

Consulting Engineers South Africa – Presidential Message 2013

Is President Jacob Zuma to blame for corruption in South Africa?

Corruption is paralysing our country and eating away the moral fibre of our society. Whilst we all acknowledge that corruption is a huge stumbling block to service delivery, there seems not to be a political will to eradicate the scourge. Last year as CESA, we adopted a robust theme ‘unquestionable ethical behaviour’ which called for a radical paradigm shift in the status quo of winning bids and tenders at all costs.

It gives me pleasure to present you this paper covering our theme for 2013, “*Sustainability is Everyone’s business*”

1. Call back the past

The CESA 2012 “ethics” theme was supported by our push towards ensuring that our members are aware of and comply with our Business Integrity Management System which is in fact a condition of membership of CESA. We also addressed a number of complaints from stakeholders against members and clients alike, some of these complaints which could well have been defined as unethical behaviour. We are pleased to report however that we have not had a complaint against any member whom upon investigation was found to be guilty of blatant unethical behaviour or corruption.

We have noted that business confidence dropped in South Africa in our sector in 2012 and more of our members are moving to serve clients beyond our borders, taking advantage of the pockets of opportunities in countries outside South Africa. South Africa dropped, to our dismay, further on the International Transparency Index and now ranks number 9 on the African continent, behind Botswana, Cape Verde, Mauritius, Rwanda, Seychelles, Namibia, Ghana and Lesotho.

Transparency International ranked South Africa 69 out of 176 countries, with a score of 43, which is also the global average.

In 2011 South Africa scored 4.1 out of 10 and ranked 64 out of 183 countries. In 2010, South Africa ranked 54 out of 178 countries.

This lower index conveys a message to the rest of the world that corruption is condoned in South Africa and that public funds get misused. This influences the stakeholder perception of South Africa.

In 2012 there has also been significant negative sentiment relating to the South African economy in general. Moody’s downgraded the government bond rating and the rating of the five metros of Cape Town, Ekurhuleni, Johannesburg, Nelson Mandela Bay and Tshwane along with 12 other municipalities.

Moody’s also downgraded the senior unsecured bond rating of Eskom and the foreign-currency long-term issuer ratings of two rated development finance institutions, the

Development Bank of Southern Africa and Industrial Development Corporation. 2012 also saw the foreign-currency long-term deposit ratings of the five largest local banks being downgraded.

On the positive side, SANRAL's rating remained the same.

Moody's reported that "the main driver for the downgrade of South Africa's ratings is Moody's lowered assessment of institutional strength from 'high' to 'moderate', an important factor in the rating agency's judgment of a sovereign's economic resiliency. The revision reflects Moody's view of the South African authorities' reduced capacity to handle the current political and economic situation and to implement effective strategies that could place the economy on a path to faster and more inclusive growth."

The ANC's December Conference in Mangaung saw President Jacob Zuma win a second term as expected. The President has promised to do much more to curb corruption in our country and this is great news for our industry. We are also positive about the election of Cyril Ramaphosa as the Deputy President and believe that his business skills and acumen will bring positive energy to government operating as a business and more to stabilise the jittery economic position we find ourselves in as a country.

Meanwhile CESA has had a bumper 2012!

- The School of Consulting Engineering has been extremely successful with the introduction of "The Business of Consulting Engineering" course.
- We have created awareness among our members, clients and other stakeholders on the real issues relating to business integrity and how to tackle the problem head on.
- CESA has also successfully lobbied National Treasury to reconsider the Preferential Procurement Policy Framework Act to include a separate stream for procuring professional services. We hope to see changes in this regard in 2013.
- CESA, together with SABBACO signed a MOU with PRASA to assist PRASA in their implementation of the SIP7 project assigned to them by COGTA. In terms of the project, PRASA is responsible to assist 12 of the main municipalities in the country to accelerate their capital projects, planning and operation and maintenance by providing institutional support to them. CESA and SABBACO's members will provide support to these municipalities and to PRASA in the implementation of the SIP7 project. This is a great example of public private partnerships towards institutional strengthening and PRASA should be complemented on this initiative.

2. The meaning of sustainability (Global Context)

Al Gore's 2006 movie, "an inconvenient truth" put climate change and global warming in the spotlight. We have moved a long way since then and the debate has moved to sustainability

in its broadest sense. The eight millennium development goals are all separate sustainability goals. Goal 7 is to “ensure environmental sustainability”. Despite goal 7 we have yet to get to grips with environmental pollution such as acid mine water and cleaning up our “plastic oceans”. Increasingly fresh water becomes a critical resource and the ability of mankind to use and conserve water may well become the single most important sustainability indicator. The total water volume on the planet is 0.13% of the volume of the earth. Of the planet’s total water, about 3% is fresh water.

Sustainability is just one word and yet there seems to be hundreds of definitions. The best-known definition of sustainability or sustainable development is attributed to Dr Gro Harlem Brundtland, former Prime Minister of Norway, and Chairperson of the World Commission on Environment and Development. The definition suggests that sustainability is defined as "forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs."

Since 1983, the standard and most generally used definition of "sustainability is: *"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs"*.

3. The meaning of sustainability (African Context)

So what does sustainability mean in the context of South Africa or for any developing nation. Whilst the big ticket items such as global warming, environmental pollution, and the like are important, there are basic and fundamental human needs which are top of mind issues for the average person in a developing country. There are still huge backlogs with proper housing, essential services such as water, sanitation, energy and mobility and food. For the average man on the street in developing nations, provision of these services mean sustainability. But sustainability is more than this. Sustainability is also clean governance and economic freedom. This means job creation and self sufficiency. We collectively have to balance social, political and economic issues with the wide spectrum of complex environmental issues and awareness about what the earth can provide and how carefully we use the earth’s natural resources, especially those which are not renewable. Sustainability therefore becomes extremely complex in developing countries. Third world populations are striving towards first world living standards whilst at the same time the first world continues to consume more and more of our diminishing resources. Leadership becomes all the more important and future leaders will have to be chosen, all things being equal, on the basis of their ethical balance as well as their “sustainability savvy”.

4. Whose problem is it?

Is sustainability the responsibility of global institutions and organizations such as the United Nations? Or is it the responsibility of civil society or business leaders? We can also turn to global voluntary associations such as The International Federation of Consulting Engineers (FIDIC) or local associations such as CESA. We could park the responsibility with our predecessors or make the current political leadership of the day responsible. The easiest

thing in the world is to blame others for our environmental woes, but when all is said and done, each one of us in the present is collectively responsible. You and I are responsible for sustainability! President Jacob Zuma cannot be blamed for corruption in our country. His job is to create a platform for business to operate in an ethical, responsible and sustainable way and for him and his government to lead by example. We cannot escape our collective responsibility. Therefore, let us deal with it!

5. Key sustainability indicators for South Africa

There are a number of challenges we face in South Africa. We must therefore focus on the key sustainability indicators and deal with these in a systematic way. Most of all, we need cooperation by all stakeholders in order to achieve success. The key sustainability indicators for South Africa in our view are as follows:

5.1 Education

The poor statistics for primary schooling especially in literacy and mathematics speak for themselves. Poor primary schooling filters into high school, university and work place performance. We cannot afford to let this continue as global competition is increasing and our people will become redundant in a competitive global economy. Education should be declared an essential service and the profession should attract the country's top brains at commensurate remuneration. The remuneration level of school teachers and especially university professors leaves a lot to be desired. Whilst we applaud the Governments recent stated intention to provide free university education to school leavers, we believe that the provision of higher standard of education is far more important than free substandard education, the fruits of which we see filtering through to the work place.

The provision of adequate education infrastructure and equipment as well as top notch educators is the key ingredient to a sustainable South Africa.

5.2 Economic and Political Certainty

A financially prosperous South Africa is a sustainable South Africa. In order for us to achieve financial prosperity, we need sound economic and investor friendly policies. Political certainty is essential and whilst we are and should remain a proud democracy, destabilizing elements, statements and nuances should be dealt with categorically and without delay. There is no need to keep investors guessing or waiting for answers. Delayed decisive statements regarding nationalization of the mines is a case in point.

5.3 Job creation

Sustainability means financial independence. This cannot be achieved without jobs. The tax paying adult population has to increase. Our country cannot expect to prosper with the current levels of unemployment; neither can it prosper by overtaxing the working class or businesses to provide social grants to such a large number of unemployed

citizens. Commercial entrepreneurship and business savvy is a key to job creation and hence sustainability.

5.4 Eradication of Corruption

In paragraph 1 we alluded to the poor performance of South Africa on the International Transparency Index. The world perception of South Africa with respect to business integrity and corruption is deteriorating at an alarming rate. The immediate but unfortunate consequence of this is the imminent driving away of foreign investors. In addition to this, it is demoralizing to the average person trying to earn an honest living. Corruption forces honest hard working citizens to leave the country. Those who leave because of the demise of an honest and fair business environment are invariably the ones who are making a positive contribution to the economy at large. Businesses that were once loyal to South Africa also consider their options in this regard.

Strong action is required from all stakeholders to curb the scourge of white collar crime and we need the Government to take the lead in this. As business we are committed to playing our part.

5.5 Responsible development

Building of new infrastructure could well be a catalyst to job creation and economic development in addition to providing much needed services to citizens who do not have adequate services. However development has to be done in a responsible way. The key to responsible development is adequate planning and we should learn from the experiences in the rest of the world. The National Development Plan launched by the Minister Manuel in 2012 bodes well for sustainable development. Infrastructure development must be planned and built taking into account the wide spectrum of environmental and commercial issues. These include, inter alia, eco efficiency which relates to how we use our natural resources, energy considerations and waste production; sustainable resource management and life cycle orientated conceptual approaches. A cradle to cradle approach and life cycle costing of all infrastructure, including the long term costing of environmental impacts must become the norm on projects. The aforementioned will need policy formulation and compliance monitoring appropriate to our situation.

It is also interesting to note that the World Economic Forum Global Risk 2013 report shows the following top five risks by likelihood of happening in the next 10 years:

- Severe income disparity
- Chronic Fiscal imbalances
- Rising greenhouse gas emissions
- Water supply crisis
- Mismanagement of population ageing

These risks are all applicable to South Africa as well and are included in some way in the five sustainability indicators identified for South Africa

6. What is CESA doing?

CESA and its members can assist in all five of the key sustainability indicators mentioned above.

On education, our members are actively involved in providing additional lessons for school students, lecturing and doing research and innovation projects with universities. We are also active in mentoring of students in their undergraduate and post graduate phases of their careers. The School of Consulting Engineering run by CESA provides a number of courses for individuals from member firms and client bodies.

Our members also advise within our expertise levels on economic and socio political issues and we partner with Government and organs of state on various institutional and capacity building issues. We hope to continue in this vein and believe that a closer working relationship such as that between CESA, SABTACO and PRASA will result in more sustainable infrastructure solutions.

On job creation, our members are at the forefront of project development and we are therefore job creators in the broadest sense. Our members are also employers of high end talent and we continue to attract staff from abroad and other sectors.

Curbing corruption was CESA's theme for 2012. Our members are obliged to comply with the CESA business integrity management system as a condition of membership. We have developed an Integrity Pact and are willing to sign such a pact for all projects we undertake. We invite our clients to do the same. Our members are also encouraged to use the various whistle blower schemes to report all incidents of business integrity. Appointment of the "right leaders" is paramount to doing clean business.

CESA and our members are custodians of "responsible development". The Sustainability Framework of CESA will become mandatory as part of the code of conduct in 2013. Until now the Sustainability Framework has been "recommended for use". We will also promote the use of the FIDIC Project Sustainability Manual (Version II) guideline. CESA is also an active participant in the formation of a Green Infrastructure Council for South Africa. This goes beyond the mandate of the Green Building Council and includes all infrastructure. In order to provide responsible development services we must ensure that our services are procured in an ethical manner and that long term sustainability gains are not compromised by short term cost cutting in professional services fees. In terms of our sustainability framework we will execute projects in a sustainable way irrespective of client request to cut "calculated sustainability corners". Professional services must be procured, inter alia, on the basis of quality to ensure a sustainable future.

7. What can you do?

In the context of this paper, “you” refers to government, clients, the press, business partners and also “you”, the person who loves this precious country.

All leaders, whether they are business leaders, political leaders or spiritual leaders, must be selected on the basis of their ethical balance. Qualities such as IQ (intelligence quotient), EQ (emotional intelligence) and PhQ (your physical quotient) should be taken as given. A sustainable future depends on our ability to put leaders in place with the highest ethical balance.

8. Our clarion Call as CESA

We call on Government and policy makers to declare the teaching profession as an essential service. Whilst we accept that industrial mobilization is necessary in a democracy such as ours, the teaching profession should be allowed to engage with their employer in a way which will never disrupt the education of our learners.

It is noble and well meant to provide free university education as declared by the Minister of Higher Education in 2012. We however call on the Minister to provide a good quality and high standard of education rather than a free education in substandard facilities with an inadequate number of lecturing staff that is of poor calibre.

You should all be duty bound to report unethical behaviour. There are a number of hot lines to call. Break the silence for a sustainable South Africa!

You must make decisions now which will be relevant in 100 years. Short term decision making is not sustainable irrespective of how pressing the short term needs are. There is more at stake than short term needs.

We also call upon the media to support us in lobbying Government and the private sector in our drive towards sustainability and to continue to expose corruption to ensure a sustainable life for all.

Embrace new ways of doing things and most of all; let us all pull together towards a sustainable future. Sustainability is everyone’s business!

Naren Bhojaram

President – Consulting Engineers South Africa

13 February 2013