

UNITED DEMOCRATIC MOVEMENT



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COMRADES IN CORRUPTION 2 **ARMS DEAL** **JOINT INVESTIGATION REPORT** **UDM'S REACTION**

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BACKGROUND

Many public statements on the Arms Deal saga assert that Parliament approved the Defence Review and thereby approved the decision to purchase military equipment. ANC ministers and –politicians have made this assertion frequently during the Arms Deal investigation. However, it is fundamentally and demonstrably inaccurate.

The inaccuracy has no bearing whatsoever on the allegations of impropriety against the “comrades in corruption”. The experts argue that the implications relate to policy, parliamentary mandates and the debate around state expenditure priorities.

The Defence Review was conducted in terms of the overarching policy framework of the White Paper on Defence, approved by Cabinet and Parliament in 1996. The White Paper proclaims that national security is no longer a predominantly military and police problem. It encompasses the consolidation of democracy, economic development and the achievement of social justice. At the heart of this new approach is a *“paramount concern with the security of people”*.

The White Paper goes on to declare that the greatest threats to the security of our people are socio-economic problems like poverty, unemployment, poor education and the lack of housing and adequate social services. In the absence of any foreseeable external military threat, there is *“a compelling need to reallocate state resources to the Reconstruction and Development Programme”*. The challenge facing the Department of Defence is *“to rationalise the SANDF and contain military spending without undermining the country’s core defence capability”*.

We do not dispute the fact that the Defence Review contains a force design that lists the type and quantity of military hardware deemed necessary for the SANDF to fulfil its functions. The list includes submarines, corvettes and the other weapons systems that form part of the procurement package. However, the Review describes the force design as a *“vision”* that will change over time. The final detail concerning the type and quantity of weaponry to be acquired will *“inevitably deviate from the vision”* and *“such deviations will be subject to parliamentary oversight”*.

Notwithstanding the binding agreement, President Mbeki’s Cabinet reneged on it and induced government to underwrite the R29.9 billion Arms Procurement Deal behind Parliament’s back. This has now escalated to R66 billion, and still mounting.

The Minister of Finance, Trevor Manuel signed foreign loan agreements and credit guarantees early this year without the approval of Parliament by way of a special or other resolution. The Hansard of Parliament reflects that no such approval was sought or obtained. For the Cabinet to approve such agreements without the approval of Parliament is unlawful. Even the Public Finance Management Act of 1999 states that it prohibits the State from borrowing money or issuing guarantees without specific authority from Parliament.

Given these qualifications, parliamentary approval of the Defence Review in 1998 cannot be construed as a mandate to buy weapons. Parliament was not asked to sanction the Arms Deal at the time of the Review or subsequently. It has exercised its oversight function only in relation to the charges of corruption and conflict of interest surrounding the deal, after the Auditor-General’s Special Review Report was tabled in September 2000.

Moreover, the Review acknowledges that *“national priorities and budgetary restrictions place constraints on defence expenditure”*. It accepts that the force design vision is thus unaffordable in the short to medium term. At the time of the Review, Parliament consequently had no expectation of increased military spending. Indeed, the Review anticipates that annual defence expenditure between 1998/9 and 2005/6 will remain constant at R9.7 billion in 1998 rand-value. This target now appears likely to be exceeded substantially.

In the many ways as described above, the R66 billion arms package is inconsistent with national policy on security and defence endorsed by Cabinet and Parliament. The package is in fact more likely to reduce than enhance security. This is undoubtedly true for millions of people in terms of human security: money spent on weaponry is money that could otherwise have been spent on education, housing, health, social services and policing. With few exceptions, the ministers responsible for these portfolios insisted in their budget speeches to Parliament that they were chronically underfunded.

It cannot be argued convincingly that the package is needed for peace operations in Africa. It is hard to imagine how submarines and corvettes could play a significant role in containing civil wars, nor could we imagine these weapons being deployed in the shallow Great Lakes. Given Government's policy emphasis on peacekeeping and reluctance in peace enforcement, fighter aircraft and other combat equipment are unlikely to be used often if at all.

DEPARTMENT OF FINANCE WARNINGS

The record escalation of the Arms Procurement costs from R29.9 billion to R66 billion to date was foreseen by the Department of Finance who warned the Cabinet as early as August 1999. It is disturbing that the Cabinet Committee responsible for the Arms Deal was warned by the Department of Finance in August 1999 about the risks involved in the deal. Four types of risks were identified namely: Exchange and Interest Rate Fluctuations, Counter-Trade as well as Macro-economic (growth) risks.

These revelations raise a number of serious questions:

- a) Why did the Cabinet Committee take the decision to proceed with the deal knowing the risks involved?
- b) Why were the risks not explained to Parliament when the deal was announced?
- c) Why was the public not informed that the cost to the state would not be fixed at R29.9 billion?

The Cabinet Committee, specifically Mr Mbeki, then Chairperson of the Committee, as well as Ministers Manuel and Erwin, need to answer these questions. Ignoring the warnings of the downside potential of any project places the full responsibility on the decision-makers; they must face the full consequences of their decision.

Opposition parties, religious groupings and civil society at large questioned the logic of such staggering expenditure on weapons of war in peacetime when there was such a backlog of social delivery reflecting the historical imbalances of the old order.

In their defence the Cabinet argued that the Procurement deal would generate 65 000 jobs and R104 billion in offsets (investment and counter-trade).

If arms procurement is such a lucrative undertaking one wonders why developing countries do not embark on arms purchases in order to make more money and create more jobs. The people in the driving seat of this deal are the Cabinet subcommittee chaired by the President.

The awarding of contracts for the supply of defence equipment in this deal was not done through the normal tender process. It was all done behind closed doors by the said cabinet subcommittee. This lack of transparency has been characterised by questionable selection of contractors where one contract for the supply of naval equipment was awarded to a more expensive German contractor to the exclusion of a Spanish bidder who could supply it for much less. Another glaring example of irregularity in the tendering process was when the committee changed the tendering procedures mid-stream in order to give bidding advantage to a more expensive British Aerospace contractor over a more affordable but effective Italian aircraft one for the supply of military aircraft.

The media and public furore arising out of these scandals caused the Auditor-General to review the Arms Deal and the manner in which, it had been handled by the various stakeholders. In September 2000, he tabled a Special Review Report in Parliament, which revealed suspicions of conflict of interest in the awarding of tenders. Consequently the Standing Committee on Public Accounts (SCOPA), the parliamentary watchdog, after deliberations, endorsed the need for an in-depth investigation of the Arms Deal, especially the tendering process. Through Parliament's 14th Report, SCOPA recommended that the investigation be undertaken by the Heath Special Investigative Unit (Heath SIU), the Auditor-General, the Public Protector and the Directorate of Public Prosecutions. However, as a result of panic, the ANC big-wigs, led by the Speaker of Parliament argued that SCOPA had no mandate to sub-contract its work to outside agencies and effectively overruled SCOPA and hijacked the responsibility and accountability for the investigation. The Heath SIU, was summarily dissolved and the investigation delegated to the remaining three Agencies with no Terms of Reference known to the public, despite our calls for such.

Hereunder is an extract from the SCOPA 14th Report dated 30/10/2000 submitted to Parliament, which speaks for itself. It is important to note that SCOPA is composed of representatives from all political parties including the ANC, which has the majority representation.

"After the National Assembly had referred the Auditor-General's report to this Committee, the Committee received a large amount of unsolicited evidence, of varying plausibility, from a number of different sources. Amongst the numerous allegation and assertions were those which reflected common ground to a significant degree. It is on the basis of this, and the Committee's perception of the other issues raised in this Report, as well as the need to prove or disprove once and for all the allegations which cause damage to perceptions of the government, that the Committee recommends an independent and expert forensic investigation."

In this regard, the Committee will prepare a brief for such investigation which stipulates particular assertions that ought to be investigated, while placing no limitation on the scope of the investigation.

In noting the complex and cross-cutting nature of the areas to be investigated, the Committee feels that the investigation would be best served by combining a number of areas of investigative expertise and a number of differing areas of legal competence and authority. It therefore recommends that an exploratory meeting convened by the Committee, be held within two weeks of the tabling of this Report in National Assembly. The Auditor-General, the Heath SIU, the Public Protector, the Investigating Directorate of Serious Economic Offences, and any other appropriate investigative body should be invited, so that the best combination of skills, legal mandates and resources can be found for such an investigation. Once this is established, the Committee will issue an investigation brief to the team for its input. Also, the chosen investigating body will be requested to report on its progress at regular intervals to the Committee, as well as at the conclusion of its work, in order that this might be included in the Committee's final report to the National Assembly on the matter."

As a result of the Speaker's meddling in SCOPA's business, ostensibly at the instance of the ANC party bosses, the ANC component in SCOPA reneged and withdrew their support for the 14th Report which they had previously co-authored, and which was unanimously endorsed by the National Assembly. The situation became ugly when the Deputy President and his Cabinet colleagues publicly berated SCOPA and thereby undermined Parliament's decision.

The Executive interference led to a trail of incidents, which undermined the credibility of any investigation, conducted at its instance i.e.:

- a) SCOPA's independence and effectiveness as a watchdog on tax-payer's money were severely compromised;
- b) The Heath SIU, which had more powers than the other three Agencies, was withdrawn from the investigation and subsequently dissolved.
- c) Parliament and SCOPA were not informed of the Terms of Reference of the pending investigation.
- d) Consequently the investigation had no public legitimacy and the outcome could be predicted.

Despite the President and his Cabinet's protestations that the deal was above board, even using the public broadcaster to mount this propaganda, the patriotic media and opposition parties continued their independent probe and exposed many wrong-doings which are now public knowledge, e.g., it emerged that one senior defence public official was implicated in influencing the awarding of a contract to a company in which his brother was a director. Some contractors had links with key political figures in South Africa and selected prime contractors were twinned to local ANC-aligned subcontractors.

It also emerged that European Aeronautic Defence and Space Company (EADS), a subsidiary of Mercedes Benz doled out expensive motor vehicles at massive discounts to prominent Parliamentarians, the Chiefs of the Defence Force, and Airforce, Government Officials and other public figures. It's not yet clear what the motive for this bonanza was. Neither does the report of the three Agencies mention these incidents in detail.

On realising that the executive had hijacked the investigative process against the wishes of Parliament, the UDM questioned the conduct of the Speaker on the Arms Deal and recommended to her on the 14th May 2001 some Terms of Reference for the investigation and also to the three Agencies on the 18th July 2001. These are quoted hereunder:

TERMS OF REFERENCE

- a) The probe must be officially gazetted with clear Terms of Reference and time frames.**
- b) In the light of further revelations of the possible proliferation of irregularities in the entire deal, the investigation must go beyond examining sub-contracting procedures and cover the entire arms procurement transaction including the main contractors. What was the motive for the Cabinet Committee to opt for a British Aerospace expensive purchase against the advice of Defence Force and arms procurement negotiating team.**
- c) Attention must be drawn to the sub-committee, which was chaired by the President, which apparently positioned itself as the "Tender Board" in the allocation of contracts with the view to bringing clarity regarding its role in the whole saga.**
- d) The need to empower the investigating agencies with the same authority previously enjoyed by the Heath Special Investigative Unit i.e. powers to cancel irregular contracts, etc.**
- e) Were any monies paid to individuals or political groups by tendering companies in order to facilitate the granting of contracts to themselves, such as in the case of British Aerospace which paid the ANC an amount of R5 million just prior to the awarding tenders?**
- f) Special focus be made on the possibility of individuals or groups holding public office being beneficiaries of monies or shares from international companies which have been awarded contracts.**
- g) The role played by individuals in the sub-committee chaired by the President in the awarding of contracts and whether any of them received any payments or shares.**
- h) Are there any family members of the Mbeki sub-committee or close associates benefiting from the awarding of these contracts?**
- i) Whether the Black empowerment companies who were awarded sub-contracts have the capacity to perform or were mere fronts for the main contractors?**
- j) What were the motives for EADS in subsidising 30 motor vehicles sold to politicians, Armscor/Denel personnel, civil servants and Defence personnel as they have publicly confessed?**
- k) Whether the executive deliberately misled Parliament and the public about the true cost of the arms procurement exercise when they quoted it at R30 billion when in reality it is +R50 billion to date.**
- l) According to the Defence Review, R9.7 billion was focused for 1999 – 2006 financial years, as approved by Parliament. Who authorised the R30 billion expenditure? Did Parliament endorse this expenditure? Whether the Defence Review, which identified the Defence needs which culminated in the current arms procurement was a genuine analysis of our national Defence needs or a smokescreen to cover self-enrichment by individuals in the ruling party circles.**

- i. With special reference to the estimated R4 billion which ANC members who own sub-contracted companies in the arms procurement deal will earn and in particular the role played by the former Defence Minister, Mr J Modise and General L.A. Moloi in establishing the following companies, as suggested by financial media:*
 - *Are these companies African Defence Systems (ADS)*
 - *Futuristic Business Solutions*
 - *Applied Logistics Engineering*
 - *Nkobi Investments*
 - *Temoso Technology*
 - *M.K. Technologies*
 - *X Cell*
 - *Dynamic Cables*
- ii. conduits for channelling arms procurement funds back to ANC coffers? This must be investigated.*
- iii. Were these companies lobbied by the main international contractors who were awarded procurement contracts? Were they paid any monies by them and if so how much?*
- iv. Did these sub-contractors lobby any members of Parliament and ministers? If so did they pay them any monies and how much?*

The Auditor-General on behalf of the Agencies responded and refused to consider our Terms of Reference and boasted that his office had the capacity to carryout the investigation. The Speaker did not even respond to our call. Instead she threatened to sue the President of the UDM and tabled his letter in Parliament charging that it undermined her integrity as Speaker of Parliament.

GOVERNMENT CENSORSHIP OF THE AUDIT REPORT

Our worst fears that the investigation lacked credibility were confirmed. The Auditor-General secretly, without the knowledge of SCOPA submitted the report of the investigation to the Cabinet, which was an integral component of the investigation. The media exposed this unusual step by the Auditor-General. He confirmed this when he justified his action on the grounds of apartheid era legislation, the Special Defence Account Act, which mandated him to submit the report to the Cabinet for “security reasons.” Clearly that report was edited or sanitised in the interests of “security”. Parliament, SCOPA and the public are in the dark as to what was excised from the report for “security reasons.” The tabled report does not show that any forensic audit of the banking accounts of the individuals and contractors being investigated was done, despite the earlier undertaking by the Auditor-General that this would be done. This apparent omission leads one to the conclusion that this forensic audit could be part of the excised report.

In evaluating the Arms Procurement saga, it is important to note that the Apartheid-era Special Defence Account Act, which empowers the government to censor the report of any investigation was used by Chippy Shaik at the Cabinet Sub-Committee’s instance to censor certain aspects of the Auditor-General’s report to Parliament which sparked off the investigation of the Arms Deal. This report enabled Chippy Shaik, a Defence procurement official to influence the awarding of the contract to his brother’s company, according to reports.

Notwithstanding the apparent cover up by the Investigating Agencies, the media continues to probe and reveal irregularities which leave us with no doubt that there was large-scale wrongdoing in the Arms Deal process, and the Cabinet has used its powers and archaic apartheid-era laws to mount a monumental cover-up of these irregularities. The invoking of the Special Defence Account Act for censoring the Auditor-General's Special Review report in 2000 set a pattern which has been repeated with regard to the current report of the investigating Agencies.

For example, prior to the tabling of the Auditor-General's Special Review Report in September 2000, which had already been censored by the executive, the Minister of Defence Mosiuoa Lekota had given the Auditor-General carte blanche authority to investigate any irregularities in the Arms procurement deal. He was to access all relevant documents without hindrance.

However, the then Deputy President Thabo Mbeki, as chairman of the Cabinet sub-committee charged with overseeing the Arms acquisition, intervened to reverse Lekota's decision. In the letter of the 28th September 2000 the defence ministry's Brigadier-General Keith Snowball wrote to the Auditor-General advising him that it had been brought to the attention of Minister Lekota that a decision had been taken prior to his appointment as Minister of Defence that only the Cabinet sub-committee had authority to approve the audit of documents regarding the Arms packages. This reversal of Lekota's earlier carte blanche approval in effect required the Auditor-General to clear his Terms of Reference with the executive.

From the onset President Mbeki's sub-committee positioned itself to influence the course of the investigation by establishing an "audit steering committee" on 29 November 1999, on which sat people suspected of wrongdoing in the Arms Deal, including Chippy Shaik. Notwithstanding the independence conferred on the office of the Auditor-General by the Constitution, the Auditor-General has allowed himself to be swayed by the executive and compromise the integrity of his office by allowing members of the Auditor-General's office to serve in the Cabinet appointed Audit Steering Committee.

Chippy Shaik has now become the focus of blame for conflict of interest, with justification. However his culpability must be seen in the context of a Cabinet that had a vested interest to see an outcome that suited it in the investigation. In other words Chippy Shaik enjoyed Cabinet backing to do what he did. The latter share the responsibility for sanitising both reports and deceiving the public.

This scenario has echoes of the Apartheid-era info-scandal of the Roodies and Mulders. Chippy Shaik may well go the way of a sacrificial lamb and carry the sins of his masters to the execution block as Herschell Roodie did. However, the Nationalist government of the day had stirrings of conscience, which prompted Mulder and John Vorster subsequently to resign from their posts. One wonders if our leaders will have the moral courage to emulate this historical example. Time will tell.

AUDITOR-GENERAL'S ROLE

The conduct of the Auditor-General in this episode is cause for concern. He refused to heed the appeals of Parliament and opposition parties and SCOPA that the four Agencies

including the Heath SIU draw up the Terms of Reference or the Brief of the investigation. He openly supported the Cabinet in excluding the Unit from the investigation.

We now know that he allowed himself to be persuaded by Chippy Shaik to remove certain aspects of the original Auditor-General Special Review report of September 2000 to Parliament, as a result of which sanitation, arose Chippy Shaik's conflict of interest.

He has again defended the submission of the Report of the three Agencies to Cabinet for perusal prior to tabling, in terms of the apartheid-era Special Defence Account Act, for "security reasons". He further denies that Cabinet has made any "substantial" changes to the original report. That remains to be seen. SCOPA has been kept in the dark about the progress of the investigation despite appeals that they be kept informed. Members of SCOPA and Members of Parliament were not implicated in the Arms Deal, and therefore there could have been no justification for withholding information about the investigation from them. Yet the Cabinet to whom he submitted the reports are themselves material factors for investigation.

The Auditor-General conceded to Parliament and SCOPA that there were merits for the investigation of the Arms Deal. He was mandated by them to carry out this investigation and remained in principle and morally accountable to them. Instead he abused their trust, turned his back on them and kept the probe a private and confidential affair which he shared with the Cabinet. There is only one conclusion; the Auditor-General has betrayed the trust of Parliament and SCOPA.

The Speaker of the National Assembly castigated the Chairman of SCOPA for identifying the four Agencies to investigate the Arms Deal on the grounds that SCOPA had no powers to sub-contract to these Agencies. It was the same Honourable Speaker who recently held a celebratory press conference inside Parliament with the very Agencies, which she barred SCOPA to deal with. The whole episode is a farce; hence the UDM termed the outcome of the probe "a celebrated palace verdict".

FINDINGS OF THE PROBE

The investigating Agencies have been hasty to exonerate the government from any wrongdoing in the awarding of the contracts. Yet they concede that there were irregularities in the awarding process. In view of the fact that it was the Cabinet Committee, which awarded the contracts, there is a glaring contradiction in their findings. The tendering cannot be found faulty and the instrument responsible for that process be found faultless.

We now scrutinise some of their findings hereunder:

a) Fighter Aircraft.

The SANDF experts and technical committees who evaluated the tenders for the fighter aircraft were unanimous in recommending the Italian Contractor Aeromacchi as a preferred bidder. This was despite the then Defence Minister Modise's mid-stream injunction that cost should not be used as a criteria in selecting a bidder. The minutes of the meeting on 30 April 1998 at the technical committee, record that Defence Minister Joe Modise told the gathering that "the most expensive option was not necessarily the best option". He instructed the defence acquisition staff to bear this in mind during the selection process.

The acquisition staff followed the normal prescribed rules in doing their evaluation and selection. They used the costed criteria and chose Aeromacchi over the British Aerospace bidder.

However, according to the UDM's research, Mbeki's Cabinet Sub-Committee intervened when British Aerospace lost the bid, and instructed the acquisition staff to determine both a costed and a non-costed option in their selection. The uncosted option would be deemed to have other weightier non-cost considerations, which would make a company a preferred bidder. After determining both the costed and uncosted options the Italian Aeromacchi still won the tender ahead of British Aerospace. SANDF experts used objective criteria to arrive at this decision. The joint Airforce and Armscor technical team still preferred the Italian trainer even after considering both options. Cabinet, through Chippy Shaik imposed the selection of British Aerospace and justified this intervention on the much questionable superiority of the British fighter trainer – which claim is hotly contested by the technical experts who obviously have the technical expertise lacking in the Cabinet, which imposed their choice.



A Cabinet Committee chaired by Mr Mbeki opted for the more expensive British Hawk on the basis of superior offset. However, it is reliably known that the list of counter-trade offsets attached to the British Aerospace final tender proposal in April 1998 was not the same as the list which was put before the Cabinet, on which they are supposed to have based their decision.

The Agencies themselves in their findings raise serious questions about British Aerospace's industrial offset offerings and the way in which they were evaluated.

It is common knowledge that British Aerospace gave out substantial cash inducements (R5 million) to the ANC just before the Arms Deal tenders were issued. The UDM made reference to this transaction when it submitted its suggested Terms of Reference to the Agencies. They now argue that the Cabinet used their prerogative in making their selection, despite the compelling evidence against their decision as stated above and the Agencies' own serious reservations about the Cabinet evaluation criteria. The Agencies' position in this report is untenable and raises our concerns about the integrity of their report.

b) **Corvettes.**

The Agencies further exonerate the government from any wrongdoing on the Corvette deal despite their own findings. None of the bidders on corvettes complied with the key criteria affecting their financing, among others, with the exception of Bazan of Spain which lost the bid to Frigate Consortium, which should have been disqualified for not providing the required guarantee. The report shows that Bazan would have beaten German Frigate Consortium, had it not been for the high scores awarded to the German Company by the Department of Trade and Industry, specifically on the non-defence industrial participation component of the German bid. The German bid of R8.5 billion won the day over the Spanish one of only R1 billion. The non-defence industrial participation which tilted the scale in favour of the German Company is the non-starter at Coega Industrial Development Zone (IDZ).



During the tender period the non defence industrial participation entailed an offer by the German Ferrostal steel group to build a R6.5 billion integrated steel plant at Coega. Immediately after the tender was awarded this figure was scaled down to R1.2 billion. Recently, Business Day reported that Ferrostal's often revised and down scaled plans now stand at R860 million.

To compound the problem, former Minister Joe Modise who just before he retired awarded the contract for the supply of Corvettes to the German Company in return for the Ferrostal's involvement at Coega is now the beneficiary in that transaction through his chairmanship and shareholding in Khutele Project which has been awarded a contract to conduct an integrated transport study at Coega. There is no doubt he had a vested interest in awarding the contract to the German Company.

All this damning evidence of impropriety has been ignored by the Agencies who cursorily dismiss this important transaction and exonerate the government from wrong-doing.

c) **Submarines.**

The Agencies' Report finds that the German Submarine Consortium, which won the bid did not make the grade where its defence offsets were concerned and should not have been awarded the contract, at the first round. It says Armscor's legal division submitted a legal opinion that the Germans had "failed materially to meet the essential requirements of the defence offsets". This opinion was not passed on to the selection panel. The investigators concede that Chippy Shaik and a colleague allowed the bidders who did not comply to get their house in order before the next round. **However to the Agencies all is forgiven.**

d) **Cost of the Arms Deal.**

The Agencies and their consultants are critical of the Cabinet's affordability assessment of the Arms purchase because they ignored the currency fluctuations. The contracts, they say, are long term and the final cost would be subjected to the vagaries of the rand. They say the forecasts on which the government study was based were too optimistic. **This assessment is in stark contrast to the exoneration of no wrongdoing by the Cabinet.**

There is no question that the Arms purchase debt continues to escalate especially with the fast depreciation of the rand against the major currencies of our trading partners. The final figure after 20 years of the duration of the debt is anybody's guess. Armscor estimate is R66 billion. Yet it could be much more than that. The disturbing feature of this transaction, apart from channelling scarce resources to the purchase of arms in peacetime at the expense of social priorities, it does not quantify with any certainty the trade and investment offsets which have been so liberally used as arguments to justify the awarding of tenders. Ultimately, according to some authorities, the finance and interest costs will be born by the taxpayer as part of the budget deficit. Do we really need this extravagance?

We submit hereunder Armscor's breakdown of the original Arms Deal purchase cost as at 18 November 1999 exchange rate, which excluded financing costs amounting to 49% of the procurement costs:

BIG DEAL BREAKDOWN

What the original arms deal cost*

WEAPONS	CONTRACTOR	PRICE	CONVERSION '99 Rands	TOTAL COST: '99 Rands
GRIPEN FIGHTERS-28	SAAB			10 924,96
Contract (SEK)		5 215,10	0,75	
Contract (£)		248,76	10,00	
Contract (US\$)		375,31	6,25	
Local contract (R)		426,09	1,00	
Statutory & project costs (R)		1 754,29	1,00	
HAWK TRAINERS-24	BAE SYSTEMS			4 674,94
Contract (£)		323,83	10,00	
Local contract (R)		634,68	1,00	
Statutory & project costs (R)		801,96	1,00	
UTILITY HELICOPTERS-30	AGUSTA			1 989,32
Contract (US\$)		187,78	6,25	
ECA premium (US\$)		12,00	6,25	
Local contract (R)		340,65	1,00	
Statutory & project costs (R)		801,98	1,00	
SUBMARINES-3	GERMAN SUB CONSORT			5 536,03
Contract (€)		628,83	6,40	
Cash flow balance (€)		31,49	6,40	
ECA premium (€)		55,69	6,40	
Local contract (R)		201,39	1,00	
Statutory & project costs (R)		752,13	1,00	
CORVETTES-4	EUROPE-SA CONSORT			6 924,45
Contract (€)		611,84	6,40	
Cash flow balance (€)		16,45	6,40	
ECA premium (€)		51,83	6,40	
Local contract (R)		1 496,23	1,00	
Local interest (R)		65,64	1,00	
Statutory & project costs (R)		1 009,78	1,00	

TOTAL

30 049,70

* 1999 rates - all amounts in millions

SOURCE: ARMSCOR

e) **Sub-contracting – your right to know**

Government has been voluble in denying any responsibility for main sub-contractors who have been linked to the tenderers who have been awarded contracts. This is strange indeed because it was one of government's pre-conditions to would-be offshore suppliers that they would have to subcontract to local empowerment contractors. This is government policy. The Government denies that it got involved in choosing sub-contractors, so it could not have been influenced by the fact that several sub-contractors benefited relatives, ANC, friends of the ANC leadership and government officials.

Government claims that prime (main) contractors were responsible for selection of sub-contractors. However, records will prove in the case of naval combat suite, that Armscor, a government institution, issued tenders for the corvettes and stated that with a few specified exceptions, South African companies (empowerment companies included) were going to supply the components.

Foreign bidders for the ship contract were supplied with a list of the nominated sub-contractors and what equipment they would be providing. Even the price had been fixed ±R1,47 billion. The navy did not thumb-suck this figure. Nominated local contractors had provided detailed cost estimates for the sub-systems. These were further audited and approved by the Navy/Armscor team.

For example, after the German Frigate Consortium (GFC) was chosen, it then joined forces with Thomson/African Defence Systems (ADS). The price of the combat suite suddenly went up dramatically from R1,47 billion to R3.9 billion. This prompted Captain (now rear admiral) Johnny Kamerman, to write an angry letter in March 1999 to the German Frigate Consortium complaining that the ADS quote for the combat suite was nearly double that tendered by the South African supplier. But the prime contractors simply blamed the price increase on the risk premium they had added for using South African contractors. In effect, ADS was able to massively inflate prices, trading on the strong political commitment both to ADS and its well-connected comrade empowerment partners and to deal with Germany.

Do you want to tell us that Thabo Mbeki and Trevor Manuel, Minister of Finance, were not aware of this anomaly? Never!

An example: the price quoted by ADS for one subsystem was R64.73 million. But, when forced by the Navy to quote against another bidder, ADS quickly dropped their price to R29.65 million – less than half their original bid, but still higher than the other company's tender, which was for R26.43 million. ADS got the tender.

Another example: The price quoted by ADS for another subsystem was R46.9 million. Again, when forced by the Navy to quote against a competitor, ADS dropped their price to R18.9 million. This time the competitor won the contract, with a quote of R14.1 million.

One of the subsystems on the corvette was the contract to supply the massive gears which form the link between engine and propellers. There were two bids: the one from Maag, the other from Renk, both foreign. The GFC chose Maag, as did

the Navy's technical team. (The Navy team formally informed the GFC of their choice in June 1999).

Then Armscor wanted Renk. In August Armscor wrote to the GFC stating that it wished to "notify GFC of the importance of Reumech Gear Ratio to Armscor and the Department of Defence."

Reumech Gear Ratio, a local company which was in the process of being sold to British defence firm Vickers, relied on its profitable relationship with Renk. So here a selection made by the preferred prime contractor and formally endorsed by the Project Control Board (consisting of the Navy, the Department of Defence (DoD) and Armscor), was later overturned by the latter – so much for the government's contention of no involvement in the selection of subcontractors!

Despite the fact that Maag upped their industrial participation offer and offered to source some of the work from Gear Ratio, the nod went to Renk. Could it be possible that the decision had something to do with the fact that a company called DGD Technologies (co-directors: Diliza Mji and Moeletsi Mbeki) was negotiating for a stake in Reumech/Vickers?

Dr Diliza Mji is a Director of Armscor and Chairperson of British Aerospace South Africa. Unfortunately, these questions would never be answered unless we appoint an Independent Judicial Commission of Inquiry.

These sub-contractors are manned by ANC activists. They were clearly hand-picked by the ANC leadership in government. What is of serious concern is that it was known by government that these contractors do not have the technological expertise to handle the high tech that comes with modern defence equipment. Yet at the time of winning the tenders they were scheduled to earn ±R4 billion from the deal. How was it expected they would perform without the necessary skills? Were they mere conduits through whom the government wants to channel funds to the ANC? There is no other possible explanation for this clumsy arrangement. Government cannot bury their heads in the sand like ostriches. Government has erred and acted irresponsibly in allowing sub-contracts on such sensitive transactions to go to people over whom they have no control or responsibility, as they claim. Their denial of responsibility is an admission that they have placed the security of the country in the hands of unqualified people over whom they have no control.

DISAPPEARANCE OF CABINET DOCUMENTS

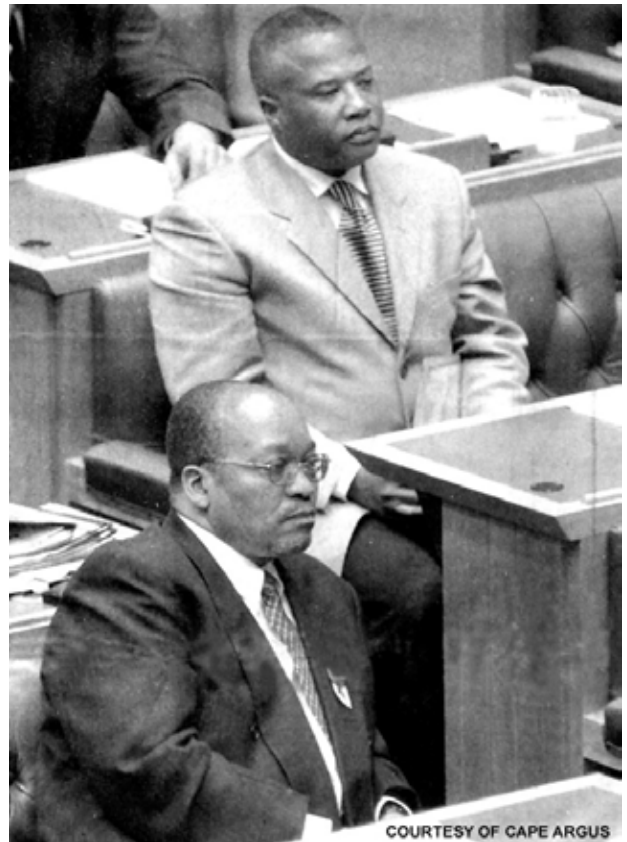
Much has been said about the disappearance of Cabinet documents related to the Arms Deal in the wake of Chippy Shaik's suspension and his brother Shabir Shaik's arrest. The latter is a director of among others, Nkobi Investments. The Deputy President, Jacob Zuma has publicly admitted that they are long-standing comrades and close associates. Mr Zuma acknowledged that Shabir Shaik paid for his children's education and that he was at one time his economic advisor in KwaZulu-Natal government. Shabir Shaik revealed in the media that his company channelled funds to ANC coffers. Quite clearly there is a cosy relationship between Shabir Shaik and the ANC. The disappearance of Cabinet documents, therefore cannot be an inexplicable mystery in the circumstances. It would have been in the interest of the ANC for Shaik to obtain inside information on

competing tenders in order to have advantage over his competitors. His companies apparently are cash cows of the ANC. Indeed Shabir Shaik's companies namely:

- African Defence Systems,
- Thompson-CSF Holdings,
- Detexis Data,
- Nkosi Investments (named after ANC's late Treasurer General, Mr T Nkobi).

These are some of the subcontracted companies who stand to benefit from the awarded tenders.

While the Agencies have found a lot of flaws in the tendering process, and a litany of irregularities in the awarding of sub-contractors, there is a big omission in their probe however. There is no forensic audit of bank accounts of these sub-contractors to determine their financial viability, and the way funds are channelled. Is this a deliberate omission? Had the Agencies conducted forensic auditing of bank accounts of these sub-contractors, it would have exposed the channelling of taxpayers' monies to the ANC coffers as admitted by Shabir Shaik.



OUTSTANDING QUESTIONS TO THE INVESTIGATION AGENCIES

UDM has studied the Joint Investigation Report and consequently will participate in Parliamentary deliberations in this regard. In light of these glaring deviations from the legal procedures in the Arms acquisition process and the joint investigation's own acknowledgement irregularities in this exercise, UDM, as part of its contribution to the corrective effort by parliament and public we represent, submits for clarification the list of questions that appear hereunder, and these questions will be posed to the three Agencies:

- a) What were the Joint Investigation Team's Terms of Reference, and who provided these?**
- b) Has the "Special Review by the Auditor-General on the Strategic Defence Packages" (September 2000) been shown before its publication and tabling in Parliament to:**
 - i) Members of the Executive**
 - ii) The Chief of Acquisitions (Mr Chippy Shaik) and have they changed anything in the draft shown to them?**
- c) The media reports that an "Audit Steering Committee" was established by the Executive:**
 - i) What was the role of this committee in the entire arms procurement exercise?**

- ii) At what stage did its operations begin and when will/did they stop?
 - iii) Did the committee influence the Auditor-General's Review of September 2000 prior to its tabling in Parliament?
 - iv) What are the powers of this committee?
- d) Did the Investigating Agencies interrogate the Cabinet subcommittee on the whole Arms acquisition deal?
- e) Having conducted the investigation and discovered certain abnormalities, on what did the Joint Investigation Agencies base their absolution of the government from any wrongdoing?
 - i) In view of the fact that the Joint Investigation Agencies were delegated by Parliament in terms of the 14th Report what authority do the Agencies have to absolve the government from wrongdoing even before they have reported to their principal (Parliament)?
 - ii) Why did the Agencies show their report to the Executive without first consulting Parliament and SCOPA to whom they were accountable? Why did they go public with their report without first briefing SCOPA?
- f) Has the "Joint Investigation Report into the Strategic Defence Packages" (November 2001) been shown in a draft form to the President, any member of the Cabinet or any government official, before its release on 14 November 2001? Was any fact, finding or recommendation changed, adjusted, added or removed from such draft report, and if so, what are the details?
- g) Is it true that the Joint Investigation Report has found that there was no wrongdoing by government and its members in the Arms deal, why were there such frantic steps taken to exclude the Heath SIU from the investigation, involvement by executive (Deputy President Zuma) in the work of the parliamentary committee SCOPA, and unprecedented interference by the Speaker in this investigation?
- h) From the total of eight serious allegations listed in the Joint Investigation Report, no less than six allegations are still under investigation. How can government claim it has been vindicated? Against this background, who has decided and for what reason, that the Joint Investigation Report is a final report and not an interim report or is Parliament expected to rubberstamp this decision?
- i) Did the investigation team investigate the allegations that British Aerospace paid a substantial inducement to the governing party? If not, why not?
- j) The report found that the Chief of Acquisitions, Mr Chippy Shaik, breached a series of procedures and rules and allowed a serious conflict of interest to contaminate his role in the decision-making process. Did any member of the executive know about this conflict of interest, and in what sense is anyone of them responsible for the actions of such a senior official? Where does the accountability of a minister stop for a public servant? Why are the actions of a government official in a government department different from the responsibilities of government? Why didn't the report address this question of ministerial accountability?
- k) Will the contracts given to companies, as a result of Chippy Shaik's behaviour, be cancelled? Who should take this decision?
- l) Why does the Report not recommend that government use the option open to it, based on adverse economic circumstances such as the drastically

escalated cost of the arms deal, the risks involved related to industrial participation, etc, to postpone or cancel the second leg of the deal, namely to buy 19 Gripen light fighters and 12 Hawk jet trainer aircraft?

- m) Why was the Cabinet subcommittee the “clearing house” of the Strategic Defence Packages? Why did the Minister’s Committee intervene in certain circumstances, i.e. overriding the tender procedures in Lead in Fighter Trainer (LIFT), deciding on light utility helicopters before key documents have been finalised and allowing the initialling of the submarine contracts before the affordability study had been completed?
- n) Did the Joint Investigation Team study the contracts and investigate them? Have they established beyond any doubt that all transactions were in order?
- o) The Report has uncovered numerous deviations from procedures. Have they investigated the impact of these errors and failures on the legality of purchases?
- p) A number of allegations have been made about the role and influence of Mr Joe Modise in the Strategic Defence Packages. Had it been established whether he acted with the knowledge of his Cabinet colleagues.
- q) The Auditor-General pointed out in his “Special Review” report that the technical evaluation of the LIFT represented a material deviation from the originally adopted value system? A special Ministerial briefing decided that a non-costed option should be recommended as the preferred option. Has it been determined whether anyone received a kickback from this change in the deal for the fighter trainer aircraft? Allegations in this regard goes to the heart of the question of possible corruption hanging over the Strategic Defence Packages!
- r) Who kept the minutes of the Minister’s Committee meetings? Was it the Chief of Acquisitions?
- s) Regarding the light utility helicopter programme, it was found that the implementation costs of R176 million were not included in the total programme cost submitted to Cabinet in September 1999. This amount had to be incorporated in the normal SAAF operating budget. Has it been established who was responsible for this expensive oversight? Has action been taken against any individual?
- t) The Report highlight serious errors and mistakes regarding the Industrial Participation process with reference to the purchase of submarines. Of special importance were the roles of senior government officials. What action has been taken against those officials? How did their actions and decisions influence the selection of the preferred bidder? On what grounds, given the contents of the report in this regard, were government exonerated of any wrongdoing?
- u) Did the investigators come across instances where government had insisted to primary contractors that certain sub-contractors had to made use of? If so, was any evidence of conflicts of interest uncovered? What criteria were used for black empowerment companies chosen as sub-contractors, and specifically, were tenders issued for all black empowerment companies to apply? Was any investigation conducted to determine whether money accruing to sub-contractors have flowed back to politicians and officials in government or the ruling party, considering the public utterances of Shabir Shaik indicating donations from his company went into ANC coffers.

- v) How could it be allowed that a former member of Cabinet (Mr Joe Modise) initialled a contract for submarines at a cost of R4.5 billion, before an affordability study had been undertaken?
- w) Did the Joint Investigation Team investigate the most likely success/failure of the promised Coega stainless steel plant, as part of the industrial participation offer for the submarine deal?
- x) Regarding the corvettes, the Report states that due to non-conformance to critical criteria, as well as deviation from the value system, it had a far-reaching impact on the eventual selection of the preferred bidder for the corvettes. What was the consequence on the final outcome and does it provide sufficient ground for cancelling this main contract?
- y) There is a difference of R916 million between the costs presented to Cabinet on 18 November 1998 (R6001 million) and the costs contracted for (R6917 million) for the corvettes. Who is to blame for this deviation/error?
- z) Regarding the state of the Strategic Defence Packages, who is to be blamed and held accountable for the cabinet approval of R30 billion on 1 December 1999, and an estimated total cost in excess of R66bn, two years later? Where does the buck stop? Who decided not to include financing costs in the total price over the future period? Why were there warnings in the “affordability report” ignored? This report clearly emphasized certain risks, i.e. foreign exchange movements, non-materialisation of industrial participation benefits, and the impact of interest obligations. Despite these warnings, the cabinet decided in December 1999 to go ahead with the Arms Deal. A media briefing at that time gave no suggestion that the real cost of the transactions was well in excess of R30.3 billion or that the deal was subject to any risks.
- aa) Did the Joint Investigation Team do any forensic audits on bank accounts of any individuals or organisations, and if not, why not?
- bb) When (date) did Parliament approve the Strategic Defence Packages, and at what cost? Was this R30.3 billion procurement in line with the spirit and letter of the White Paper on Defence and the Defence Review?
- cc) What happened to the promise by Government to create 65 000 jobs and that Industrial Participation projects would amount to R104 billion in investment, due to the Strategic Defence Packages? Many allegations pertain to contracts awarded to subcontractors. These allegations did not fall within the scope of the “Special Review by the Auditor-General” and the Joint Investigation Report has only few pages devoted to it. Will there be further investigations into these allegations? Will the complaints of competitors against the process that was followed for the selection of subcontractors be investigated?
- dd) Persons involved in the overall acquisition process received various gifts (including luxury vehicles) Excluding Mr Tony Yengeni and Mr Woerffel who were arrested and prosecuted, have any other public representatives, official, public servant etc. been investigated, and if not, will they be investigated? And if so, by whom?
- ee) The Joint Investigation Report indicated that Mr Chippy Shaik did not recuse himself from the important Project Control Board (PCB) meetings, but continued to take part in the process that led to the ultimate awarding of contract to companies. He also signed the minutes. Has it been established what effect these actions could have had on the awarding of contracts?
- ff) Why didn't the Joint Investigation Team investigate the authority of the Joint Project Team any further? The Joint Project Team allegedly played a

significant part in the award of contract to subcontractors regarding the combat suite for the corvettes. Of particular concern are:

- i) No minutes were kept of meetings and decisions.
- ii) No tender procedures were applied.
- iii) No records were kept of the process.
- iv) Unfairness was at the order of the day regarding the handling of certain proposals.
- v) No proper risk evaluation was done.
- vi) Conflicting statements by senior government officials.
- vii) Withholding of important information (i.e. Detexis is a Thomson company)
- viii) The manner in which a risk premium was calculated.
- ix) Was a proper risk assessment made?
- gg) Taken into account all the outstanding allegations, how will eventual finding of criminal conduct influence the main contracts entered into? Have these contracts been scrutinised by the Joint Investigation Team?
- hh) Why were the main contract not fully investigated and what are the chances that the validity of these contract my by impacted by the findings of criminal misconducts?
- ii) Mr Shaik (Chippy) did not recuse himself from no less than 8 out of 11 Project Control Board meetings (PCB) regarding the conflict of interest he had with the supply of the combat suite to the corvettes. Where he did recuse himself, he remained present in the meetings. Did the Joint Investigation Team not find enough evidence in this case to declare the awarding of this subcontract null and void?
- jj) ADS became part of GFC (preferred bidder and main contractor for the corvettes), ADS was also the Combat Suite contractor for the corvettes, ADS was also a contender for sub-contracts: this is contradictory to any good procurement practice. Hasn't this event cast sufficient shadow over the awarding of the contracts (main- and subcontractors) for the corvettes? How has these events influenced the validity of the awarded contracts?
- kk) How could the alleged meeting of 19 August 1999 (with no records) decided to award a major subcontract, especially where evidence of this meeting is contradicted by other witnesses?
- ll) What powers did the Joint Investigation Team have at their disposal to obtain access to all personnel and records, before and after the date of 03 December 1999, in order to make a proper evaluation of DIP and NIP contracts? How can the Report express a view on DIP and NIP contracts if they have not studied their contents, performance guarantees, and likely changes to succeed?
- mm) The Joint Investigation Team has successfully identified numerous gaps, failures and procedural wrongdoings in the Report yet, regarding the scrutiny of the main contracts, they have devoted less than five paragraphs (1 page) to the main contracts. Is there a possibility that any of their findings in the Report may have impacted on the validity of any of the main contracts, and any o f the subcontracts?
- nn) Did the Joint Investigation found any evidence of gaps that existed between actions taken/orders received by government official and public representatives. Were gaps identified between what official presented to politicians and what politicians told official to do, find and say?

ROLE OF EUROPEAN AERONAUTIC DEFENCE AND SPACE COMPANY (EADS)

The Joint Investigations Agencies have been significantly reticent in their probe and resulting report on the aspects of the role of EADS, a beneficiary of the Arms Deal, which raised a number of questions about the integrity of some public officials.

EADS, a subsidiary of Mercedes Benz, doled out gifts of motor vehicles at ridiculously low prices to key public officials and other national figures. The revelations of these gifts clearly showed that no purchase contracts existed in respect of some of the vehicles given to these public figures. However, when the shady deals were exposed, hasty hire purchase arrangements were made to cover-up the shady deals.

For instance, it was revealed that President Mbeki had been given a luxury S600 bullet proof Mercedes Benz for test-driving for a period of six months. Tony Yengeni test-drove his for seven months. Mbeki's car was only returned to Daimler Chrysler when the media exposed in March 2001 Tony Yengeni's deal. All enquiries by the media about detail of the transaction hit a solid wall of reticence. Daimler Chrysler's spokesperson Ms Chakela said that she could not talk. *"I cannot comment due to Daimler Chrysler's policy of providing no comment to the press until the investigation into the Arms Deal has been concluded."*



President Mbeki's acquisition was valued at R2 million. It is not clear what the details of the test-drive were and the secrecy with which it was handled is cause for concern. It also raises questions why the test-driving took so long and why it was terminated and the car returned after enquiries made by the media. The media, in the following transactions, exposed both Daimler Chrysler and EADS:

- a) Tony Yengeni only made financing arrangements after media enquiries of his 4x4 Mercedes Benz acquisition and several months down the line.
- b) Nafcoc officials were also given expensive vehicles by Daimler Chrysler and had to return them when the media exposed these transactions.
- c) SANDF Commander General Sphiwe Nyanda was also given two Mercedes Benz at a sizeable discount.
- d) General Roelof Beukes, former Chief of the Airforce, was also given an expensive Mercedes Benz on similar generous terms.
- e) Vanan Pillay of the Department of Trade and Industry was also a beneficiary in this bonanza. He was part of the negotiating team in the Arms acquisition exercise.

If not for the intervention by the senior German management who suspended their EADS Managing Director, Michael Woerffel, after exposures of this corruption our government would not have conceded the need for the investigation, which they are now so eager to sweep under the carpet.

It has now become a pattern for would-be suppliers of goods to short-circuit transactions by directly approaching political heads, who in turn manage and steer the transactions to a pre-determined conclusion, disregarding legal tender processes. Corruption has seeped deep into the public sector, tarnishes governance and erodes the moral fibre of our entire society. Civil society must take up the cudgels against this scourge and rescue our nation from the moral decay into which it has sunk.



ROLE OF PRESIDENT THABO MBEKI

In view of the adverse economic climate such as the drastically escalated cost of the Arms Deal, the risks involved related to the non-defence industrial participation which may not materialise, the uncontrollable depreciation of our rand against major currencies of our trading partners, UDM urgently and strongly recommends that government cancel the second and third legs of the deal. People need jobs, adequate health care and education, not arms.

President Thabo Mbeki stands out like a sore thumb as the major architect of the whole Arms Deal fiasco. He has taken pains to present himself nationally and internationally as the champion of the cause of fighting poverty at home and in Africa. He has spear-headed the Africa recovery initiative, now encapsulated in New Partnership for African Development (NEPAD). Yet his actions are an antithesis of his much-publicised initiative. The wild idea of an arms procurement of these dimensions, his high-jacking of the tendering process, the emasculation and marginalisation of SCOPA, and Parliament and compromising the exalted office of the Auditor-General all conspire to project him as the unmistakable driving force behind this Arms Deal debacle. In hindsight, it is not surprising that he came out guns blazing in defence of the deal at an earlier press conference after the media revelations of corruption in the Arms Deal. His damage-control endeavour however has not succeeded in putting the matter to rest. The joint investigation by the

Agencies has omitted to probe the Cabinet sub-committee over which the President presides. Instead they hastened to absolve them from wrongdoing without interrogating the facts which are continually surfacing.

His record in addressing the socio-economic problems leaves much to be desired. His dabbling in the scientific discourse about HIV AIDS, is tantamount to venturing where eagles dare, and has cast a dark shadow on government commitment and capacity to drive the anti AIDS campaign.

The UDM acknowledges the call by former President Nelson Mandela for political leaders to be at the forefront of the fight against HIV/AIDS. The leadership of the UDM accepts this responsibility without hesitation. The overwhelming majority of the civic, religious and political leaders and organisations in this country are similarly committed. It is only President Mbeki, and his increasingly dazed and confused National Executive Committee (NEC) sycophants, who play with words and rather waste money to defend the indefensible in court. They are two-faced, considering the fact that they claim a lack of funds prevent them from distributing affordable lifesaving treatment, but they have money for court cases. They are hypocrites because they claimed victory earlier this year against the pharmaceutical companies, but now that they are free to use their victory they have new excuses. They are deceitful because they argue lack of resources whilst they simultaneously go on a R66 billion shopping spree for unnecessary weapons.

But perhaps the greatest deceit is that committed by the leader of a country, who would not admit his undeniable errors publicly, but rather gets his party lapdogs (NEC) to issue a watered-down statement in response to justifiable criticism that comes from within where it cannot be denounced or ignored out of hand.

His administration has created a crisis of confidence in education, job creation, and poverty alleviation. The time has come for the ANC to call on him to recuse himself from public office. He is driving this country to the edge of a precipice. He is not fit to govern.

CONCLUSION

The report has been held up by the government as a complete and definitive exoneration of the Arms Deal, one that absolves them of wrongdoing. We disagree. One simply has to look at the context in which this report finally came to Parliament. The truth is that the public lost confidence in the process when Mbeki rejected calls for a Judicial Commission of Inquiry and stopped the Heath SIU from participating in the investigation.

The subsequent interference by the executive , the unwarranted attacks on Parliament, the ANC's pig-headed behaviour in the public accounts committee, and finally the Speaker's involvement, all conspired to turn this investigation into a farce of monumental proportions.

One year after the Government launched the investigation, the investigators still refuse to state what their Terms of Reference were. The UDM is astounded that despite this interference and manipulation the government has the temerity to celebrate its innocence and label anyone who disagrees a racist. The truth is the report finds senior government officials guilty of despicable behaviour, but somehow we are asked to believe the politicians did not know and are not culpable. **This is nonsense!**

When qualified officials' advices are ignored and the Cabinet instead approves a vastly more expensive deal, the report finds that the politicians did not do anything wrong. It is attributed to Cabinet "prerogative", which explain nothing.

But when corruption occurs it is attributed to the officials. And as the politicians make the officials their fall guys for gross mismanagement, we are still expected to believe that the integrity of the deal is intact, despite ample proof that at the very least the politicians didn't exercise proper control over the process.

The ANC has taken this country to the edge of the abyss. All that stands between South Africa and the cesspool of corruption is a handful of dedicated opposition parties and the media.

It is time for Mbeki and his cronies to realise that "struggle credentials" and skin colour do not automatically make them immune to mismanagement and corruption. Nothing has served to illustrate this sad fact more acutely than this botched investigation – and Mbeki's stubborn and misguided views on HIV/Aids.



"We have a policy and we have a programme, I don't think we need to change that programme." – President Thabo Mbeki

The original budget for the Arms Deal took into account the socio-economic demands of our society, hence the Defence Review's conservative figure. These social considerations have been echoed by Mbeki in his discourse on the HIV/Aids pandemic. How do we explain this surreptitious escalation of the Arms Deal budget to R66 billion when these socio-economic conditions have not changed?

UDM recommends that Parliament and SCOPA should regard the findings of the investigation by the Agencies as an Interim Report, which indicates areas of further in-

depth investigation by an Independent Judicial Commission of Inquiry. That commission should unearth the rot at the centre of this Arms Procurement Deal, and propose recommendations that will lead this country out of the depths of corruption, which underpin the flourishing culture of depravity and moral decay that confronts our society. The Comrades in Corruption can rest assured that this matter will not be allowed to be swept under the carpet. They can no longer shield themselves behind the hackneyed baseless charges of racism to people who expose their misdemeanours. The concerns of the Arms Deal controversy are not sectarian or racial. They are embraced by all South Africans irrespective of race or creed. The time has come for the Cabinet to take the public in its confidence by accessing it to their threat analysis, which motivated their decision on expenditure on Arms. If they fail to do so, they leave us with the conviction that this procurement was designed to line their pockets and fund their party.

In light of Mbeki government's behaviour, one wonders what prompted Mr Nelson Mandela to lament that little did he know that the corruption, which had characterised the apartheid regime, was now endemic among his ruling comrades.

The old adage that “The troughs have changed however the pigs have remained the same” is appropriate to describe this situation.

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