MAVUSO MSIMANG, CORRUPTION WATCH CHAIRPERSON

O TEMPORA! O MORES!

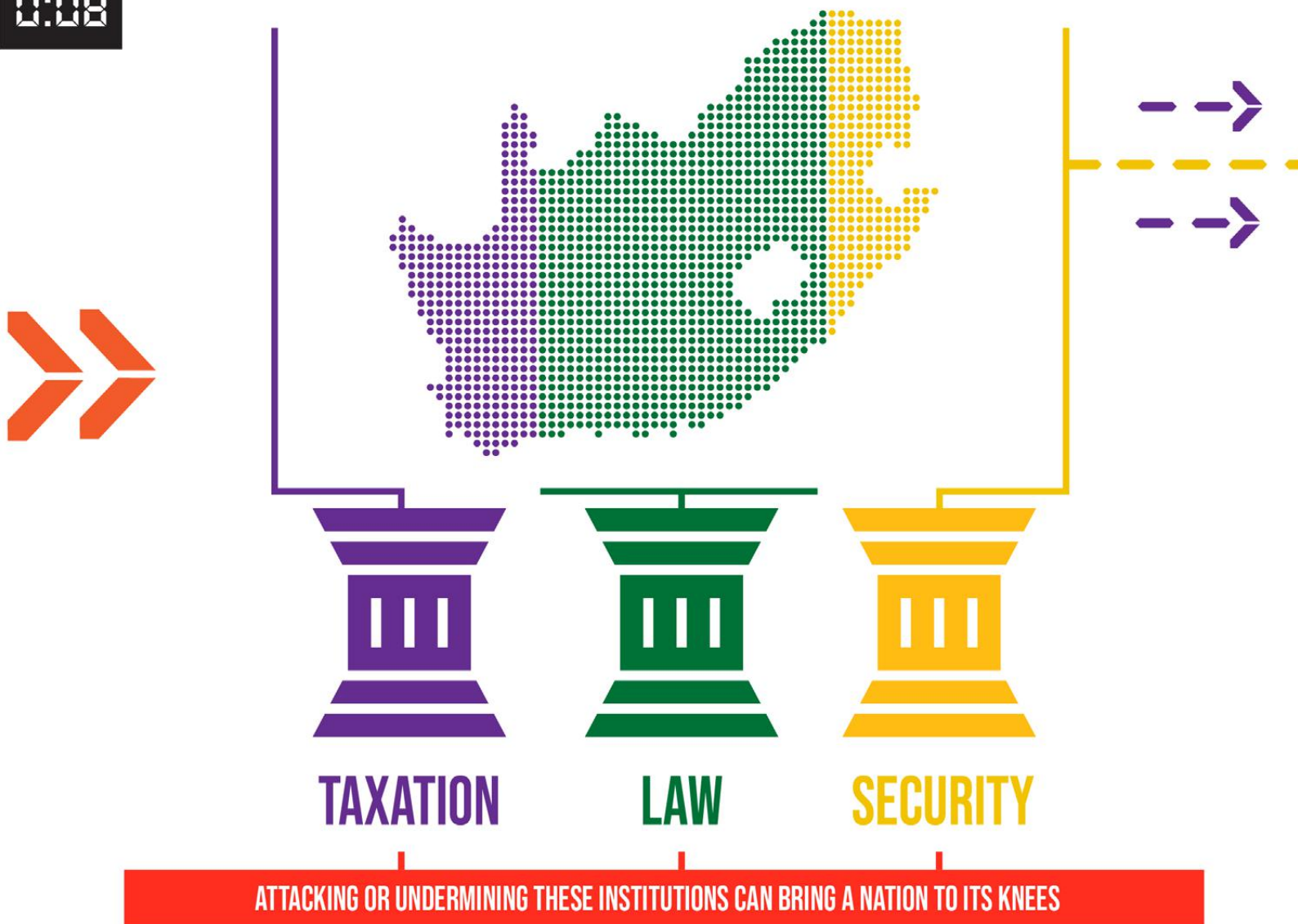
Attributed to Cicero, the illustrious Roman philosopher statesman who was greatly admired for his humanism, this lament literally translates into “Oh the times!” It couldn’t have been more appropriate for South Africa today.

Cicero was commenting on the viciousness and corruption of his age. The object of his frustration was that despite all the evidence that had been compiled against him, Catiline, who had been accused of conspiring against the government, had not yet been executed! Now, the South African constitution does not permit the execution of a human being, no matter the severity of the crime committed. But, like Cicero, South Africans have at times also been deeply troubled by the lack of action on the part of institutions responsible for the prosecution of persons involved in treasonable activities. They have helplessly witnessed state capture and industrial scale corruption perpetrated with impunity.

Paul Collier, professor of economics and public policy in the Blavatnik School of Government at the University of Oxford, has written extensively on the subject of corruption. He distinguishes between the type of corruption that he describes as damaging and that which is debilitating. He posits that for any society to lift itself out of absolute poverty it needs to build three critical institutions, namely, those responsible for: taxation, law and security. Attacking or undermining these institutions through corruption can bring a nation to its knees.

“ONCE THE STATE STARTS GETTING TAX REVENUE, IT HAS THE INCENTIVE TO GROW THE ECONOMY.”





Collier states that a society that has no capacity to tax simply cannot build and sustain a meaningful state.

The second critical institution is one that has the responsibility of upholding the rule of law. Once the rule of law is eroded, “there is no sanctity of contract or property, and so investment and trade are paltry”.

Thirdly, where there is no security, lawlessness prevails and “people protect themselves by not accumulating assets, or by pre-emptive violence.” In the absence of these three capacities, Collier observes grimly, “life is nasty, brutish and short.”

In the past several years South Africans experienced a determined onslaught on key institutions that hold up the pillars of our democracy, namely the South African Revenue Service (SARS) and the National Treasury, the National Prosecuting Authority (NPA), and the South African Police Services (SAPS) and the Directorate for Priority Crime Investigation (the Hawks). Over the years,

SARS and the National Treasury had built up an admirable, world-class reputation for work performance. As its Commissioner, Pravin Gordhan turned SARS from a mediocre institution into an outstanding revenue collection organisation. Similarly, the National Treasury was globally recognized as an excellent institution, indisputably the best run department in the national government. These two institutions became a prime target for control by forces bent on looting state resources.

When Tom Moyane was appointed CEO of SARS, he immediately focused his attention on SARS’ crack crime-busting unit that Gordhan had established, the National Research Group (NRG), which was responsible for high risk investigations. It dealt with money launderers, tobacco smugglers, organized criminals and even assassins, all of whom were involved in tax evasion. In the course of duty, the NRG had recovered millions of Rand of evaded taxes and exposed massive corruption, some of which implicated high profile politicians and their associates.



UNDER THE NEW ADMINISTRATION, WE MUST CONTINUE TO PUT PRESSURE ON ENSURING THAT THE INTEGRITY OF THESE THREE VITAL PILLARS IS RESTORED.

The media, specifically the Sunday Times, played into the hands of the people who were bent on discrediting SARS professionals and ran front-page stories alleging that the NRG was a rogue unit that spied on then President Zuma and other prominent ANC officials. With Moyane at the helm and with over 55 senior managers having left SARS in the aftermath of the purge, tax collections took a dive, the latest being a R50 billion shortfall. This has resulted in the raising of the value-added tax to 15 percent. Needless to say, this hits the poor the hardest. Reports indicate that the disbanded NRG had conducted extensive audits and was ready to swoop on targeted tax evaders who collectively owed SARS some R2 billion.

The consequences of the destabilisation of the national treasury has been low investor confidence, stagnant economic growth, the downgrading of South Africa's sovereign bonds to sub-investment grade, unprecedentedly high unemployment rates - and increasing poverty. And so, the first pillar fell.

During the last decade, Zuma's interference in the running of the NPA and the continued appointments of unfit individuals to lead the institution resulted in the non-prosecution of serious corruption cases.

Individuals and institutions implicated in state capture and other nefarious activities have been left untouched despite strong indications of wrongdoing. Ongoing litigation by opposition parties and civil society have attempted to force the NPA to act without fear, favour or prejudice and uphold the rule of law. However, poor leadership has crippled the institution that seems to have found its teeth only after the departure of Zuma. This has left the second pillar only hanging on by a slender thread.

The SAPS and the Hawks have also been notoriously reluctant to pursue corruption cases, especially those involving politically connected individuals. Discredited officials have been appointed to lead these institutions with some being themselves implicated in criminal activities. The names of Richard Mdluli, Berning Ntlemeza and Khomotso Phahlane quickly come to mind. Small wonder criminals appear to act with a sense of impunity. Despite the SAPS budget doubling during the last ten years to just over R80 billion per annum, the performance of both the SAPS and the Hawks has declined. Poor police leadership has cost lives and has impacted on public safety. In 2017, the level of lawlessness increased with evidence of wrongdoing continuously emerging through the media about the extent of state capture. None of our law enforcement institutions were willing to investigate the implicated individuals and bring criminals to justice. This reduced the third pillar to a state of virtual collapse.

Under the new administration, we must continue to put pressure on ensuring that the integrity of these three vital pillars is restored. Failing that, the danger remains that corrupt officials will continue to abuse institutions that were set up with the intention of protecting the interest of the people.

ETERNAL VIGILANCE IS A PRICE THAT WE WILL HAVE TO PAY FOR OUR LIBERTY.

WE,

19 JAN

THE PEOPLE

The timeline below highlights significant events that led to the dismantling of a corrupt government and the fall of former President Jacob Zuma.

Zuma was recalled by the ANC National Executive Committee on 13 February 2017 and he stepped down as President of the Republic of South Africa the following day.

In the lead up to Zuma's resignation, groupings from across society worked tirelessly to put an end to a grim era making 2017 a year of intensified battle against corruption and state capture.

The Independent Police Investigative Directorate (IPID) conducts a search and seizure raid at the private residence of former acting national police commissioner General Khomotso Phahlane. IPID seizes R80 000 worth of electronic sound equipment as part of a corruption investigation into Phahlane.



18 MAR

17 MAR

A burglary takes place at the Office of the Chief Justice (OCJ) in which 15 computers are stolen, most containing sensitive information about the judges and officials at the OCJ.



The Constitutional Court rules that Sassa and Cash Paymaster Services (CPS) are under constitutional obligation to continue to pay social grants until another entity is able to do so. The contract with CPS was due to expire at the end of March, but the court ruled that the CPS contract must be extended for a further 12 months, with the suspension of the invalidity of the contract extended. The court criticises the conduct of Sassa and Bathabile Dlamini for allowing this situation to happen.

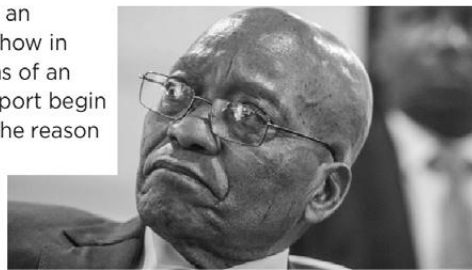
The North Gauteng High Court ruled that the appointment of head of the Hawks, Berning Ntlemenza, was unlawful and therefore invalid.



27 MAR

29 MAR

Zuma orders finance minister Pravin Gordhan and the National Treasury's director-general Lungisa Fuzile to return from an investor roadshow in London. Claims of an intelligence report begin to surface as the reason for the recall.



At the funeral of anti-apartheid activist and struggle veteran Ahmed Kathrada, the South African Communist Party (SACP) and former president Kgalema Motlanthe call for ethical and responsible leadership. Extracts are read from a letter written by Kathrada calling on Zuma to step down. Zuma was asked by the Kathrada family to not attend the funeral.



26 JAN

President Jacob Zuma refers the Financial Intelligence Centre (FIC) Bill back to Parliament, supposedly because the bill's sections on warrantless searches was unconstitutional – despite some of the top legal brains in the country noting that it would pass constitutional muster.

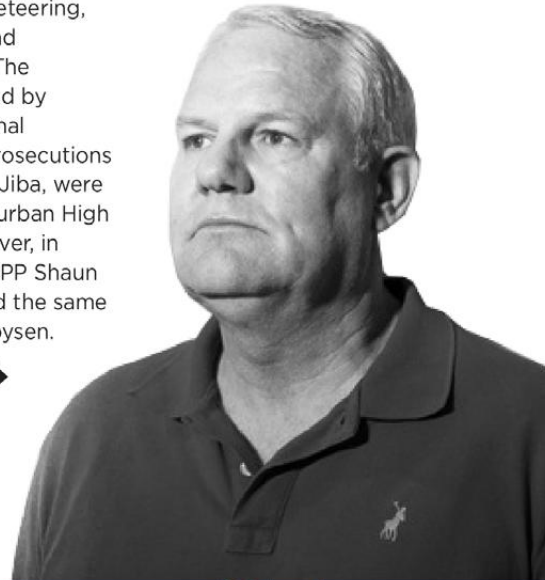


23 FEB

The case against Johan Booysen is postponed for the 13th time. Booysen, who is the suspended KwaZulu-Natal Hawks boss, and his men were arrested and charged with corruption and racketeering, as well as murder and attempted murder. The charges, first initiated by former acting National Director of Public Prosecutions (NDPP) Nomgcobo Jiba, were thrown out of the Durban High Court in 2014. However, in 2016 the current NDPP Shaun Abrahams reinstated the same charges against Booysen.

24 FEB

Former Eskom CEO Brian Molefe is sworn in as an ANC Member of Parliament (MP).



12 MAR



Cosatu calls on the minister of social development, Bathabile Dlamini, to resign over the South African Social Security Agency (Sassa) debacle or face 'mass protest in the country to have her unseated'.

09 MAR

The former minister of transport, Dipuo Peters, fires the PRASA board, pointing to problems between the directors and former acting CEO Collins Letsoalo.



27 FEB

The board of the Passenger Rail Agency of South Africa (PRASA) dismisses its acting CEO Collins Letsoalo after a media report emerged that Letsoalo increased his salary from R1.7-million to R5.3-million per annum within a space of three months. An increase of 350%.



30 MAR

In what has been deemed "the night of the long knives", Zuma undertakes a major cabinet reshuffle in which many ministers including Pravin Gordhan and his deputy, Mcebisi Jonas, are fired from their positions as the heads of Treasury. Earlier in the day, the EFF approaches the Constitutional Court to compel Speaker of Parliament, Baleka Mbete to institute impeachment or disciplinary proceedings against Zuma.



31 MAR

ANC secretary-general Gwede Mantashe and ANC chief whip in Parliament Jackson Mthembu express dissatisfaction at the firing of Gordhan. Opposition parties urge Baleka Mbete to reconvene Parliament from its recess and table a motion of no confidence in Zuma. The SACP issues a public statement and calls for Zuma to step down, saying that the president has plunged the nation into "deep crisis".

10 APR

The United Democratic Movement (UDM) files an urgent application in the Constitutional Court asking that the motion of no confidence be decided by secret ballot. The North Gauteng High Court sets aside the dissolution of the PRASA board and reinstates Popo Molefe and others



UDM

07 APR



The Save South Africa campaign mobilises approximately 60 000 people to march to the Union Buildings in Pretoria, and about 100 000 people in Cape Town to march to Parliament. A second ratings agency, Fitch, downgrades South Africa's credit rating to "junk status".

05 APR

The ANC reveals the outcomes of its NWC meeting and notes that it accepts, as an explanation for the reshuffle, that the relationship between Zuma and Gordhan had irretrievably broken down. Lungisa Fuzile resigns as director-general of Treasury.



12 APR

Opposition parties unite and march to the Union Buildings in Pretoria, calling for the removal of Zuma. It is estimated that over 100 000 people marched in the National Day of Action. PR agency Bell Pottinger cuts ties with Gupta-owned Oakbay Investments after reports surface that the agency was stoking racial tensions in media campaigns to support narratives that are pro-Zuma and the Gupta family. Police Minister Fikile Mbalula announces that he will withdraw the appeal against the ruling on the invalidity of the appointment of Bernard Ntseleza.



18 APR

Former NDPP Mxolisi Nxasana claims that President Zuma lied under oath about him leaving office in return for a R17-million settlement agreement.

23 APR

In a press statement, the ANC slams the "climate of intimidation" against the media. The ruling party notes with concern that: "threats made against individuals because of their political or ideological beliefs is indicative of intellectual and moral bankruptcy".



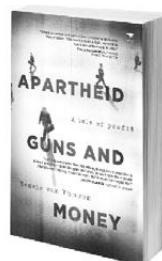
10 MAY

Zuma files an application to appeal the North Gauteng High Court's decision that he submit the record and reasons for his cabinet reshuffle.



09 MAY

Activist Hennie van Vuuren releases a book titled *Apartheid Guns and Money* that exposes the dark secrets of apartheid's corrupt economic crimes and reveals newly declassified documents and eyewitness accounts.



05 MAY

Former presidents and deputy presidents of South Africa, including Thabo Mbeki, Kgalema Motlanthe and Phumzile Mlambo-Ngcuka, make clear their support of calls for Zuma to go when they engage in a national dialogue around the political and economic crisis facing South Africa.



04 APR

03 APR

01 APR

Cosatu calls on Zuma to resign. The trade union federation notes that it no longer believes in the leadership abilities of the president. ANC stalwarts and veterans also call for Zuma to step down.

Ratings agency Standard & Poor downgrades South Africa's credit rating to "junk status".

Deputy president Cyril Ramaphosa objects to the cabinet reshuffle, calling it "totally unacceptable" for Zuma to fire Gordhan based on a flimsy intelligence report. Ramaphosa states that the top six leaders were not consulted on the reshuffle, but instead they were informed about the decision. ANC treasurer-general Zweli Mkhize issues a press statement noting that "unlike previous consultations which take place with senior officials of the ANC during such appointments, and changes to the composition of the national executive, the briefing by the President left a distinct impression that the ANC is no longer the centre and thus depriving the leadership collective of its responsibility to advise politically on executive matters".



> 25 APR

26 APR

1 MAY

The Democratic Alliance (DA) files an urgent application with the North Gauteng High Court seeking to force Zuma to supply reasons for his executive decision for the cabinet reshuffle.

The Western Cape High Court rules that government's decision to call for proposals for the procurement of 9.6 gigawatts of nuclear energy is unlawful and unconstitutional. Judge Lee Bozalek finds that government had flouted due process by not first debating in Parliament its decision to procure the 9.6 gigawatts.

In an unprecedented development Zuma, as well as Mbete and ANC deputy secretary-general Jessie Duarte, are booed at major Cosatu Workers Day rallies across the country. Cosatu's main rally, where Zuma was due to speak, is called off without any speeches.



< 04 MAY

03 MAY

02 MAY

The North Gauteng High Court rules that Zuma must submit all documents containing his reasons for dismissing Pravin Gordhan and Mcebisi Jonas.

The ANC dismisses reports by Gupta-owned news channel ANN7, following claims that some of the party's top six leaders had pushed Zuma to attend Cosatu's Workers Day rally. The ruling party accuses ANN7 of being "a mouthpiece of the factional divisions" in the party, saying that the news channel had consistently showed itself as being intent on "driving wedges" and pitting ANC leaders against each other. Lawyer and arms deal consultant Ajay Sooklal files an affidavit claiming that President Zuma tried to hide information from the Arms Procurement Commission - including gifts from French multinational company Thales.

The FIC bill is signed into law by President Zuma. The amended Financial Intelligence Centre bill is directed towards strengthening domestic laws that prevent money laundering, financing of terrorism and unlawful financial transactions.



12 MAY

Brian Molefe is reappointed as CEO of Eskom. In a press statement, the ANC notes with concern that the decision to reinstate Molefe without the observations of the Public Protector's State of Capture report having been conclusively dealt with was "tone deaf to the South African public's absolute exasperation and anger" over matters of corruption.



15 MAY

Political parties and civil society organisations mobilise and march to the Constitutional Court and note that the use of a secret ballot will protect South Africa's Constitution and prevent MPs from being intimidated. The ANC in KwaZulu-Natal protest in Durban in what they claim is "judicial overreach". The march follows the ruling by Judge Bashir Vally that Zuma provide reasons for his cabinet reshuffle. On the same day, the DA files an urgent application in the North Gauteng High Court opposing Brian Molefe's reinstatement as CEO of Eskom.



16 MAY

Former mining minister Ngoako Ramatlhodi alleges that Eskom CEO Brian Molefe and chairperson Ben Ngubane pressurised him to help the Guptas take over Glencore's coal mine in 2016.



01 JUN

Acting police commissioner Khomotso Phahlane is relieved of his duties amid allegations of corruption. He is replaced by Lt-Gen Lesetja Mothiba to head up the SAPS in an acting capacity, with immediate effect.



31 MAY

Public enterprises minister Lynne Brown instructs the board of Eskom to rescind a decision to reappoint Brian Molefe as CEO.



05 JUN

The #GuptaLeaks expose how tax money was used for a controversial dairy project at a farm in Vrede, Free State. The email trails highlight that the former MEC for agriculture in the Free State, Mosebenzi Zwane, went on an all-expenses paid trip to India courtesy of the Guptas, after he had approved and signed off on the Estina project.



09 JUN

The Supreme Court of Appeal dismisses Berning Ntlemenza's appeal to set aside the decision that he was unfit to hold office as head of the Hawks.

The #GuptaLeaks show:

- The Guptas tried to sell Denel's intellectual property to India, while watering the arms company's stake down by half;
- Denel's new chairman, Dan Mantsha, sent the Guptas confidential government documents.

18 MAY

The The South African Council of Churches (SACC) publishes the report of its 'Unburdening panel' and declares the government to be one that "has lost its moral legitimacy." It promises to write a 'pastoral letter' to millions of its congregants about state capture.



South African Council of Churches

26 MAY

An academic report titled Betrayal of the Promise: How South Africa is being stolen is released. It notes that a shadow state has been established alongside South Africa's constitutional democracy. The report suggests that the country has experienced a silent coup that has removed the ANC from its place as the primary force of transformation in society.



29 MAY

The ANC National Executive Committee (NEC) calls for a judicial commission of inquiry into state capture to be established, as well as for Brian Molefe's reappointment as Eskom CEO to be rescinded.

27 MAY

A trail of leaked emails between the Gupta family and their employees are exposed through the media and highlight how the family has conducted business with government, and seduced senior politicians in their bid to capture the state.



13 JUN

The Hawks confirm that they are investigating claims of corruption contained in the Public Protector's State of Capture report.



14 JUNE

The Office of the Public Protector announces that it will conduct a preliminary investigation to determine the merits of some of the allegations pointing to issues at Eskom, PRASA and Transnet, which have been published as part of the #GuptaLeaks saga.



27 JUN

The South African Cabin Crew Association (SACCA) lays charges against members of the South African Airways board for theft and corruption to the tune of more than R1.86-billion. Reserve Bank governor Lesetja Kganyago files an urgent application in the North Gauteng High Court to set aside remedial action proposed by the public protector and set out in the Bankorp report.



22 JUN

The Constitutional Court rules that in the motion of no confidence against the president, a secret ballot is permissible, but the decision for the ballot to be secret can only be made by the Speaker of the National Assembly.



21 JUN

Parliament launches a full scale inquiry into the corruption and mismanagement at Eskom. The inquiry is set to probe Brian Molefe's reappointment as CEO and golden handshake, Minister Lynne Brown misleading Parliament and her role in Eskom's rot, contracts with Trillian and McKinsey, and more.



29 JUN



Advocate Geoff Budlender releases a report into Trillion Capital Partners which reveals shocking instances of corruption. Tokyo Sexwale, the chair of Trillion, resigns from his position and singles out majority shareholder and Gupta associate Salim Essa for much of Trillion's corruption problems. The report alleges that Trillion CEO Eric Wood had prior knowledge of the dismissal of former finance minister Nhlanhla Nene and that the company was due to benefit from state contracts under Des van Rooyen.

30 JUN

The #GuptaLeaks email correspondence reveals that international auditing firm KPMG failed to raise alarms about businesses owned by the Gupta family in which R30-million of public money was siphoned to pay for a family wedding held in Sun City in 2013. The leaked emails highlight that KPMG was aware that the Gupta companies were categorising the wedding expenses as business expenses and thus would not have to pay tax on them.



18 JUL

Civil society organisations from across the country convene in Johannesburg to build a collective response to corruption and state capture.



10 JUL

It is revealed through the #GuptaLeaks that German software giant SAP agreed to pay a 10% "sales commission" to a company, CAD House, controlled by the Guptas. The terms suggest a thinly disguised kickback arrangement: If CAD House were the "effective cause" of SAP landing a Transnet contract worth R100-million or more, it would get 10%. In the year to follow, SAP paid CAD House a whopping R99.9-million, suggesting SAP used the Gupta influence network to drive sales of a billion rand to Transnet and other state-owned companies.

19 JUN

Public Protector Busisiwe Mkhwebane releases the CIEX report, finding that a R1.125-billion bail-out given to Absa by the South African Reserve Bank between 1986 and 1995, was unlawful. The report calls for Absa to pay R1.15-billion to the fiscus, as well as changes to the mandate of the Reserve Bank, from targeting inflation as it does now to promoting economic growth. ▼



16 JUN

The Black First Land First (BLF) organisation lays corruption charges against former finance ministers Pravin Gordhan and Nhlanhla Nene. The president of BLF, Andile Mngxitama, says the charges are a result of an audit report that Treasury had requested "and showed that the Public Financial Management Act was transgressed regarding several contracts to the value of R4.3-billion". The audit report allegedly points to nepotism while the two former ministers were in charge.



BLF

BLACK FIRST LAND FIRST

03 JUL

Transnet hires law firm Werksmans Attorneys to probe allegations of corruption linked to a 2014 programme to buy more than 1 000 locomotives. This comes after the #GuptaLeaks highlight that the Guptas entered into a R5.3-billion kickback agreement with a unit of China South Rail, which was selected to supply 359 of Transnet's 1 000 new locomotives.



04 JUL

The Gauteng High Court sets aside PRASA's controversial R3.5-billion contract with Swifambo Rail Leasing for new locomotives which were too tall for South Africa's rail network. The contract value later ballooned to more than R5-billion, of which nearly R4-billion had been paid by PRASA to Swifambo. ▼



09 JUL

International consultancy firm McKinsey appoints a law firm to investigate allegations that emerged from the Budlender inquiry. The report highlighted McKinsey's complicity regarding their agreement to sub-contract 30% of their Eskom work to Trillian under the guise of "supplier development". This is in spite of their denial of having worked on projects on which Trillian worked as a sub-contractor.



07 JUL

The Johannesburg High Court grants the South African National Editors' Forum (Sanef) an interdict to stop the BLF from intimidating and attacking journalists reporting on state capture. ▼



19 JUL

The #GuptaLeaks show that the family paid the R850 000 bill from the Umkhonto weSizwe Military Veteran's Association's (MKMVA) 2010 national general council, with the money deposited straight into the MKMVA's bank account. The leaked emails also show that MKMVA was given shares in various Gupta-owned companies.



20 JUL

Eskom CFO Anoj Singh admits that he had personally signed a letter committing Eskom to guaranteeing and standing surety for R1.6-billion on behalf of Gupta-owned Tegeta Resources, which enabled it to purchase the operations of Optimum Holdings and force out global commodities trader Glencore.



25 AUG

State arms maker Denel announces that it is cancelling its partnership with the Guptas by exiting Denel Asia, its 51% partnership with Gupta-linked VR Laser Asia. It cited reputational damage "both locally and internationally".



21 AUG

Acting national police commissioner Lesetja Mothiba dismisses acting head of crime intelligence Pat Mokushane. The decision comes after numerous reports that Mokushane has a criminal record, allegedly dipped into the unit's slush fund, and operated his private business from the crime intelligence offices.



AFRICA NEWS

28 AUG



A media report alleges that police minister Fikile Mbalula appears to be facing a backlash and that his life is at risk for his attempts to have former crime intelligence boss Richard Mdluli removed from the police's payroll. Mbalula is allegedly facing internal attack for playing an instrumental role in the removal of former Hawks boss Berning Ntlembeza, as well as the suspension of Khomotso Phahlane.

31 AUG

In an open letter to Pravin Gordhan, Duduzane Zuma claims that the Hawks have found no wrongdoing on his part or that of the Gupta family. The Hawks firmly deny this, saying that their investigation into state capture in which the controversial family is implicated is ongoing.



27 JUL

The Development Bank of Southern Africa demands that CFO of Eskom and Gupta associate Anoj Singh be removed immediately, or it will call in its R15-billion loan. This would have triggered the instant recall of some R351-billion worth of loans from other creditors, including major local banks. The Eskom board places Singh on special leave pending an investigation into his conduct. ▼



31 JUL

National Treasury calls on Eskom's former CEO Brian Molefe, former CFO Anoj Singh and former acting CEO Matshela Koko to be investigated for corruption. Outgoing chairperson of PRASA, Popo Molefe, lashes out at transport minister Joe Maswanganyi, accusing him of prejudicing the board's investigation following former Public Protector Thuli Madonsela's Derailed report. ▼



11 AUG

The Guptas sell the New Age and ANN7 to Mzwanele Manyi for R450-million. ▼



08 AUG

Zuma survives the eighth motion of no confidence vote against him. In the vote, 198 people voted against the motion, while 177 voted in favour. There were nine abstentions. ▼



07 AUG

Civil society organisations in Cape Town march to Parliament ahead of the vote of no confidence in President Zuma. Baleka Mbete announces that the vote will be conducted by secret ballot. ▼



02 SEP

Allegations emerge that finance minister Malusi Gigaba is considering using the Public Investment Corporation (PIC) funds to bail out bankrupt SOEs. ▼



04 SEP

An auditing report compiled by Deloitte reveals that the Bank of Baroda SA flouted a range of anti-corruption and money laundering laws to assist the Gupta family in buying the Optimum Coal mine in March 2016. The report details a range of dubious transactions in which more than R2-billion flowed into Tegeta's Bank of Baroda accounts. Deloitte found that the bank had contravened several provisions of the Financial Intelligence Centre Act related to bank's lack of verification of the identities and sources of funds and deposits.

05 SEP

The Public Relations and Communications Association terminates British public relations firm Bell Pottinger's membership for bringing the industry into disrepute. ▼

Bell Pottinger

19 OCT

Cabinet approves the appointment of an interim PRASA board.

Sassa gives the Post Office an offer to take over the payment of social grants.



17 OCT

President Zuma appoints the SABC board members as recommended by Parliament. The announcement follows looming court action after Zuma missed a deadline to appoint a new board and was accused of deliberately delaying the decision for political reasons. For the second time in 2017, President Zuma announces his cabinet reshuffle, axing SACP leader Blade Nzimande as the minister of higher education, and promoting Zuma loyalist and Parliament back-bencher Bongani Bongo as the minister of state security.

13 OCT

The Supreme Court of Appeal rejects with costs President Zuma and the National Prosecution Authority's appeal application to avoid prosecution for fraud and corruption. Zuma and the NPA wanted the court to overturn the High Court's decision which found that the 2009 decision by acting prosecutions head Mokotedi Mpshe to drop 783 counts of fraud, corruption and racketeering was irrational.



23 OCT

Transnet CEO Siyabonga Gama files a court application to set aside the board's decision to award a tender worth R2.5-billion to the Gupta-linked German IT company T-Systems. Gama's affidavit exposes how the board's acquisition and disposal committee defied Transnet's management – as well as National Treasury's advice – by ceding its IT data services tender to T-Systems, instead of Gijima Holdings which scored the highest points.



25 OCT

The Office of the Public Protector says that it will be launching an investigation into Fikile Mbalula's trip to Dubai while he was the minister of sports and recreation. This follows an alleged payment of between R300 000 and R600 000 by sporting goods supplier Sedgars Sports for a trip to Dubai for Mbalula and his family in 2016.

29 OCT

Journalist Jacques Pauw releases a book titled The President's Keepers which details the networks of individuals and criminal syndicates that allegedly kept the president in power over the last decade.



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SA
South African Revenue

23 NOV

The Industrial Development Corporation takes action against Oakbay Resources after allegations of share price manipulation. Cape Town mayor Patricia De Lille is accused of allegedly asking one of her top managers to bury an investigative report on allegations of corruption involving millions of rands.

22 NOV

President Zuma appoints Lt-Gen Khehla Sithole as the permanent SAPS national police commissioner.



29 SEP

Eskom suspends CFO Anoj Singh pending a disciplinary hearing. Business Leadership South Africa moves to suspend Eskom and Transnet with immediate effect as part of the business organisation's stand against corruption. ▼



15 SEP

Auditing firm KPMG withdraws all of its findings, recommendations and conclusions around its report into the SARS alleged 'rogue spy unit'. Allegations in the report led to Pravin Gordhan, who was the commissioner of SARS at the time of the alleged rogue unit, being investigated by the Hawks and criminally charged. Nine of KPMG's top executives resign as a result of the scandal.

13 SEP

The Gauteng High Court hears an application brought by the DA to force President Zuma to establish a judicial commission of inquiry into state capture, as recommended by the Public Protector, under a judge appointed by chief justice Mogoeng Mogoeng. ▶



11 SEP

The NPA reveals that it will be reviewing its initial decision not to prosecute President Zuma on his complicity in the misappropriation of public funds to upgrade his residence in Nkandla.

31 OCT

Second-in-command Jonas Makwakwa is cleared of all charges relating to R1.3-million in suspicious deposits into his personal bank accounts. A FIC report in 2016 noted that Makwakwa and his partner, Kerry-Ann Elskie (a SARS employee), may have been involved in facilitating corrupt activities. Law firm Hogan Lovells was brought in to investigate and recommended that Makwakwa be disciplined for his actions. Hogan Lovells appointed Advocate Terry Motau to chair the disciplinary hearing. Motau submitted a final report clearing Makwakwa of all charges.

SARS
Revenue Service

05 NOV

The Hawks announce that they are investigating state security minister Bongani Bongo for alleged corruption while he was serving as the head of legal services in the Department of Human Settlements in Mpumalanga. ▼



08 NOV

During the parliamentary inquiry into Eskom, the suspended head of legal Suzanne Daniels gives testimony that implicates public enterprises minister Lynne Brown and top officials in corrupt dealings with the Gupta business empire. Daniels tells MPs that Ajay Gupta wanted to manipulate the court dates of the case into former CEO Brian Molefe's pension payout so that the matter would only be heard after the ANC elective conference. Daniels further alleges that Ajay Gupta said he would "have to talk to someone in the deputy justice president's office" to make sure the hearing takes place after December 2017.

19 NOV



Bongani Bongo is accused of offering a bribe, in the form of a blank cheque, to the evidence leader of Parliament's state capture inquiry. In a sworn affidavit to the Speaker of Parliament, evidence leader Advocate Ntuthuzelo Vanara alleges that Bongo had offered him a blank cheque in return for him rendering the inquiry "dysfunctional" by resigning or "faking illness". ◀

17 NOV

A three-day long consultative conference organised by ANC stalwarts and veterans takes place at Constitution Hill. The agenda for the conference is that of creating a platform for ANC members to express themselves about the trajectory the party is taking.

15 NOV

Head of IPID Robert McBride lodges an application with the North Gauteng High Court seeking an urgent interdict to prevent SAPS members implicated in IPID investigations from investigating IPID investigators. McBride's affidavit suggests deliberate lawlessness on the part of the SAPS North West unit which, it further suggests, appears to have been deployed as private bodyguards to protect former acting national police commissioner Khomotso Phahlane.

28 NOV

MultiChoice becomes the latest private company to be embroiled in the #GuptaLeaks scandal. Email correspondence alleges that MultiChoice made a suspicious R25-million payment to ANN7. The company is also said to have increased its annual payment to ANN7 threefold, from R50-million to R141-million. A number of other channels on the MultiChoice bouquet have said that this vastly exceeds the payments made to them by MultiChoice.



05 DEC

Steinhoff CEO Markus Jooste announces his resignation with immediate effect. The board also announces that new information had come to light relating to "accounting irregularities requiring further investigation", and that PricewaterhouseCoopers would conduct an independent investigation into its books.



11 DEC

Shaun Abrahams extends Zuma's deadline for representations on corruption charges to the end of January. The NPA had initially given Zuma until 30 November to make his representations, after the Supreme Court of Appeal dismissed his and the NPA's application to appeal a High Court ruling that the 2009 decision to drop corruption charges against him was irrational.



13 DEC

The North Gauteng High Court orders President Zuma to personally pay the costs relating to his failed bid to block the release of the Public Protector's State of Capture report. The court also dismisses Zuma's application to have the recommendations of the same report set aside.



16 DEC

President Zuma announces free higher education for poor and working class students.



18 DEC

At the much anticipated ANC elective conference, Cyril Ramaphosa wins by a narrow margin and becomes the president of the ruling party. His top six include David Dabede Mabuza and Ace Magashule - both who were alleged to be part of President Zuma's 'Premier League'.



08 DEC

The Pretoria High Court hands down a judgment in the Nxasana matter, stating that Nxasana's removal was unlawful and the termination of his contract was invalid and must be set aside. The court noted that the subsequent appointment of Shaun Abrahams as head of the NPA is unlawful and also sets it aside. In addition, the court found that, arising out of his manifest conflict of interest, President Zuma may not appoint, suspend or remove the NDPP. Accordingly, the court decided that the appointment to the now vacant post of NDPP is the responsibility of the deputy president. The court also rules as unconstitutional those sections of the NPA Act that allowed these unlawful decisions to be made.



15 DEC

The KwaZulu-Natal ANC's provincial executive committee (PEC) is dissolved by an order of the Pietermaritzburg High Court. The judgment, handed down by Judge Rishi Seegobin, scraps the elective process. Seegobin also grants the PEC leave to petition the Supreme Court of Appeal and the Constitutional Court. Seegobin says the PEC would remain dissolved, as per a previous judgment, until the appeal was filed. In a separate judgement, the High Court in Bloemfontein bars several Free State branches from attending the ANC elective conference after the court nullified the party's provincial conference. In the Western Cape, Mayor Patricia de Lille is suspended by the DA from party activities pending the outcome of several investigations.



22 DEC

President Zuma seeks leave to appeal the state capture ruling.



29 DEC

The Constitutional Court rules that the National Assembly of Parliament had failed in its constitutional obligation to hold President Zuma accountable. Parliament's failure to determine whether Zuma breached the Constitution in the way he dealt with the public protector's Nkandla report, violated the constitutional duty resting on the National Assembly to scrutinise and oversee the actions of the executive. In a majority judgment, the justices of the Constitutional Court order Parliament to create rules regulating the removal of the president in terms of section 89 of the Constitution.



REAL-TIME COSTS OF CORRUPTION

A CONTEXTUAL VIEW OF THE SOUTH AFRICAN ECONOMY

THABI LEOKA, INDEPENDENT ECONOMIST

Economic Development Minister Ebrahim Patel estimated that **corruption in the public-sector costs at least**

R27 BILLION ANNUALLY



The National Prosecuting Authority is chasing R50-billion worth of assets and cash which they believe has been illegally gained by the architects of state capture.

R50-billion is a significant amount of money for a country like South Africa, which is faced with many socio-economic challenges. Public health, education, social security, housing and security all require resources. In 2016 university students demanded a zero percent increase in fees that year. R1.9-billion was diverted, mainly from the Department of Health, to offset zero fee hikes at universities.

This reallocation negatively affected the health sector, which is under-financed, suffers from under-staffing and lacks equipment needed for basic medical needs. In December 2017, President Zuma announced fee-free tertiary education for poor students. This means that the state will have to find about R40-billion a year to fund those

students who have been exempted from paying university fees. If it was not for corruption, perhaps the state would be able to afford fee-free education.

THE RESULTS OF CRIME UNCHECKED

South Africa's revenue shortfall is estimated to be R50.8-billion. This large shortfall is mainly due to poor economic growth and the high unemployment rate, while GDP growth is not expected to improve significantly in 2018. Many analysts expect growth of about 1.2%. The official unemployment rate is around 27% and if we include discouraged workers, that number is north of 35%. If more people were employed, tax collection would increase. However, corruption at SARS has allowed criminals to get away with ill-gotten gains. The irregular symbiotic relationship between some in the private sector and at SARS has allowed crime to go unchecked.



Public sector corruption has both direct and indirect consequences on the institutions of a country. The indirect costs of corruption include inefficiencies resulting from criminal activities and the deterioration of institutions. The direct costs include bribes, and funds wasted on inflated procurement contract prices. The economic cost of corruption includes higher transaction costs, misallocation of resources, and the inefficient utilisation of public goods, affecting both private and public investment. The fiscal cost includes lower revenue collection due to tax avoidance. The state's capacity to impose tax and collect taxes becomes weakened and genuine tax payers become disheartened. Lower tax revenues put pressure on the fiscus, leaving the National Treasury with the difficult choice of increasing taxes: either personal income tax (PIT), value added tax (VAT) or corporate income tax (CIT) at a time when households and businesses are struggling - the other choice is slowing fiscal consolidation.



THE EFFECTS OF JUNK STATUS

South Africa's credit rating is now sub-investment grade (junk status) according to both Fitch and S&P, but Moody's has upgraded South Africa's credit rating to stable, from junk status. Investors who are mandated to only invest in investment grade countries will therefore not have to pull their money out of South Africa, and we will avoid effects such as a weaker currency, higher

inflation, higher petrol and food prices and possibly higher interest rates because of South African Reserve Bank efforts to tame inflation. Junk status increases the cost of borrowing; it will also increase the cost of servicing our current debt, which stands at about R2.5-trillion or 52% of GDP.



THE CRIPPLING COSTS OF CORRUPTION

A state entity such as Eskom, which has been riddled with corruption, has a debt burden of R367-billion. In the past, Eskom was able to raise capital by raising foreign debt. Foreign investors wanted to purchase Eskom's debt because it was a sound investment, but now Eskom is in such a precarious position that investors, both local and foreign, are hesitant to do this. If Eskom defaults on its debt, the state would have to pay its debtors. This would cripple the economy.

ACCORDING TO THE AUDITOR-GENERAL'S 2016/17 FINANCIAL AUDITS THERE ARE THREE MAIN TYPES OF FINANCIAL MISCONDUCT:

- 1 **Fruitless and wasteful expenditure, totalling about R901-million;**
- 2 **Irregular expenditure to the tune of about R41.7-billion;**
- 3 **Unauthorised expenditure of about R12.8-billion.**

It is not possible to isolate the values of corrupt activities from these recorded amounts, but if the wasted expenditures from corruption are even a fraction of these amounts, there are significant costs to the local economy.



THE VICIOUS CYCLE OF CORRUPTION AND INEQUALITY

Corruption and inequality are interrelated. The two phenomena interact in a vicious cycle: corruption leads to an unequal distribution of power in society which, in turn, translates into an unequal distribution of wealth and opportunity. Extreme economic inequality and political capture are too often interdependent. Left unchecked, political institutions become undermined and governments overwhelmingly serve the interest of economic elites to the detriment of ordinary people.

0:26





A PIVOTAL MOMENT IN TIME

THE EVER-EXPANDING
PROJECT AGAINST CORRUPTION

DAVID LEWIS
CORRUPTION WATCH EXECUTIVE DIRECTOR

Corruption Watch opened its doors in January 2012 with the overriding objective of encouraging and enabling public participation in combatting corruption. The six years since then have seen ups and downs, gains and reverses, in the fight against corruption. But of one thing we can be certain: the people of South Africa have never wavered in their opposition to corruption. Indeed, their voice has grown ever louder; unlike in many other countries, South Africans have never accepted that corruption is something that cannot be conquered. It is precisely this spirit of resistance that has prevented South Africa from falling over the edge of the cliff, from reaching the depths from which it is impossible to recover. Corruption Watch is proud to have played a leading role in mobilizing the public to play an active role in resisting corruption.

As is well known, in the first instance, we encourage the public to report their experiences and knowledge of corruption to us.

**SINCE 2012 WE HAVE RECEIVED
OVER 20 000 REPORTS.**

These reports are the rock upon which Corruption Watch has been built, and regular analysis of the reports has exposed rampant corruption in places that were not reported on in the media or even known about by the public authorities – for example, corruption in the management of school resources.

The reports have enabled us to understand and publicise the plight of the most marginalised, isolated communities in South Africa, such as refugees and asylum seekers and mining communities in the North West Province and Limpopo.

Furthermore, some of the most important whistleblowers in the grand corruption saga that we have come to know as 'state capture' first approached Corruption Watch, and intelligence gleaned from investigation of those reports has enabled us to mount litigation and to develop policy proposals designed to reduce vulnerability to corruption. It is the reports that enable us to speak with the backing of evidence and with the weight of the public behind us.

Above all, it is what we have learned from the reports and what we have done with them that has formed the content of our constant communication with the public.

Our media figures provide clear evidence of the role that we have played in the intense, well-informed public discussion of corruption.

Whether commercial or community media, national or local media, television, radio, print, online and social media, we are clearly the go-to organisation for discussion of corruption and maladministration.

The reports will remain front and centre of Corruption Watch's model.

Currently we receive on average approximately 140 reports per week – in the coming year

**WE WILL INTENSIFY OUR
EFFORTS TO RAISE THE VOLUME
OF REPORTS**



beyond the steady increase that we have achieved over the last six years. This year we will particularly encourage the public to report experiences of corruption in the provision of health services and in the police services.

However, our operating model is changing in important aspects, and while these changes will accelerate significantly in 2018, they have been in process for some time now.

LET ME SIGNAL THE TWO MOST IMPORTANT SHIFTS.

FIRSTLY, FACE-TO-FACE COMMUNITY ORGANISATION AND MOBILISATION WILL PLAY AN INCREASINGLY IMPORTANT ROLE IN OUR PUBLIC COMMUNICATIONS.

While certain of our flagship projects have always actively engaged with directly affected communities – our schools and youth campaigns and our project aimed at combating corruption in the treatment of refugees and asylum seekers are the best examples – 2017 has seen a significant increase in our face-to-face stakeholder engagement.

In particular, we mounted large-scale roadshows in the Northern Cape and Limpopo provinces and we engaged closely with mining communities in the North West province.

These programmes will be significantly extended in 2018 and in the years to come. In particular, for 2018 we plan roadshows in another four provinces and our campaigns centred on the school governing body elections and police corruption will both include a significant stakeholder engagement element.

SECONDLY, WE ARE INCREASINGLY REQUESTED TO ASSIST COMMUNITY STRUCTURES AND BOTH PUBLIC AND PRIVATE SECTOR INSTITUTIONS IN SETTING UP PROGRAMMES TO RID THEIR ORGANISATIONS OF CORRUPTION.

This is an indication of the reputation that we have acquired, and it signals a growing sense of light at the end of this dark tunnel that we have been in these past eight years – a signal that the time has come to clean up the mess and to realise social justice for all who live in our country.

And so we look forward to a period of renewal and reconstruction. It will not be easy, but we can do it. Above all, we have to remember what got us into this hole in the first place and what it has taken to get back on our feet again. What got us into this mess was that, because in 1994 we thought that we had won, we allowed civil society to demobilise. There were exceptions of course – the Treatment Action Campaign being the proudest example – but it's fair to say that, for the most part, instead of continuing to hold government to account, civil society (and the unions) allowed themselves to be folded into government.

In the face of the atrocities of the Zuma administration, civil society began to revive itself. We, together with other sectors of society, notably the courts and the media, are responsible for the light at the end of the dark tunnel through which we have travelled these past years. If we want to ensure that this trashing of our public resources and abuse of public power does not happen again, we must remain vigilant. We must continue holding the public sector and powerful private sector interests to account. A government, any government, is only as good as its citizens are demanding.

0:30

WATCHING THE NUMBERS

A SPOTLIGHT ON CORRUPTION REPORTED IN SOUTH AFRICA

The annual Transparency International Corruption Perceptions Index (CPI) ranks countries or territories by their perceived levels of public sector corruption. The lower the score out of 100, the more corrupt the country is perceived to be.

CORRUPTION PERCEPTIONS INDEX (CPI)

43/100

2017

45/100

2016

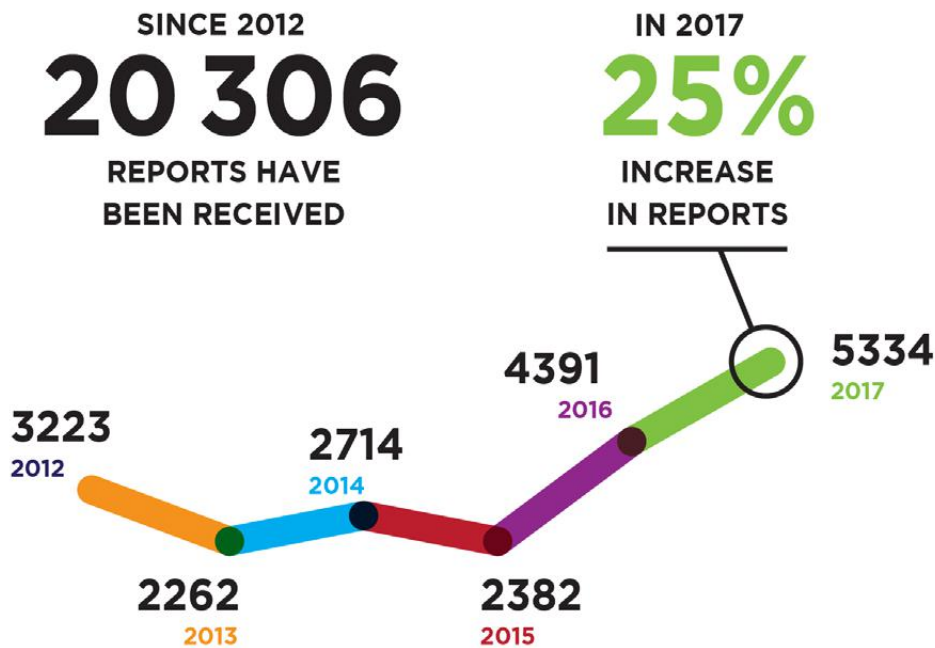
SOUTH AFRICA DROPPED 2 POINTS IN 1 YEAR

RANKED **71** OUT OF **180** COUNTRIES.

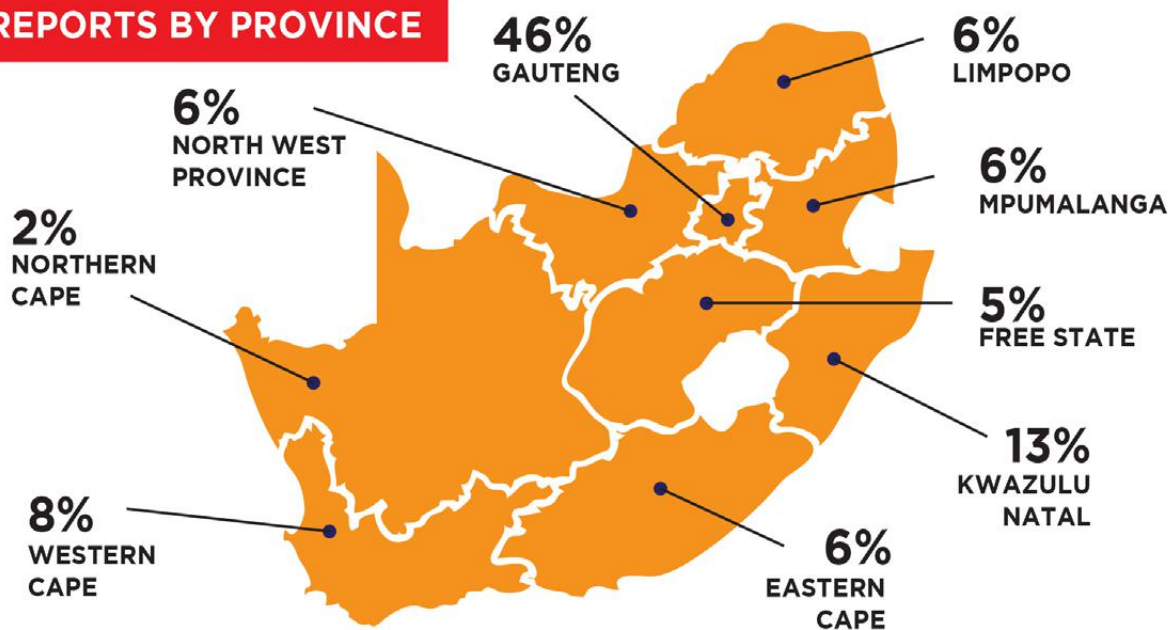


The continued impunity of our leaders has ensured that South Africa has not progressed beyond the low-mid 40s since 2012, when Corruption Watch was established. At the time, the score was 43 and has hovered over the years between 42 and 45, but is now back at where we were five years ago. This signals an alarming lack of progress in really improving our standing in a global context, in spite of ramped-up efforts to root out the perpetrators of corruption.

REPORTS RECEIVED BY CORRUPTION WATCH SINCE 2012

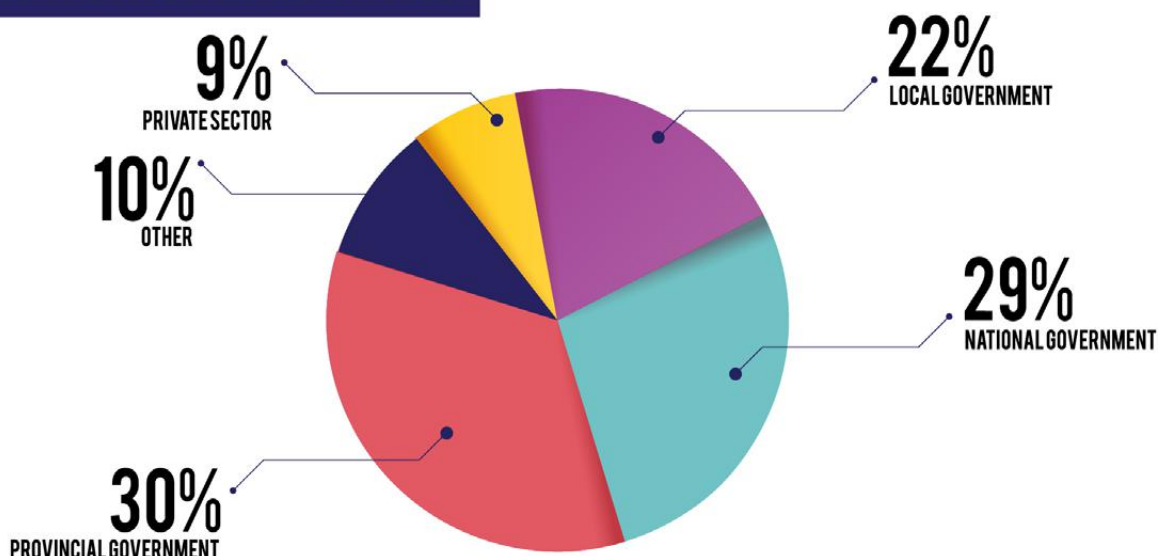


REPORTS BY PROVINCE

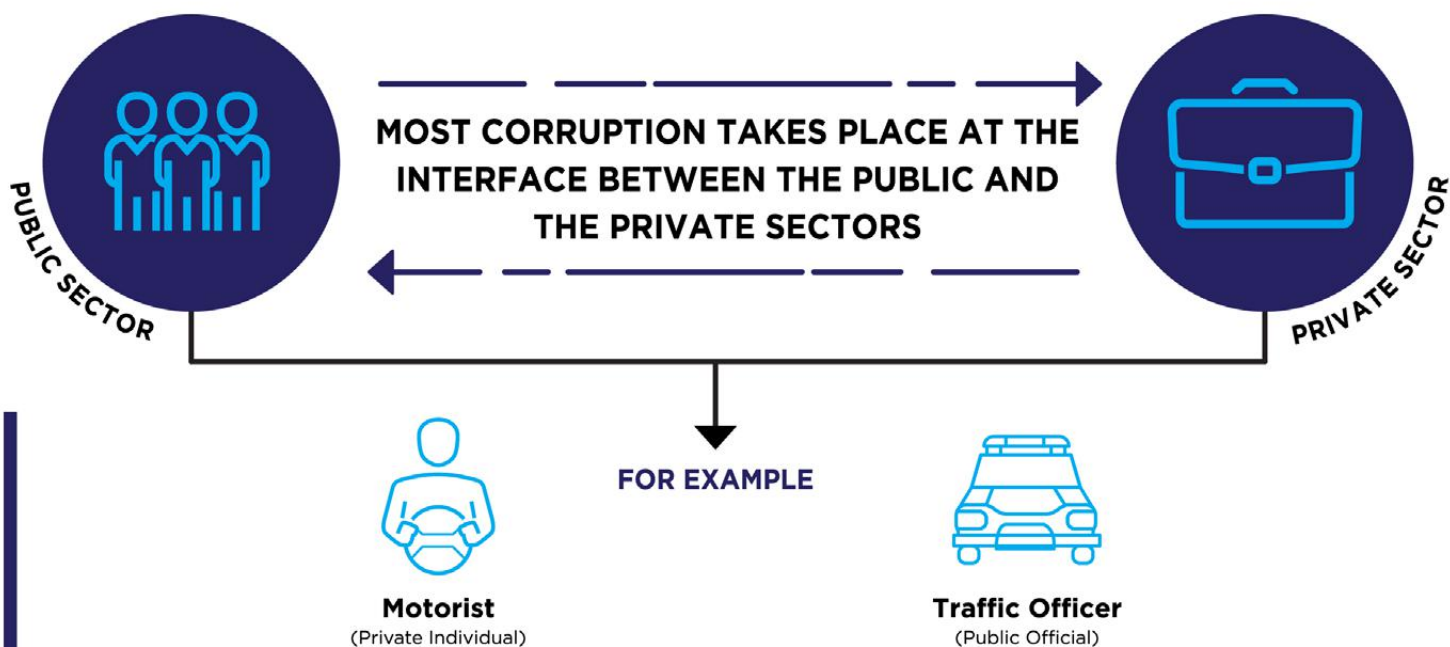


▲ In 2017, the majority of our reports (46%) stemmed from Gauteng. KwaZulu-Natal came in at second place (13%) and the Western Cape was placed third (8%). **This does not indicate that Gauteng is the most corrupt province, but rather the one with the most activity from whistleblowers, partly because of our higher profile in Gauteng.**

INSTITUTIONAL LOCATION



- ▲ Thirty percent of the reports allege corruption taking place at the provincial government level – which includes departments that focus on schools and housing. Twenty-nine percent of the reports allege corruption at the national government level – which includes the police service.



In the many reports that we receive on procurement corruption, whistleblowers note that businesses (private individuals) bribe the members of a bid committee (public official). Currently, and of great relevance in South Africa, the same interfacing relationship is

evident where private business interests have captured public office. **It is important to note that both the private interest that is doing the capturing and the public office or public servant that allows itself to be captured are guilty of corruption.**



BRIBERY

Bribery is the most frequent form of corruption reported and it accounts for 27% of the reports that were received in 2017. Embezzlement of funds (13%) comes in at second place, followed by procurement irregularities (12%). A 2017 survey conducted by the Ethics Institute shines an in-depth spotlight onto bribery and how ordinary South Africans experience this form of corruption.



37%

KNOW SOMEONE WHO WAS ASKED FOR A BRIBE IN THE LAST YEAR

UP 4%
FROM 2016 ↑



24%

KNOW SOMEONE WHO PAID A BRIBE IN THE LAST YEAR

UP 4%
FROM 2016 ↑

AVERAGE BRIBE AMOUNTS



TENDERS ▶ R 82 282

ALL BRIBES ▶ R 1 550

TRAFFIC ▶ R 205

TOP 5 REASONS FOR BRIBING

1

39%

AVOIDING TRAFFIC

2

18%

GETTING DRIVERS'

3

14%

GETTING JOBS

4

8%

PUBLIC SERVICES

5

7%

POLICE / CRIMINAL CHARGES



35%

HAVE SAID "NO" TO PAYING A BRIBE AT SOME POINT

UP 8%
FROM 2016 ↑

WHY PEOPLE SAY NO TO BRIBES

1

AGAINST MORAL OR RELIGIOUS PRINCIPLES

▶ **47%**

2

AGAINST THE LAW

▶ **18%**

3

COULD NOT AFFORD IT OR NO CASH

▶ **12%**



51%

BELIEVE IT IS POSSIBLE TO GET THROUGH LIFE IN SA WITHOUT PAYING A BRIBE

UP 2%
FROM 2016 ↑

CORRUPTION WATCH REPORTING TRENDS AND HOTSPOTS

15%
SCHOOLS

6%
SAPS

5%
TRAFFIC & LICENSING

4%
HEALTHCARE

4%
HOUSING

PUTTING IN

CAMPAIGNS

These areas of work focus on a specific theme and are guided by the number of reports that we receive in connection with the matter in question. We are currently conducting campaigns on corruption in schools, the police service and the mining industry.

POLICY ADVOCACY

We use the reports that we receive to identify loopholes in public policy that allow corruption to manifest and weakens our state institutions.

GOVERNANCE

Good governance in our own organisation is a major priority. Good governance in other organisations and in the government is something that we are helping to work towards through workshops, discussions and other events.

PUBICATIONS / RESEARCH

On a yearly basis we release many publications that include our annual report, specialised research reports and e-books.

RAISING AWARENESS

We believe that people will feel empowered to tackle corruption if they have a better understanding of what forms it takes, who commits it, and how it affects them. Whether employees, state officials or citizens, they will be able to take a stand if better informed.



THE HOURS

INVESTIGATIONS

We only investigate a select number of the reports that we receive due to our limited resources and capacity which is necessary when pursuing forensic investigations.

REPORTS

Managing the reports we receive from whistleblowers is a core part of our work. We use the information gained from our reporters to drive other aspects of our work.

LITIGATION

We choose our battles by considering our resources and the impact our participation would make. If our participation in the case would be in the public interest as far as the fight against corruption is concerned, we will contribute to it.

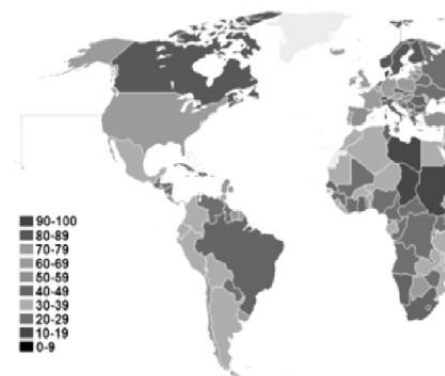
POLICY SUBMISSIONS

We are committed to participating in the processes that result in fair, effective laws that benefit all South African residents. Our work in this respect is focused on the fight against corruption such as the amendments to the Protected Disclosures Act and drawing up the draft Political Party Funding bill.

OUTREACH / EVENTS

Part of our public education work involves engaging on a one-on-one basis with communities, students, scholars, school governing bodies and others. Through these activities we inform people of their rights and responsibilities, listen to the concerns of the community, and encourage individuals to obey the rule of law at all times.

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28 FEB



Release of our fifth annual report highlighting our reporting trends and work.



24 APR

Participation with other civic organisations and the general public in a march to the Union Buildings, calling on former President Zuma to resign following his midnight cabinet reshuffle.



Release of an investigation highlighting a no-fee school in Midrand that forced parents to pay school fees.



25 JAN

Response to the annual transparency International Corruption Perceptions Index.



27 JAN

Submissions to Parliament's Standing Committee on Finance on the draft FIC amendment bill.



31 JAN

Letter to the Hawks regarding the progress of their investigation into SARS officials Jonas Makwakwa and Kelly-Ann Elskie, as well as Commissioner Tom Moyane.



16 FEB

Re-launch of one of several online public fundraising campaigns.



15 FEB

Submissions to Parliament's Select Committee on Security and Justice on the Protected Disclosures Act amendment bill.



18 MAY

Release of an investigation highlighting a no-fee school in Durban that charges parents R207 per year.



26 MAY

Youth public speaking and parliamentary debate held in Alexandra. Learner representative council (LRCs) members from four schools in the area participated.



10 AUG

Roundtable discussion with civil society and media organised by the Catholic Parliamentary Liaison Office on the Top Cops campaign. ▼



05 JUL

Launch of the Top Cops campaign at Constitution Hill, in partnership with the Institute for Security Studies.

The campaign focuses on the appointment of the SAPS national commissioner and the head of the Hawks. ▶



01 JUL

Participation in Better Education for All conference held in Tzaneen, Limpopo.

15 AUG

In commemoration of the Marikana massacre and drawing attention to the effect of poor police leadership on public safety, hosting of an outdoor movie screening of the documentary Strike a Rock by Corruption Watch and the Right2Know Campaign. Oral submissions from Corruption Watch to Parliament on the funding of political parties. ▶



16 AUG

Release of a short survey that encouraged the public to highlight the values and attributes that they would like to see in our police chiefs.

28 AUG

Commencement of first leg of our provincial roadshows campaign in Limpopo, at which the team conducted public awareness and engagement activities with affected communities. ▼



12 SEP

Submissions from CW and ISS to Parliament on the need for the implementation of the National Development Plan in relation to the appointment of the SAPS national commissioner and the head of the Hawks. On the same day, approach made to the US Justice Department to probe US consultancy firm McKinsey's dealings at Eskom. ▶



08 SEP

CW-hosted imbizo in Khayelitsha on the effects of poor policing on their community. ▼



29 JUN

Hosting of a Youth Integrity Dialogue in Eldorado Park, in collaboration with Harambee Youth Employment Accelerator and Livity Africa, with the theme of Corruption as a Hindrance to Youth Employment.



13 JUN



Dialogue with members of SGBs and SGB associations on their roles and responsibilities in ensuring transparency in their schools.

05 JUN

Request to former finance minister Malusi Gigaba to clarify the commencement of the FIC bill, as well as the timeframes for the finalisation of regulations and schedules required to support the implementation of the act.



29 AUG

Youth Integrity Dialogue held at the University of Limpopo.



31 AUG

Townhall discussion held at Westenburg Sports Centre in Polokwane on the state of corruption in Limpopo. On the same day, Corruption Watch released its 2017 Analysis of Corruption Trends (ACT) report that highlighted a positive trend in whistleblowing around the country, as well as the increasing intolerance to corruption across all sectors of society.



07 SEP

Filing of a complaint, together with Black Sash and Equal Education, with the Compliance Advisor / Ombudsman of the International Finance Corporation (IFC) regarding the circumstances under which the IFC made a combined equity investment of \$107-million in Net1 and its subsidiary, Cash Paymaster Services.



05 SEP

Appearance as a friend of the court in the EFF's Constitutional Court application inquiring into Parliament's failure to hold Zuma accountable for violating the Constitution and his office in the Nkandla debacle.

02 SEP

Corruption Watch branded marketing activation in Seshego, Polokwane.



30 SEP

Invitation to high schools to participate in an anti-corruption policy debate competition. Keeping in line with Heritage Day, the theme of the competition was: 'have we inherited a culture of corruption?' and how young people can participate in the fight against corruption. ▼



02 OCT

Launch of a research report into mining for sustainable development. ▼



18 OCT

Written submissions by CW to Parliament on the draft Political Party Funding bill. ▼



21 NOV

Publication of an investigation that uncovered the failure of our social services and justice systems to protect a pupil who was sexually abused by the principal of her school.



13 NOV

Dialogues conducted as part of our mining campaign, with the community of Bakwena ba Mogop the North West for five days, to understand the impact of the maladministration of mining royalties on communities in the region. ▼



30 NOV

Publication of an investigation that exposes the theft of school funds in a Klipspruit school.

08 DEC

Decision by the Pretoria High Court, in response to an application brought by Corruption Watch, Freedom Under Law and CASAC, that the settlement agreement that led to the removal of Mxolisi Nxasana was indeed unlawful and that the termination of Nxasana's appointment was invalid and set aside. Furthermore, it confirmed that the subsequent appointment of Adv Shaun Abrahams as head of the NPA was also invalid and therefore set aside. ▼



CORRUPTION WATCH HIGHLIGHTS >> 2017

23 OCT

Kick off of the second leg of our provincial roadshows campaign in Northern Cape, with a townhall meeting in Galeshewe on the state of corruption in the province.



25 OCT

Townhall meeting on the state of corruption in our public schools, held in Ritchie.



26 OCT

Engagement of young people through our Integrity Dialogues at the Northern Cape TVET Collage, under the theme of Corruption in the NSFAS system.

30 OCT

Letter to the SARS commissioner, Tom Moyane, seeking clarity on the decisions that allowed for the reinstatement of Jonas

▼ Makwakwa and Kelly-Ann Elskie.



28 OCT

A CW-branded marketing activation at the Galeshewe Plaza. ▼



09 DEC

Commemoration of International Anti-Corruption Day with the launch of an innovative animated video that highlights how corruption affects society and the importance of holding our leaders to account. In humorous, edgy, and satirical style, the video looks at how South Africa is run, who contributes to the public purse, and how state resources are allocated. It also shows who suffers the most when these resources are mismanaged, and corruption takes place. The video draws on the skills of local comedians and musicians. Video launch coincided with a public dialogue in Newtown to discuss the corruption highlights of 2017 and its impact on our country.

#CorruptionCosts

Where does our money go?



CAMPAIGNING FOR THE FUTURE

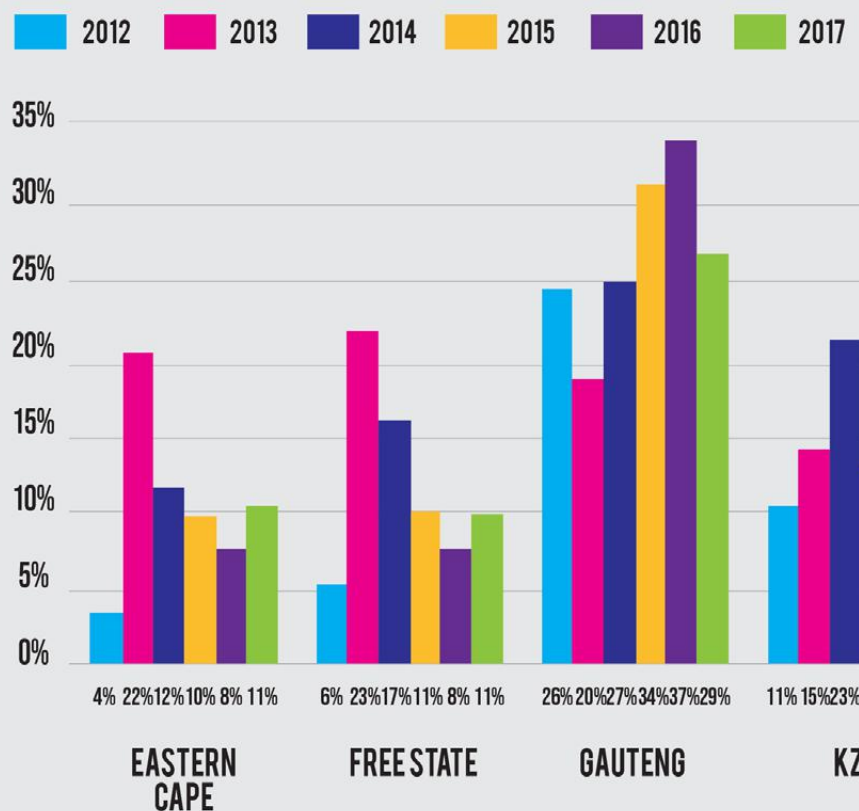
A REVIEW OF CORRUPTION WATCH'S CAMPAIGNS

CORRUPTION IN SCHOOLS



Since 2013, we have flagged corruption in South Africa's public schools as a major problem that stifles the access to quality education for the majority of learners in the country. Our reports highlight the shocking reality faced by many learners who do not have access to proper sanitation, learning resources or teaching facilities.

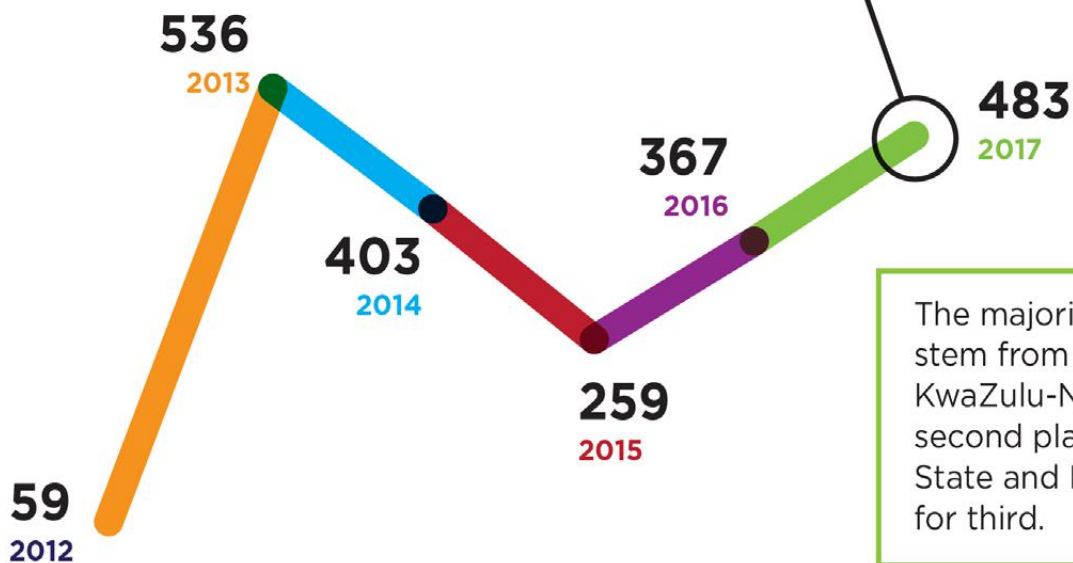
Many have told us about having to pay fees at schools declared as non-fee-paying schools, or about the low quality of food that is distributed through the school feeding schemes. Quality education has the potential to address the inequities in our social and economic systems. Corruption, however, poses a great threat to bridging the gap in a new South Africa.





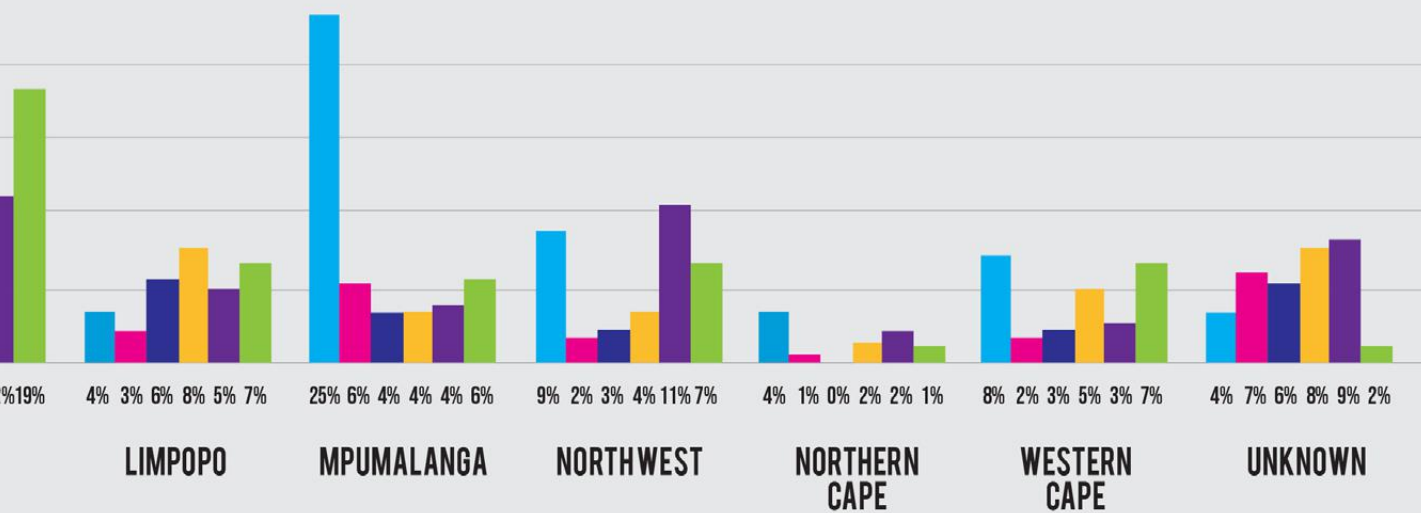
SINCE 2012
2 062
REPORTS HAVE
BEEN RECEIVED

IN 2017
483
REPORTS HAVE
BEEN RECEIVED



! The majority of reports stem from Gauteng. KwaZulu-Natal comes in at second place, and the Free State and Eastern Cape tie for third.

REPORTS BY PROVINCE





THE CULPRITS OF CORRUPTION IN OUR SCHOOLS

Based on our 2017 reports, principals – and in 34% of the instances, with the help of others – are pointed out as the main culprits of corrupt activity taking place in schools. This is due to their close proximity and access to funds. Twenty-nine percent of the reported cases dealt with the theft of school funds, followed by corruption in employment, which usually involves nepotism or the appointment of ghost teachers.



34%

FINANCIAL
MISMANAGEMENT



4%

THEFT OF
GOODS



29%

THEFT OF
FUNDS



8%

TENDER
CORRUPTION



13%

EMPLOYMENT
CORRUPTION



34%

OTHER



33%

PRINCIPAL



34%

PRINCIPAL WITH
HELP OF OTHERS



6%

SGB
MEMBERS



14%

DoE OFFICIALS



13%

OTHER

BUILDING GOOD GOVERNANCE

Since 2013 we have been working with various partners in civil society and the media to raise awareness about the threat that corruption poses to our education system. A key focus for Corruption Watch has been the development and training of members that serve on school governing bodies (SGBs). By participating on the SGB, parents are able to have their say and make a difference in their children's education. It is through the governing body that parents can monitor the school finances to ensure that funds are allocated appropriately, that adequate policies are put in place so as to not discriminate against any learner, and that the ultimate beneficiaries of the education sector are the students and not a few corrupt officials wanting to line their own pockets.

Through our engagements, we have found that many parents who serve on the SGB are not aware of their roles and functions – thus allowing the principal and a few key individuals to have access to funds without any questions being raised. In the last year, we have focused much of our work on training SGB members on governance and



finance matters. This will continue into 2018 as we prepare for the SGB elections in March. This is the third largest election in the country, after the national and local government elections, and occurs once every three years. It is an opportunity for parents and community members to take an initiative to fix South Africa's schools and ensure that the current and future generation of learners are afforded their right to access quality basic education.



SCHOOLS INVESTIGATIONS

THE NO-FEE SCHOOL WHICH FORCED PARENTS TO PAY

Mpumelelo Primary School in Midrand is a no-fee school, but whistleblowers approached Corruption Watch with evidence of the school principal forcing the parents of the more than 1800 learners, all of whom are from the Ivory Park informal settlement in Tembisa, to pay R50 in school fees per year. It is illegal for a no-fee school to charge fees of any kind, although parents can be encouraged to make 'voluntary contributions'. The parents of learners reported the problem to the district Gauteng Department of Education (GDE) office and some parents were refunded their money. But more than 500 parents have never heard back since the complaint was raised with the GDE in 2007. Other issues that have emerged at the school include:

In 2003, the GDE appointed Benny Makgoka as the principal of Mpumelelo Primary School. During his term, he was accused by the SGB of stealing school funds of up to R1-million, and losing the school financial statements. This was reported to the GDE and upon investigation Makgoka was cleared of all charges. Members of the SGB claim that the forensic audit was never released to the public and when they had approached Makgoka about the audit report, he had threatened them with a gun.

In 2015, Makgoka was fired by the department and he subsequently opened accounts in the school's name at various stores and accumulated bills on the school's account. A department official noted that they are still in the process of completing the investigation into Makgoka and waiting on recommendations from the investigators.

In 2017, the school administrator at Mpumelelo Primary School was dismissed after parents reported to the GDE that he forced parents to pay him large sums of money to secure their children a place at the school.

The treasurer of the SGB pointed out that milk from the school feeding scheme often goes missing, and sometimes children cannot get a meal, which is soft porridge made with milk. For some children at the school, it is the only meal that they have in a day.

THE FAILURE OF SOCIAL AND JUSTICE SYSTEMS TO PROTECT A PUPIL

In early 2017, Corruption Watch was alerted by a whistleblower to the situation at Siphesihle Secondary School in Verulam, KwaZulu-Natal, involving a 16-year-old pupil and the principal of her school. The principal is alleged to have taken the learner to his house where he took advantage of her by abusing her sexually. The learner herself heads up a household as the eldest of four siblings and must depend on neighbours and the community for support. In April of 2017, the learner laid charges against the principal at the police station and sought assistance from the social support services at her school. She anticipated that by the time she returned to school after the break, she would not have to face her alleged abuser. This did not happen.

The Corruption Watch investigative team identified

glaring inadequacies in the social support programme intended to assist minors, and a lack of action on the part of the education department and SAPS. In addition, the case had been handed over to a male educator in the school, which the team considered highly inappropriate under the circumstances. Under pressure from Corruption Watch, the Department of Social Development assigned a social worker to the case, and the learner and her family were eventually removed from their community and put in a place of safety while the investigation proceeded. The principal was finally suspended in August, months after the criminal case had been opened, and his first court appearance took place on 18 October. A prosecutor assigned to the case had seemingly marked the file as having been withdrawn, despite there being no evidence of the learner doing so. It was again at the prompting of Corruption Watch – which enquired on the causes for the delay in the case – that the false withdrawal was first noticed. The withdrawal notice was then removed and an official has since confirmed to Corruption Watch that an internal process is underway "to determine why the matter was withdrawn".

MONEY MISMANAGEMENT AT FIRETHORN PRIMARY

The Gauteng Department of Education is investigating allegations of mismanagement of funds, dating back several years, at a Soweto school. A series of eyebrow-raising incidents at Firethorn Primary School in Klipspruit – which include the fraudulent cashing of cheques – prompted a member of the school's SGB to lodge a complaint with Corruption Watch in 2016. The source, who wanted to remain anonymous, reported that the Gauteng Department of Education needed to take action against the school principal, Lorriane Erasmus, for negligence. This after two blank cheques signed by her went missing from her office back in 2013, only to be cashed by unknown individuals soon afterwards, robbing the school first of R80 000 and then a few days later of R300 000.

The reason given by the principal for leaving blank cheques in her office was that she was going on leave and did not want the staff to be inconvenienced when procuring goods for the school. We called the school principal to obtain her version of events relating to the R380 000 which was withdrawn by unknown individuals from the school's account.

In response the principal advised us that the whole incident was a scam, that the bank was negligent and has accepted liability and that the bank had undertaken to reimburse the school 70% of the lost funds. Standard Bank, which oversees the account of the school, acknowledged that the withdrawals were made in 2013.

"Standard Bank concluded a without-prejudice settlement with Firethorn Primary School, on a goodwill basis and due to their long-standing relationship with the bank," explained spokesperson Ross Linstrom. According to the whistleblower, the settlement details were not shared with school administrators or the SGB. Erasmus gave all assurance that Standard Bank had agreed to reimburse the school for R200 000 of the R380 000, citing her own negligence in the instance as the bank's reason for not repaying the full amount.



GENERAL RIAH PIYEGA



KHOMOTSO PHAHLANE



BERNING NTLAMEZA

CORRUPTION IN THE POLICE SERVICE



**COMBATING CORRUPTION AND FRAUD IN THE POLICE
SERVICE IS ESSENTIAL TO MAINTAINING PUBLIC
ORDER AND THE RULE OF LAW.**



TYPES OF POLICE CORRUPTION REPORTED TO CORRUPTION WATCH

It also helps to restore public trust in democratic processes and institutions. Research suggests that the strengthening of accountability mechanisms in law enforcement agencies is of critical importance to effectively combat corruption and break the cycle of impunity in South Africa.

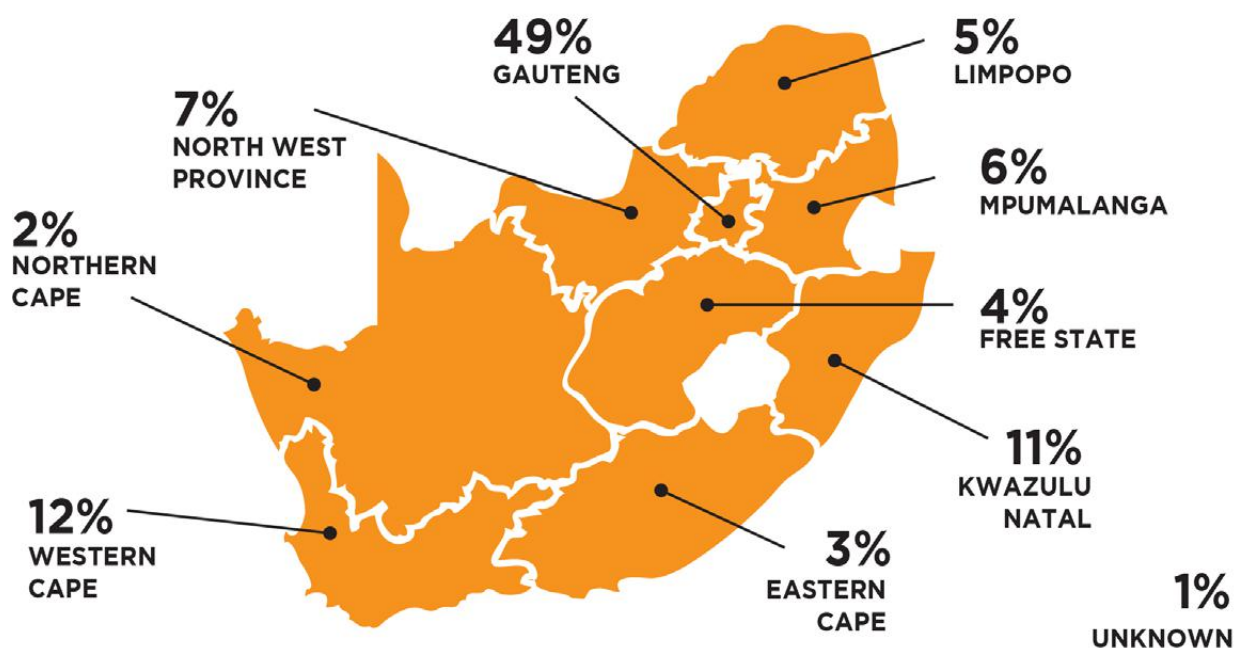
35% ABUSE OF POWER

21% BRIBERY

21% FAILURE TO ACT

POLICE CORRUPTION MANIFESTS ITSELF IN A VARIETY OF WAYS, RANGING FROM PETTY AND BUREAUCRATIC CORRUPTION TO THE CRIMINAL INFILTRATION OF THE STATE, STATE CAPTURE AND OTHER FORMS OF POLITICAL CORRUPTION.

REPORTS BY PROVINCE



Since 2012, Corruption Watch has received over 1 000 reports of alleged corruption in the policing sector. In 2017, the majority of the reports stemmed from Gauteng, followed by KwaZulu-Natal and the Western Cape. The abuse of power by police is the most common form of corruption reported (35%), followed by bribery (21%) and the failure of the police to act and provide services to the public (21%).

THE FISH ROTTS FROM THE HEAD

The Zuma era was marred by evidence of political capture of the South African criminal justice system. These include dodgy and politically motivated appointments to the National Prosecuting Authority (NPA), SAPS and the Hawks - all of whom have continuously displayed bias in favour of the president's private interests. The symptoms of political capture, however, can be traced back to former President Thabo Mbeki when he appointed his loyalist, the late Jackie Selebi, to head the police service. The first blow to the criminal justice system occurred when former NPA boss Vusi Pikoli was suspended by Mbeki for investigating and arresting Selebi for his connections to the underworld. Thereafter, the SAPS has been embroiled in a calamity with its top leadership.

The SAPS Act stipulates that the national commissioner serve a five-year term with the option for an extension for a further five years. In the last eight years, we have seen six different SAPS national commissioners. Some notorious figures who have occupied this post over the past eight years include Bheki Cele who was dismissed over a corruption scandal (Cele was appointed as minister of police in February 2018), Riah Phiyega who was found to be unfit by the Klaasen Board of Inquiry, and Khomotso Phahlane who is currently being investigated for corruption by IPID. The high turnover in unethical and, in some instances, inexperienced national commissioners is a result of the lack of strict criteria needed to become the police chief, as well as the constitutional prerogative of the president to make these appointments without following any formal interview processes.

AN ALARMING LACK OF FORMAL CRITERIA

Currently SAPS has a budget of over R80-billion per annum, and the national commissioner is responsible for a service of about 190 000 employees.

It is therefore disturbing that the only criteria needed by an individual to assume the position of top cop is to:

1

Be over 18 years of age;

2

Be a South African citizen by birth; and finally,

3

Not have a criminal record or departmental cases pending against him or her (all criminal departmental cases must be declared).

As it stands it is more difficult to qualify for the role of a constable in the police service, as this requires candidates to be medically, mentally and physically fit; be prepared to take the prescribed oath of office; be vetted or screened; be of good and sound character; have a matric certificate, etc.

THE IMPACT OF POOR POLICE LEADERSHIP

Poor police leadership costs lives and undermines public safety.

IN THE LAST 5 YEARS:

MURDER  **INCREASED BY 22%**

AGGRAVATED ROBBERY  **INCREASED BY 6.4%**

IN THE CASE OF THE HAWKS:

2010/2011 FINANCIAL YEAR	OVER 14 000 ARRESTS	7 000 CONVICTIONS
2014/2015 FINANCIAL YEAR	5 047 ARRESTS	1 176 CONVICTIONS 

The severe decline in performance by the Hawks can be linked to the political removal of former Hawks head Anwa Dramat and head of the Gauteng Hawks division, Shadrack Sibiya, for their continued investigations into former crime intelligence boss, Richard Mdluli. Dramat was replaced by the notorious Berning Ntlemenza, who was found to have lied under oath, with a Gauteng judge noting that he "lacks integrity and honour".

THE TOP COPS CAMPAIGN

In July 2017, Corruption Watch and the Institute for Security Studies launched a public awareness campaign that aims to shine a spotlight on the state of policing in South Africa and how the impact of poor police leadership has undermined public safety and trust in the institution.

In relation to the appointments of the SAPS national commissioner and the head of the Hawks, the organisations seek to influence the process by advocating for a transparent selection process that solicits public participation and is set against clear merit-based criteria, as recommended in the National Development Plan.



OUR CAMPAIGN OBJECTIVES

AWARENESS – we will highlight the roles and responsibilities of both the SAPS and the Hawks, as well as its leadership. Through a ‘rights-based’ programme, members of the public will be educated on their rights, the law and intervention strategies when encountering street level bribery and extortion.

PUBLIC PARTICIPATION – we will develop avenues for public engagement and participation by surveying the public and police officials as to the values and qualities that they would like to see in the persons appointed to lead the SAPS and the Hawks. CW and the ISS will also lobby Parliament to undertake a public process in amending the SAPS Act to ensure that more stringent qualifying criteria are developed for the position of national commissioner.

TRANSPARENCY – we will campaign to ensure that a transparent and competitive appointment process, as envisaged in the National Development Plan, is implemented.

Former president Zuma announced in November 2017 that **Lt-General Khehla Sithole will be taking over as the new SAPS national commissioner. Sithole is the sixth national commissioner to be appointed by Zuma**, the first permanent commissioner since Riah Phiyega’s suspension in 2015, and the first career police officer to be appointed since General George Fivaz stepped down in 2000. Then police minister Fikile Mbalula noted the appointment of the head of the Hawks will take place in the coming months and that a “panel of experts” will be conducting the shortlisting and interview processes.



WHAT SOUTH AFRICANS WANT



Ordinary South Africans had an opportunity to engage in building the ideal persona for our police chiefs.

THROUGH
1015
RESPONSES



The public would like to see the following in our top cops:



The individuals appointed should either be a **serving career police officer or someone that has some police experience** but also has expertise from other professional sectors;



Be skilled in analytical and investigative skills, conflict resolution skills, and both internal and external communication skills;



Knowledgeable about the roles of policing in a democracy, good governance and an understanding of social justice, and guiding legislation including the Constitution;



Focus on tackling violent crime such as murder, rape and robberies, investigating high-level politicians, state officials and private individuals when evidence of corruption emerges, and preserving the independence of their institutions; and



Possess values of integrity, accountability and honesty.

0:50



CORRUPTION IN MINING

Mining operations in South Africa are particularly vulnerable to corruption and illegal activities. The scale of mining operations and the large sums of money involved, as well as the interactions with government officials to secure concessions, customs clearance and obtaining permits, all increase the risk of corruption in the sector.

In 2017 we were part of a global research initiative that highlights the risk and vulnerabilities in the mining application process – when mining licenses, contracts and permits are awarded – which usually give rise to corruption. The initiative, called Mining for Sustainable Development, is driven by Transparency International (TI) and the overall aim of the project is to improve transparency and accountability of South Africa's mining royalties system including providing an evidence based approach towards reforming current policy and legislation that would mitigate against corruption which ultimately disadvantages mine affected communities.



WE WERE PART OF A GLOBAL RESEARCH INITIATIVE THAT HIGHLIGHTS THE RISK AND VULNERABILITIES IN THE MINING APPLICATION PROCESS.

The Corruption Watch report included an in-depth investigation into operations at the Department of Mineral Resources (DMR), which was assisted by an anonymous but well-placed source at the DMR as well as representatives of mining houses.

UNDERSTANDING THE PROBLEM

Our research highlighted the vulnerabilities in the mining application process. Some of these challenges include:

- The low usage and unreliable accessibility of the online portal administered by the South African Mineral Resource Administration System (SAMRAD), which results in the manual lodging of applications, which in itself poses a corruption risk;
- The timeframes provided by the Mineral and Petroleum Resources Development Act (MPRDA) are not adhered to, which often results in long delays;
- The MPRDA falls short in its limited scope for consultations with communities. There are no systems in place to ensure that meaningful consultation is taking place. As a result, these often end up as a tick-box exercise between mining companies and traditional leaders, who frequently profit at the expense of local communities who should benefit from such arrangements; and
- The Section 10 notices, prescribed by the MPRDA, are in English only. This results in community members not being given the chance to understand these matters in their own languages.

OUR RECOMMENDATIONS

Based on our research, Corruption Watch made recommendations to three target groups: civil society, government and mining companies.

In summary, these are:

Recommendations for communities and civil society

It is essential that provision be made to educate communities on their rights and roles in the application process in order to bring material change to the sector; and

Traditional leaders are urged to resist and report corruption and maladministration in their association with the state and corporate representatives, to ensure that material wealth reaches communities.

Recommendations for government

- Attention needs to be given to internal capacity constraints to cut down on delays processing applications and to reduce existing backlogs;
- There is a need to implement and streamline SAMRAD, as an online cadastre system will ensure transparency of information and greatly reduce the possibility of corruption;

- Technical capacity of state officials should be boosted and existing experts in the mining sector deployed, as well as the adoption of new technological advancements;
- Monitoring and evaluation should be embedded into the application system to ensure that mining companies honour their social and labour commitments to communities; and
- A review of the mining application process is needed, with an emphasis on public participation and consultation.

Recommendations for mining companies

- Consultations with communities need to be fair, meaningful, inclusive and transparent, and mining companies are urged to honour their social commitments to communities;
- Companies must take a decisive stance against corruption and maladministration in order to contribute to change in the sector, and reduce reputational damage; and
- Companies must follow the correct legislative processes throughout the application process, and commit to full transparency and exposure of corrupt activities, which should be reported to the relevant authorities.

INVESTIGATION

In the course of our research we conducted investigations into some of the key vulnerabilities identified in the prospecting and mining application processes. Through one of our corruption reporting channels a whistleblower created a platform for us to investigate the issue around the preferential rights given to traditional communities to prospect on community owned land under section 104 of the MPRDA. This investigation along with other extensive engagements with key stakeholders in the mining sector allowed for us to formulate a great backdrop of the vulnerabilities identified in the South African mining sector.

GIVING AFFECTED COMMUNITIES A VOICE

In November 2017, our team travelled to Bakwena ba Mogopa in the North West to engage with community members and understand the impact of the maladministration of mining royalties on communities in the region. Our aim was to evaluate the main challenges facing these communities who are looking for transparency and accountability over the administration of community royalties, and the problems around access to key information such as resolutions and financial documents. The next phase of the project is our nationwide action plan in which we aim to further engage with the state, run educational initiatives in mine affected communities and contribute to legislative and policy review. The overall view of our action plan is to create a platform that will lead to transparency and accountability in the application processes.



0:52



WE WILL CONTINUE TO ENGAGE
WITH ORDINARY CITIZENS AND
PROVIDE THEM WITH A PLATFORM
TO RAISE THEIR VOICE.

THE HARSHTEST EFFECTS OF
CORRUPTION ARE EXPERIENCED
BY THESE COMMUNITIES WHERE
STATE FUNDS HAVE NOT YET
REACHED THEIR SCHOOLS,
HOSPITALS OR POLICE STATIONS.



CONFRONTING CORRUPTION HEAD ON

As part of our five-year anniversary celebrations, Corruption Watch embarked on provincial roadshows to engage remote communities on issues of corruption and to encourage a culture of anti-corruption activism and active citizenry. These interventions exposed the dire conditions that our people live in, where their access to basic services and in some instances human dignity has been denied. The harshest effects of corruption are experienced by these communities where state funds have not yet reached their schools, hospitals or police stations – making them more vulnerable to the cycles of poverty and illness, but also exposed to high rates of violence and substance abuse. We travelled to Limpopo and engaged with various communities, including the tribal council of Moletji, and we understood first-hand the nepotism and patronage that takes place at local government level when meeting with ward councillors. We came across schools that were unfit for children, schools that have no running water, sanitation or even basic learning materials. In the Northern Cape, we were exposed to the unforgiving conditions of the land, communities battling alcohol abuse and gangsterism, and rogue elements of state departments run by officials concerned with the ‘politics of their own stomachs’.

In 2018, Corruption Watch will continue with its provincial roadshows to raise awareness about the importance of combating corruption, as well as to engage with ordinary citizens and provide them with a platform to raise their voice.

BUA MZANSI!



LOBBYING FOR CHANGE



IMPACT LITIGATION AND SUBMISSIONS



FIGHTING GRAFT IN OUR GRANTS SYSTEM

As part of our focus on encouraging vigilance in public procurement, Corruption Watch has engaged in various legal interventions and strategies relating to the unconstitutional tender worth over R10-billion awarded to Cash Paymaster Services (CPS) by Sassa, for the distribution of social grants to over 17-million beneficiaries. In 2017, we undertook the following:

BLACK SASH V MINISTER OF SOCIAL DEVELOPMENT & OTHERS

In March 2017, Corruption Watch appeared in the Constitutional Court as a friend of the court, in the matter of the Black Sash Trust v Minister of Social Development and Others. Our submissions focused on the agreement between Sassa and CPS, as well as the red flags that indicated the presence of corruption in the contract and grant making process. The court took into account our suggestions in relation to the appointment of a legal practitioner and the nomination of suitably qualified experts to report on technical issues arising during the period of remedial order. We also requested that the court refer the matter to the Public Protector and the Hawks for further investigation. On 17 March, the Constitutional Court handed down a unanimous judgment ruling that the court will take over the supervision of the implementation of the current and future grants process, indicating that the bench had no trust in the then minister of social development, Bathabile Dlamini.

ALLPAY CONSOLIDATED HOLDINGS V CEO, SASSA & OTHERS

On 30 May 2017, CPS filed a profits statement as required by the Constitutional Court's 2014 order. In terms of the profit statement, CPS gained a net profit, before tax, of over R1-billion. In line with the court order, Sassa was meant to file an audited verification of the details provided by CPS by the end of July 2017. Sassa failed to do so. Once the audited verification is filed, Corruption Watch will approach the Constitutional Court for a declaration that the profits gained by CPS for administering the grants payment system, in terms of a constitutionally invalid contract, be returned to Sassa. Corruption Watch will be approaching the Constitutional Court as soon as Sassa files its independent verification of the report filed by CPS.

COMPLAINT TO THE INTERNATIONAL FINANCE CORPORATION

Along with the Black Sash and Equal Education, in

September 2017, we filed a complaint to the complaints ombudsman of the International Finance Corporation, the investment arm of the World Bank in relation to a \$107-million investment made by the IFC to Net1 (the parent company of CPS) in March 2016. We submitted that the IFC did not follow proper due diligence procedures in relation to the investment as there was adequate knowledge of the maladministration, alleged corrupt practices and litigious matters that implicated CPS.

Although our complaint is not being investigated by the complaints ombudsman for the IFC owing to it not meeting the eligibility criteria relating to the environmental and social impacts of IFC investments, it is however being investigated by the Integrity Vice Presidency, an independent unit within the World Bank Group and we are liaising with the lead investigator in this regard.

COMBATING STATE CAPTURE

Through impact litigation and strategic interventions, we have been working tirelessly to undo the capture of our criminal justice institutions and state-owned entities, as well as placing pressure on individuals and companies to account for their actions in what has contributed to the capture of our state.

CORRUPTION AT SARS

In light of the Financial Intelligence Centre report on the involvement of SARS employees Jonas Makwakwa and Kerry-Ann Elskie in money laundering and other corrupt activities, Corruption Watch laid criminal charges against these officials. We also laid charges against SARS commissioner Tom Moyane, in respect of alleged breaches of the Financial Intelligence Centre Act, and the Prevention and Combating of Corrupt Activities Act. Following the Hawks' failure to investigate the trio, we filed a complaint with IPID to follow up on the matter. In October 2017, Moyane reinstated Makwakwa, noting that an internal disciplinary found Makwakwa not guilty of corruption and money laundering. We have since written to Moyane and the Standing Committee on Finance to obtain clarity about the reinstatement and are yet to receive a response. We were informed by the Hawks in December 2017 that they had concluded their investigation into Moyane and that the NPA had declined to prosecute. The Hawks' investigation into Makwakwa and Elskie is still ongoing and Corruption Watch is currently considering legal avenues in these matters.

MCKINSEY COMPLAINT

We have filed a complaint with the US Department of Justice relating to McKinsey's

role in unlawfully benefiting from an Eskom deal involving the Gupta-linked Trillian. McKinsey is a US-based and listed consultancy company.

CORRUPTION WATCH & OTHERS V PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA & OTHERS

On 8 December, the North Gauteng High Court handed down a judgment regarding the position of the national director of public prosecutions (NDPP).

This arises out of an application by Corruption Watch, together with Freedom Under Law and the Council for the Advancement of South African Constitution (CASAC), to review and set aside the R17.3-million settlement agreement between former NDPP Adv. Mxolisi Nxasana, the president, and the minister of justice, thereby declaring his removal from office invalid. The court found that the settlement agreement that led to the removal of Nxasana was unlawful and the termination of Nxasana's appointment was found to be invalid and was set aside.

Furthermore, the court confirmed that the subsequent appointment of Adv Shaun Abrahams as the head of the NPA was also invalid and therefore set aside. In addition, the court found in our favour that due to a conflict of interest, Zuma may not appoint, suspend or remove the NDPP and that this power be assigned to the deputy president.

SUBMISSIONS

SUBMISSIONS ON THE FINANCIAL INTELLIGENCE CENTRE (FIC) AMENDMENT BILL

Between January and February our team made oral and written submissions in Parliament on the draft Financial Intelligence Centre (FIC) amendment bill. We have been making submissions on this bill since 2015, but the latest submissions relate to section 45B (1C) which deals with warrantless searches in clause 32 of the bill.

Former president Zuma initially expressed concern over this section and sent the bill back to the National Assembly for reconsideration.

We held the view that Zuma is challenging a section which was already constitutionally compliant, since the provisions laid down in the Constitutional Court have been incorporated directly into the bill. We viewed this move as a delaying tactic by Zuma which had a serious impact on South Africa's compliance with international obligations and with our own constitutional obligations to address financial crime, money laundering and corruption. The bill was finally signed into law in April 2017.

SUBMISSIONS ON THE PROTECTED DISCLOSURES ACT AMENDMENT BILL

Between January and February our team made written and oral submissions to the NCOP, Security and Justice on the Protected Disclosures Act amendment bill, which was published in December 2015. This bill sets out the procedure that must be followed when public and private sector employees disclose information about unlawful behaviour in the workplace, and how these employees must be protected.

OUR SUBMISSIONS FOCUSED ON THE FOLLOWING MATTERS:

1

The expanded definition of "occupational detriment";

2

Section 9A which excludes civil and criminal liability for protected disclosures; and

3

The introduction of offences for making disclosures in bad faith.

SUBMISSIONS ON THE PUBLIC FUNDING OF REPRESENTED POLITICAL PARTIES ACT

Corruption Watch made written submissions in July and oral submissions in August to the parliamentary Ad Hoc Committee on the Funding of Political Parties.

Once the draft bill was prepared, we made further written submissions in October and oral submissions in November. In our submissions, we highlighted the importance of ensuring transparency in political party funding, in accordance with global conventions.

We focused on three topics, namely the nature and scope of disclosures and financial reporting in respect of the Represented Political Parties Fund, foreign and private funding, and the role of oversight bodies.

Stressing the need for public disclosures of direct and indirect sources of funding, we called for clear guidelines around the meaning of these forms of funding and recommended the OECD's Framework on Financing Democracy: Supporting Better Public Policies and Averting Policy Capture as the most appropriate guide.



ALWAYS ON WATCH

THE NINE MEMBERS OF OUR BOARD GUIDE OUR MISSION AND VISION.

The board's tasks are many: ensuring Corruption Watch meets its legal requirements, making sure the organisation is well run and is on a sound financial footing, and determining the strategic direction of the organisation.



MAVUSO MSIMANG
CHAIRPERSON

Msimang is the former CEO of the Oliver and Adelaide Tambo Foundation, and also previously served as the director-general of the national Home Affairs department and CEO of SANParks.

He sits on the board of WWF South Africa. His non-executive board directorships include Harmony Gold, the African Parks Network and the Peace Parks Foundation, and he is a former chairperson of the iSimangaliso Wetland Park, a world heritage site.



DAVID LEWIS
EXECUTIVE DIRECTOR

Lewis is the founder and executive director of Corruption Watch. He previously chaired the Competition Tribunal for a decade and was involved in the trade union movement, serving as the general secretary of the General Workers Union and national organiser of the Transport and General Workers Union.

Lewis also directed the University of Cape Town's Development Policy Research Unit. [Read more here.](#)

THOSE WHO GUIDE CORRUPTION WATCH'S WORK



ADILA HASSIM

ADVOCATE AND JUNIOR COUNSEL AT THULAMELA CHAMBERS

Adila Hassim is an advocate and a founding member of Corruption Watch. She is currently junior counsel at Thulamela Chambers. Hassim earned a BA and LLB from the University of Natal. After completing her degrees, she later earned an LLM from the Saint Louis University School of Law in the US, and a JSD, or doctorate in law, cum laude from the University of Notre Dame Law School. She is a member of the Johannesburg Bar and was admitted as an advocate of the High Court of South Africa in 2003. A prolific author, Hassim has been published in law journals, health journals and newspapers, and has co-authored books on human rights and health law. She is a member of the National Association of Democratic Lawyers and an honorary member of the Treatment Action Campaign (TAC).



ALICE BROWN

INTERNATIONAL HUMAN RIGHTS ADVOCATE

Brown is an international human rights advocate and an expert on the use of the law for the public good. Her distinguished career has focused on civil rights litigation and social justice philanthropy, with an emphasis on institution building for civil society organisations. Brown is a Visiting Research Fellow at the University of the Witwatersrand and a member of the Council on Foreign Relations, a board member of Section27, Jacana Literary Foundation and Keystone Accountability. She is a former board member of the South Africa-United States Fulbright Commission and an alumna of Common Purpose South Africa.



KATE O'REGAN

DISTINGUISHED JURIST

O'Regan is a former Constitutional Court judge, who was appointed in 1994 during the transitional period to democracy. She was the youngest judge, and was one of only two women to be appointed at the time. In 2009, her 15-year term ended. O'Regan was the inaugural chairperson of the UN Internal Justice Council from 2008 to 2012. Currently, she is president of the International Monetary Fund Administrative Tribunal, a member of the World Bank Sanctions Board, an ad hoc judge of the Namibian Supreme Court, a visiting professor at Oxford University and an honorary professor at UCT. In the early 1980s, O'Regan worked in Johannesburg as an attorney, representing trade unions, anti-apartheid organisations and communities facing eviction under apartheid land policy.

ALWAYS ON WATCH



SITHEMBILE MBETE
POLITICAL SCIENCE LECTURER

Mbete is a lecturer in the Department of Political Sciences at the University of Pretoria where she lectures in international relations and South African politics. She is also a doctoral candidate at the university, writing a thesis on South Africa's foreign policy during its two terms in the UN Security Council. Mbete joined the University of Pretoria from the Presidency, where she was a researcher in the secretariat of the National Planning Commission. Her work in this regard was focused on public service reform and anti-corruption policy. She contributed to the drafting of the National Development Plan. Prior to this she worked as a political researcher at Idasa (Institute for Democracy in Africa) where she was responsible for parliamentary monitoring and political analysis. While at Idasa she monitored the parliamentary deliberations on the Protection of State Information Bill, commenting on and writing about the bill in the media. She served on the provincial and national working groups of the Right2Know Campaign and helped coordinate activism against the legislation.



THABI LEOKA
INDEPENDENT ECONOMIST

Leoka is an economic strategist, currently working at Argon Asset Management. She has held top positions at Renaissance Capital, Standard Bank Corporate and Investing, Barclays Wealth, and Investec Asset Management – she was based in London for the latter post. She obtained her PhD and MSc in Economics from the London School of Economics, and also holds an MA in Economic Development and International Trade from Wits University, and a BA in Social Science from Wits University. Leoka is a regular columnist for Business Times in the Sunday Times, and for Money Management. In addition, she is an accomplished speaker and was an economic advisor to the Fees Commission as well as finance minister Nhlanhla Nene.

THOSE WHO GUIDE CORRUPTION WATCH'S WORK



MZUKIZI QOBO

AUTHOR, THOUGHT LEADER, POLITICAL RISK ANALYST AND PUBLIC SPEAKER

Dr Mzukisi Qobo advises organisations on mitigating political risks and help them to capture opportunities from regulation. He previously worked at the Department of Trade and Industry as chief director for trade policy, and drafted the current South African trade policy and strategy framework. Until recently he taught international political economy at the University of Pretoria, where he was deputy director at the Centre for the Study of Governance Innovation. He is a senior associate at Tutwa Consulting and a research associate affiliated with the Department of Political Sciences, University of Pretoria. He is a regular columnist for Business Day and appears regularly on domestic and international media. He obtained his PhD from the University of Warwick, UK MA from the University of Stellenbosch; and Bachelor of Arts from the University of Cape Town. Qobo is author of *The Fall of the ANC: What Next?* published by Pan Macmillan (Picad or Africa).



VUSI PIKOLI

WESTERN CAPE POLICE OMBUDSMAN

Pikoli is an advocate by profession and is currently the Western Cape Police Ombudsman. In 2005, he was appointed to head up the National Prosecuting Authority, a position he held until 2008. Pikoli is a former trustee of the Constitutional Court Trust, and a founding member of the International Association of Anti-Corruption Authorities. He was a director of the forensic investigation division at SizweNtsalubaGobodo until February 2012. He also headed the forensics department at Gobodo Inc. He is also an independent director on the board of Cricket South Africa, where he chairs the social and ethics committee.

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