

BROADCASTING FROM UNDER THE TABLE

THE ABUSE OF PUBLIC OFFICE FOR PRIVATE GAIN: THE STATE OF CORRUPTION IN ZAMBIA



PROFILE OF ZAMBIA

Zambia is a landlocked country with a population of about 11 million people. It is made up of 72 tribes. English is the official language. Maize meal is the main staple food for the majority of people while copper is the prominent export and major foreign exchange earner.

Zambia became independent in 1964 from British colonial rule. The first President, Dr. Kenneth Kaunda, is regarded as the founding father of the nation and he ruled for 27 years, surviving two military coups. Frederick Chiluba succeeded Kaunda in 1991 before handing over power to the current President, Levy Mwanawasa, in 2001. There are three major political powers who together share 150 parliamentary seats. Opposition parties outnumber the ruling party, but are largely ineffective because most powers are vested with the President.

It has a Gross National Income/Capital of \$500 and is ranked number 174 by the World Bank.

Transparency International ranks Zambia 107 in corruption index, just above highly corrupt nations like Nigeria.

Life expectancy is 40-50 in urban areas. This range accounts for more than half of Zambia's population.



TRANSPARENCY INTERNATIONAL CORRUPTION PERCEPTION INDEX

YEAR	COUNTRIES SURVEYED	ZAMBIA'S RANKING
1999	75	56
2000	63	57
2001	91	75
2002	102	77
2003	133	92
2004	145	102
2005	178	107

[Source: Transparency International annual ranking.]

Viewed against poverty levels in the country, there appears to be a correlation between the increased incidence of corruption and poverty, with its offshoots of crime, illiteracy, disease, lower mortality rate, underdevelopment and inequality. The problem is that bureaucratic and administrative procedures, processes and systems are intentionally designed to create opportunities for corruption. Because the systems are opaque, there is usually no way of tracking and reporting on how funds were disbursed. As a result, the national budget becomes a tool for diverting resources from key social priorities to projects with opportunities for private gain.

Considering that donor support is between 50-75% of the national budget, it follows that most of the funds stolen from the treasury is donor funds. It is therefore not surprising that even though donor support has been on the rise, poverty has increased even more. Financial leakages occur at every stage of the process, from the officials responsible for administering aid to politicians who are supposed to be stewards of national resources.

FORMS OF CORRUPTION

CORRUPTION FORM → BUREAUCRATIC CORRUPTION

- Malfeasance at the interface between the state and the private sector.
- Kick backs on contracts, bribery, fraud, tips for expected decisions.
- Theft of public assets such as labour, vehicles, stationery.
- A total of 840 cases of suspected corruption were reported to the Anti-Corruption Commission of Zambia between 2003 and 2004. Topping the list was Zambia Police Service with 112 cases. From ministries of education, health, lands, immigration, finance, local government, defense, and judiciary and so on, the incidence of bureaucratic corruption is spread across all government institutions.
- The capacity of law enforcement institutions such as the police and judiciary to contribute to the fight against corruption is in doubt because of high prevalence of the vice among rank and file.

CORRUPTION FORM → GRAND CORRUPTION

- Large scale looting and plunder of national assets by leaders.
- Large scale fraud, misappropriation, insider trading, money laundering and embezzlement.
- Effects of grand corruption responsible for poverty, instability, illiteracy, low life expectancy, high child mortality rate and wide spread inequities.
- African leaders have stolen an estimated \$140 billion from their impoverished people and stashed it in offshore and Swiss bank accounts.
- During the period of former Frederick Chiluba's presidency, corruption became more wide spread.
- Privatization and liberalization of the economy provided opportunities for vice. Many public officials used their positions to acquire state companies.
- It was also during Chiluba's regime that the country experienced the largest number of bank closures. Between 1992 and 1998 eight banks closed as a result of diversion or externalization of huge sums of money stolen by government officials.
- Several reports of the Auditor General revealed serious irregularities involving fraudulent diversion of funds from the national treasury, irregular award of contracts, over-invoicing, over-payments, embezzlement in foreign procurement deals or debt pay-backs.
- The revelations were not acted upon by government despite a number of Public Accounts Committee reports.

SAMPLE CASES REPORTED IN THE PRESS

FORM	# OF CASES IN 2002-2004	ESTIMATED AMOUNT
Misappropriation of public funds	3	\$5 million
Over-invoicing and false claims	8	\$80 million
Irregular procurements	25	\$100 million
Minister of Finance	1	\$20 million
Vice President	1	\$0.5 million

[Source: Transparency International report on Zambia-2005]

It must be noted that the number of reported cases far exceed those that are not reported. There are high level deals involving criminals with close ties with the ruling party and the president which have been suppressed. For example, former Vice President Enoch Kavindele disclosed that President Mwanawasa has been involved in the awarding of oil contracts without following tender procedures. Another case involves a motor dealer company that fraudulently stole money from the treasury, using government officials working at the president's office. It is understood that the police have failed to prosecute him because of the intervention of the president.

SAMPLE OF CASES INVOLVING POLITICIANS AND SENIOR GOVERNMENT OFFICIALS: 2000-2004

NAME: POSITION	CORRUPT ACTIVITY	AMOUNT INVOLVED
Godden Mandandi: Works & Supply Minister	Theft of public funds	\$250 million
Richard Sakala: Press Secretary to the President	Abuse of office and theft of public funds	Millions of dollars
Sonny Mulenga: Deputy Minister	Theft	\$50 million
Mathew Ngulube: Chief Justice Financial	Impropriety	\$168,000
Levison Mumba: Minister of Tourism	Corrupt award of safari contracts	Undisclosed
Frederick Chiluba: President	Corrupt award of maize contract	\$7.4 million
Frederick Chiluba: President	Corrupt award of oil contract	\$100 million
Frederick Chiluba: President	Theft of cobalt sales	\$102 million
Donald Chanda: Economic Assistant to the President	Corrupt award of oil contract	\$100 million
Management ECZ:	Corruption	\$7 million
Management ZCCM:	Plunder of assets	\$600,000
Xavier Chungu: Director General-Intelligence	Plunder and abuse of office	\$10 million
Atan Shansonga: Ambassador to the USA	Theft and abuse of office	\$40 million
Katele Kalumba: Minister of Finance	Theft of public funds	\$20 million
Peter Machungwa: Minister of Home Affairs	Theft of public funds	\$500,000
Arthur Yoyo: Press Assistant to the President	Abuse of office	\$50,000
Kashiwa Bulaya: Permanent Secretary	Theft of drug funds	\$600,000
John Mwaimba: Deputy Minister-Information	Abuse of office	\$600,000

[Source: SABC news, Times of Zambia, BBC news, AFP, Associated Press, Fordham Institute for Ethics and Economic Policy]

SAMPLE OF REPORTS OF MISUSE OF DONOR FUNDS

“IRREGULARITIES IN HIPC FUND SPENDING”

Zambian debt relief monitors have raised concerns over alleged irregularities in spending on poverty relief under the **donor-supported** Highly-Indebted Poor Countries (HIPC) initiative.

The independent HIPC Tracking and Monitoring External Team, investigating the use of the funds saved under the debt relief programme, identified alleged abuses involving top civil servants in a report released last week.

The team was established by the Ministry of Finance in 2001 to investigate the disbursement of funds in the Copperbelt and Northern provinces.

The team found that at least two road repair contracts were awarded to companies in which senior civil servants had interests, while another road repair contract in the Kalulushi district in the Copperbelt province was apparently awarded to a company run by the husband of a provincial procurement officer.

The monitoring team's report noted that “there was undue influence from politicians on the appointment of some road contractors ... furthermore, some members of the tender committees took advantage of their positions and got involved in ‘insider dealings’ and thereby awarded themselves contracts through their ‘fronts’ – companies owned by their relatives or friends.”

The Northern Province had used more than \$156,000 of the HIPC funds on salaries and fuel, and for festivals and political celebrations. A greater part of the social welfare grant allocations “had not reached the intended beneficiaries and the social welfare officers either absented themselves or failed to provide records on recipients.”

Several million Zambian kwachas had been diverted to non-HIPC programmes by the Copperbelt province.

Jack Jones Zulu of the Jesuit Centre for Theological Reflection (JCTR), who sits on the eight-member monitoring team, pointed out that the findings were not any different to their report for last year on the disbursement of HIPC funds in the Central and Lusaka provinces.

“This is the second time we have identified the abuse of the HIPC funds by senior government officials,” said Zulu. According to him, no action was taken against the erring officials identified last year.

“It is pointless identifying the problems, when nothing is done to instill confidence in our donor organizations,” he commented, and suggested that the team should include cabinet ministers and parliamentarians to enhance its powers to monitor and take action.

The team, which included the Zambia Institute of Chartered Accountants, the Zambia Institute of Marketing, the Economic Association of Zambia, the Civil Society for Poverty Reduction and the JCTR, among other civic bodies, was “toothless” at the moment, said Zulu.

Magande has responded to the findings with the assurance that the government will not allow “the continued misuse and abuse of the scarce resources by the very people who are paid to be custodians ... my ministry will strictly supervise the various projects and programmes, and any lapses will be dealt with sternly.”

(HIPC Tracking and Monitoring External Team Report-February 2004)

EDITOR ARRESTED FOR CORRUPTION

Former director general of the state-owned Zambia National Broadcasting Corporation, Eddy Mupeso, was arrested by the Anti-corruption commission for abuse of office. He is accused of influencing the awarding of a contract for the supply of computer equipment and accessories worth \$55, 405 of donor funds to BENAU Limited, a private company owned by his daughter. (PANA, May 21, 2003)

GRASS ROOT CORRUPTION → THE PERVASIVENESS OF THE VICE

“We are starting to get to a point where many of our people don’t seem to believe that there can be merit and honesty in any political or business dealings. The belief that one cannot prosper by merit alone seems to have gained ground. With this belief, people start to strive to prosper by unearned income.”

The Post Newspaper, October 17, 2006

This conclusion is a summary of how corruption has meandered itself and taken root among rank and file of the Zambian people. A snap shot of everyday business and political life explains this view:

- Parents bribe head teachers and school administrators to get their kids admitted in school or to avert expulsion of their child from school. They do it in the presence of their kids and boast about it. The kids “learn” a new value in life – it pays to bribe!
- Teachers at universities, colleges and high schools leak examination papers for private gain. In some instances, they seduce student by promising them a pass in examinations. Students who pay for leaked exams or offer their bodies for sex enter life believing that they can pay their way out at the expense of hard work, integrity, morality and honesty.
- Government controlled scholarships, with funds usually from donors such as Canada, are awarded to those who can bribe their way through the system, or to girls who engage in illicit sex with administrators.
- Health workers divert donated medical supplies from health institutions to private pharmacies, black markets and private clinics they operate in conjunction with corrupt business people. Since most of the people are poor and cannot afford to pay exorbitant prices charged by these heartless thieves, they end up dying needlessly.
- In the courts, justice is bought and sold. The former Chief Justice was forced to resign after it was discovered that he had been bribed by politicians to avert possible future prosecution for their plunder and looting of national resources. Stories abound of criminals paying magistrates to avoid conviction. Even state prosecutors and court clerks are found wanting. They receive bribes in exchange of deleting or shredding vital evidence.

- The public knows that they cannot receive a service from government workers unless they offer a bribe. These are the same services for which they pay taxes and for services they expect to receive free of charge. At the end of the day, citizens are forced to pay two or more taxes for government services.
- Government suppliers and contractors know that they can only get paid if they pay bribes to ministers or bureaucrats.
- Sometimes government pays money to suppliers and contractors for non-existent supplies or work. In a lot of cases, government workers connive with suppliers to over-invoice. This practice is very rampant in construction projects or for bulk supply of goods such as food, health and educational supplies. All it takes is for the chief bureaucrat in the ministry to sign a voucher, or a controlling politician to issue instructions, and the payment process rolls on with proceeds being shared among rank and file.
- Those who commit traffic offences can easily get away with it by just bribing police officers. It is therefore not surprising to see poorly paid police officers living way beyond their means.
- Constituency funds that are financed by the treasury in order to help development projects for the poor are hijacked by Members of Parliament and channeled to their pockets, depriving the poor people for whom it was intended of vital social programs. To date, there is no single development project that has benefited from these funds, yet every year, Parliament votes for budgetary allocation and expedient disbursement of tax payers' money which they later steal.

BASELINE SURVEY OF CORRUPTION IN ZAMBIA

CORRUPTION PERCEPTION → % OF THOSE WHO FEEL CORRUPTION IS A PROBLEM

Households: 80%

Businesses: 65%

Public officials: 85%

SAMPLE OF GOVERNMENT INSTITUTIONS → % OF THOSE WHO HAD EXPERIENCED CORRUPTION

GOVERNMENT INSTITUTION	HOUSEHOLDS	BUSINESSES
Ministry of Finance: Budget office	68%	48%
Cabinet	32%	52%
Traffic Police	60%	75%
Judiciary	40%	25%

[Source: Zambia National governance Baseline Survey Report-October 26, 2004]

THE BUDGET OFFICE: SOURCE OF CORRUPTION

The data from the previous page shows that the budget office is riddled with corruption. This information corroborates with recent surveys carried out by the World Bank in a series of developing countries (including Zambia) to compare budget allocations to actual spending. The report confirmed that resources are not allocated according to underlying budget decisions. In some cases, leakages amount to over 40%, with a large portion of these funds being diverted for private gain. Since donor funds make up the larger percentage of most of the national budgets of African countries, it follows that most of the funds stolen by politicians and bureaucrats in these countries are donor funds. This conclusion is even more credible if one considers that donor countries almost always release the money they commit to national budgets. On the other hand, the recipient countries fail to collect revenues to match budget targets because of leakages of tax receipts as well as due to administrative inefficiencies. It follows that the main source of funds which are diverted corruptly is donor funds. This point is important to understanding why African countries are becoming poorer every day, while donors keep pumping billions of dollars into these same countries. Zambia is no exception.

COMMENT

This report contains information that has been summarized from various sources including the Auditor-General's reports, Transparent International reports and independent newspapers. However, there are many other cases that have not come to light because of lack of information or destruction of records by those involved. Other cases have been revealed by the Task Force on Corruption, which has been investigating corrupt activities resulting in theft of public resources and donor funds.

The general picture arising from this is that large scale grand corruption is endemic in the country. Many politicians and civil servants live off luxuriously and have acquired property and foreign bank accounts that are not commensurate with their earnings. During the swearing in of his new cabinet in October 2006, President Mwanawasa had this to say:

"I have had reports of some ministers receiving bribes. When I have referred the matter to the Anti-Corruption Commission, they have cleared them not because they have not committed the offence, but because the evidence was insufficient." (The Post, October 11, 2006)

"The pervasiveness of corruption in Zambia makes it the most potent enemy of development and the corrupt leaders want to maintain this status quo because they can't survive in an honest environment. These are powerful individuals who control public opinion and can turn the people against each other. The end result is what has happened to Zambia, our people are dehumanized and thrashed into poverty, hunger and helplessness."

Extract from Post Newspaper of Zambia, October 17, 2006

REDEEMING THE PAST, EMBRACING A BETTER FUTURE

Forty years of aid development to Africa has not produced economic development. Instead, Africans are worse off and lag behind all regional groupings of the world. Emerging from poverty will require a complete turn around in the way governments are run. For this to happen, governments must embrace virtues of Transparency, Responsibility, Accountability, Competence and Ethical conduct in the way they manage state affairs including aid management. Corruption must be wiped away.

Zambia has acknowledged that corruption is endemic in society. The President has decided to prosecute all those involved in corrupt practices. In 2002, he set up the Task Force against Corruption to supplement the efforts of the Anti-Corruption Commission. It is four years since the task force was established and more than twenty years of the existence of the anti-corruption commission, yet during this period, corruption has flourished. Government leaders and politicians continue with lavish life styles by driving expensive luxury cars and owning luxury homes. They go to South Africa, Europe and North America for medical treatment and send their children overseas for high school and college. They wine and dance while 99% of the population lives on less than \$1 per day. Gerald Caplan captures this phenomenon squarely when he says, "You see inequality immediately: the gated communities of local elites right next to miles of squalid townships with their tiny hovels, filthy water, open sewers and piles of rubbish. Even the rich cannot escape the broken roads, the ubiquitous garbage, the gridlocked traffic, the gangs of street kids and beggars. These are signs of a larger economic reality as exemplified by findings of the UNDP which ranks 20 African countries (including Zambia) at the bottom of the its Human Development Index (a measure of wellness among a country's people)"

(The Walrus, November 2006 edition)

KEY FACTORS FOR A TURN-AROUND

- Leaders of recipient countries must model ethical behaviour and live Transparent, Responsible, Accountable, Competent and Ethical lives. For this to happen, they will need to meet leaders of countries demonstrating these commitments and be encouraged by them in the face of this daunting task of confronting corruption. By receiving training on how to live by these virtues and by networking with other officials in their own countries dedicated to integrity and peer accountability, leaders can be mutually encouraged. After these actions are acted upon, it is important that leaders are compensated well for demonstrating integrity in their actions.
- Rule of Law: Attitudes must change. People must begin to respect and abide by the rules of the country. They must obey traffic lights, wait for their turn in a line, take care of public infrastructure, and refuse to bribe police officers, magistrates and civil servants. This is a tall order considering that everybody expects to pay a bribe in order to obtain government services.
- Civil society groups must be empowered to teach people simple civic responsibilities such as paying taxes, care for the environment, and payment of user fees, taxes and levies directly to the government institutions as opposed to bribing officials to avoid paying invoiced amounts.
- As a short term measure, Zambia must solicit for technical assistance in the form of outside consultants to work in key government departments where corruption is rife. Such technical assistance must include implementation of effective fiscal oversight, Public Expenditure Tracking Systems, Value for money audits, Monitoring and Evaluation to identify if funds are reaching beneficiaries for whom it was intended.
- All government departments must have a legal and institutional framework of clear and simple accounting standards based on Transparency, Responsibility, Accountability, Competence and Ethical standards. They must be capacitated to be transparent in budget formulation, planning, implementation and reporting to parliament and to the public.
- NGOs and civil society must have increased roles in fiscal budget preparation, implementation and oversight. Donor funds must not be permitted to fall into the hands of politicians and bureaucrats. To achieve this, we propose a blended model of international aid. In summary, this model seeks to institute separation of roles and responsibilities of aid management as follows:

THE BLENDED MODEL

ROLE OF NATIONAL GOVERNMENT → DEVELOP, COORDINATE AND IMPLEMENT;

- Homegrown development plans.
- Homegrown Poverty Reduction Sector Programs-PRSPs, with the input of communities (bottom up planning, coordination and control).
- National budgets incorporation PRSPs contributed by local communities.

ROLE OF DONOR COUNTRIES

- Appoint independent consultants from the recipient country to act as project managers with responsibilities for procurements, contracting, project management, auditing, monitoring and evaluation. Representatives from CIDA and national government may be allowed to provide oversight and advice.
- CIDA must conduct annual audits and regular monitoring and evaluation for all programs. It must make use of local independent consultants.
- Use information from audits and Monitoring and evaluation to adapt official aid policy.

ROLE OF NON GOVERNMENTAL ORGANIZATIONS (NGOS)

- Work with national governments to develop PRSPs.
- Operationalize the PRSPs. NGOs have proved to be effective in implementing development programs. They must be allowed to carry out the task of taking development to the people.
- Write status reports to national governments. This information will be used by budget implementing units of the ministries of finance to track development programs towards the achievement of budget goals.



Clement is a graduate of Herriot-Watt University, Edinburgh, where he studied for a Masters in Business Administration. In addition, he has a Bachelor of Arts degree in Economics and is a professional accountant. He has an extensive background in business advisory services, auditing and investigations, public and non public accounting and has held senior management and consulting roles. He has worked and consulted in four different countries. He served on local and international boards as a director. He is currently the Program Manager with TRACE Aid Program.

While serving as Director of Finance and Managing Director in Zambia, he came across high levels of abuse and plunder of national resources and donor funds by high ranking officials and politicians. Alarmed and dismayed, he tried to champion for accountability but was met with resistance to the point of intimidation, death threats and trumped up charges. Fearing for the safety of his family, he fled his country and now lives in Ottawa, Canada, with his wife and four children.

He is a co-founder of TRACE Aid Program, an initiative committed to bringing accountability and integrity to international aid. Experience has taught him that budgetary support in development aid creates opportunities for misallocation of funds because most governments lack transparency and accountability. He supports the majority of aid being channeled through a network of NGOs with a track record of integrity in delivering aid to poor countries.