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Column Corruption - A social disease • Part 161

What does corruption cost per capita?

In this article we focus on a preliminary attempt to estimate the cost of corruption per person in Namibia, not per year but for the tax years 1998 - 2019. Major cases of corruption reported since the early 1990s until the end of the millennium amount to millions of dollars per case. Since approximately 2015, we saw an exponential increase into the billions.

The article focuses only on direct costs and not indirect costs. For example, legal costs of corruption cases have been excluded. If we would include it, the additional cost would probably run into hundreds of millions of dollars.

In April 2019 the *The Namibian* published a headline article about alleged tax evasion estimated at N\$9.8 billion. On 12 August 2019 *Republikein* reported that Air Namibia during 1998-2019 drained N\$8.3 billion from the state coffers.

Is it corruption? Since it is mismanagement of funds as well as political influence peddling that affected the efficient management and operation of Air Namibia with several corruption cases to account for, it is certainly



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corruption-related.

INFLATION OF TENDER PRICES

Some of the biggest "post tender price inflation" cases come to mind. For example, Neckartal Dam, of which the post tender cost increased from N\$900 million to N\$5.3 billion and the Walvis Bay petroleum depot of which the cost increased from N\$1.4 billion

to N\$5.7 billion.

The previous week Namibian Namibia Petroleum Corporation (NAMCOR) said they need another N\$50 million to upgrade the fire equipment of the depot. These two projects accounted for N\$4.4 billion plus N\$4.35 billion respectively, that adds up to N\$8.75 billion.

The Government Institutions Pension Fund (GIPF) fraud orchestrated by politicians and well-connected businessmen as revealed in newspapers has been recorded as N\$660 million. In the SME Blank case Namibians lost N\$350 million. The ODC case adds another N\$100 million to the total.

Let us look at cases of less than N\$100 million. The Avid case involved a meagre N\$30 million, a small blip in our track record of skeletons and ghosts (for example ghost teachers and pensioners).

The National Housing Enterprise (NHE) case has been one of the first big ones that shocked the nation in 1998. However, it has been of such minor amount that we do not account for it here.

We can add N\$60 million (only what we know about) for farms bought by the National Defence Force and National Intelligence under the pretext of so-called training purposes.

THE COST OF INEFFICIENCY

When analysing the lost billions of only some defective SOEs, such as TransNamib, and the one hundred percent increase in the number and cost of public servants during the last five years without the expected matching productivity, the estimate will change considerably. Or should we not categorise this as corruption? Is it incompetence? Is it inefficiency? These costs should be accounted for. Maladministration due to political and/or cadre employment can and should be labelled as corruption that contributed to our economic depression. Politicians doing what is comfortable for them (mushrooming the number of public servants to secure votes) is improper, immoral and unsustainable (Petersen).

Middleman corruption amounted to billions. Those add on costs contributed nothing to the economy except an increase in prices for development projects, land and buildings.

In the SSC case, the middleman added his "facilitation fees" of about N\$20 million and another N\$20 million that

facilitated the Business and Intellectual Property (Bipa) deal to purchase land to construct the headquarters of these two SOEs.

Namibia's population has been estimated as 2.4 million. The cost of corruption as discussed, excluding those "klein jakkalsies" (small fish) adds up to N\$28.07 billion. This total only accounts for what has been published in the media, which is probably the tip of the iceberg. This amounts to N\$11 696 per capita.

A conservative, and inaccurate estimate of the cost of corruption is N\$11 700 per person. Given our small population, we probably have one of the highest corruption costs per capita in the world.

This cost per capita is in business terms the opportunity cost of corruption. Amidst the struggle of most people to make ends meet, the opportunity cost of corruption deprives children from quality education, to study at night with electricity and to sleep secure.

Can you sleep comfortable and suppress your conscience knowing that corruption costs N\$11 700 per person? I cannot.

References

Peterson, J. B. (2018). *12 Rules for Life: An Antidote to Chaos*. Penguin Allen Lane: Penguin Random House.