

Board members of public enterprises and perceptions about corrupt relationships

Boards of public enterprises (PEs) consist partially of senior public officials that represent governments' interests on such boards.

The two examples in this article focus on the Small and Medium Enterprises Bank (SME Bank) of Namibia that has been liquidated and is under curatorship.

Frans Kapofi, the current Minister of Home Affairs (previously the Minister of Presidential Affairs) served as chairperson of the SME Bank from 2012 to 2015. He obtained a loan that has been flagged as underperforming (*The Namibian*).

The SME Bank's previous and last chairperson of the board before liquidation, George Simataa, the Secretary to Cabinet, applied for a loan for chicken farming (*The Namibian*). Simataa applied for this loan while he was chairperson of the board.

Both Kapofi and Simataa are appointed by, and accountable to, the highest political and public office holder, the president. The president indicated, as reported in several newspapers during 2017, that the decisions and actions of these two public office bearers were not responsible for the unaccountable underperformance and the liquidation of the SME Bank.

ACCOUNTABILITY

If chairpersons are not accountable, who are then accountable? Other board members? The managers? The staff? The government as one of the main shareholders? Do the two chairpersons' accountability in terms of their appointments as chairpersons by the president to whom they are also political accountable (because they double up as presidential appointees as Minister of Presidential Affairs and as Secretary to Cabinet respectively) supersede all other accountability? Such relationships are examples of conflict of interest



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and corrupt relationships (Coetzee). Conflict of interest can most probably not be proven without doubt in these two cases and allegations could

be completely unfair and be considered as defamation. These two examples are not necessarily corruption, until proven.

However, in terms of the fiduciary powers of board members as directors (Companies Act), and by implication also morally (public values), the following questions can be posed: Did the two chairpersons declare their interests when they applied for their loans? Even if they declared their interests, did their positions as chairmen of the board had any influence on their applications?

Due to their powerful political positions, as well as chairmen of the board, it is possible that their positional power could have influenced their applications, even if they themselves did not exercised influence peddling and/or conflict of interest.

THE POWER OF PERCEPTION

From the two examples, it can be deduced that board members of PEs (as public and private entities funded by taxpayers) are accountable to their shareholders (the public as represented by the government of the day and private individuals and companies) and their stakeholders (the public of Namibia) for the activities of PEs and public perceptions about their leadership. Even if such perceptions are unfair and without substance, leaders remain accountable to the public for clearing such perceptions. Leaders should lead in such a way

that their actions are beyond reasonable doubt. If negative perceptions are created about leaders, even unproven, taxpayers and the public at large loose trust in such leaders. Such leaders are not respected.

Leaders that are not respected are leaders without credibility and influence and they cannot inspire people in dire economic circumstances. What is the cost of leaders that are disrespected, discredited and uninspired? Billions of Namibia dollars, because people tend to justify their behaviour based on the perceptions about corrupt relationships of leaders.

The purpose of using the examples in this article is not to tarnish the character of the people mentioned, but to illustrate the negative perceptions attached to the possible conflict of interests, even if such people are completely innocent. If negative perceptions are not cleared beyond doubt by leaders, such perceptions are strengthened. One outcome of such reinforcement of perceptions is corruption by the public. Over time, public perceptions become tolerant of corruption, justifying it as normal and acceptable.

References

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