



INCLUSIVE SOCIETY INSTITUTE

Op-ed

Economic pandemic: Organised crime's stranglehold on South Africa *By Daryl Swanepoel*

Organised crime is a growing phenomenon in South Africa, thriving beneath the surface of the country's economic activity and wreaking havoc on the nation's prosperity. The rising influence of criminal syndicates has become an economic pandemic, bleeding the country's coffers, destroying investor confidence and siphoning off billions of Rands worth of resources.

The tentacles of organised crime reach into every sector, from smuggling and corruption, to racketeering and money laundering. Criminal syndicates are also operating within the mining and construction sectors, pushing up the cost of doing business and increasing the risks for those involved in these sectors.

The recently released Enact Organised Crime Index (Africa 2023) starkly exposes the severity of South Africa's struggle against organised crime. The nation has earned the dubious distinction of being the third worst on the continent, marking a troubling escalation from tenth-place when the index was launched in 2019.

The organised crime index highlights the South African construction industry's plight. Once characterised by growth and development, the construction sector has in recent years come to be deeply impacted and constrained by the activities of organised crime.

The emergence of the construction mafia, initially witnessed in KwaZulu-Natal a decade ago, has metastasized, infecting every province. Misusing provisions of the Preferential Procurement Policy Framework Act, these mafias demand a 30% share of contract values for their members often in the guise of so-called 'business forums'.

These 'business forums' frequently resort to violent disruptions on construction sites, extorting 'protection' fees from business. Some forums, alarmingly, have ties to political figures, accused of acting as surrogates for politicians. Construction mafias employ a range of menacing tactics, threatening projects with violence and often deploying heavy weaponry. They have no genuine interest in the construction job itself, only in the extraction of resources. Such criminal activities include terrorising, intimidating, assaulting and, tragically, even killing employees or managers on site.

The use of such disruptive tactics aimed at hindering progress on construction projects is also often accompanied by theft. In areas affected by high levels of gang activity, such as parts of Cape Town, in the Western Cape, gang leaders have gone so far as to formally register companies as part of their resource extraction strategy. If their demands for a 30% share of the project revenues are not met, they employ mafia tactics to intimidate those involved in construction projects. Additionally, they may coerce constructors into paying protection fees to avoid rival gang interference. This tactic further underscores the complexity of trying to operate a legitimate construction business in such areas.

The trajectory of South Africa's ascent in the crime index signals a deepening crisis and serves as a stark indicator of how organised crime is becoming increasingly entrenched within the nation's fabric, steadily eroding the very foundations of the country's stability.

The web of organised crime in construction is not only causing project delays and increasing costs, but also triggers an alarming exodus of skilled personnel. Skilled professionals, crucial for the success of infrastructure projects, are increasingly hesitant to operate in an environment where personal safety is jeopardised, prompting a flight of talent as individuals seek opportunities in regions where their expertise can be applied without the threat of intimidation and violence.

In a climate of insecurity, foreign investors are also reluctant to engage in large-scale projects, perpetuating a cycle that imperils the nation's potential and underscoring the urgent need for comprehensive interventions to turn the situation around by eradicating criminal activity in the construction sector.

A recent seminar hosted by the Inclusive Society Institute, which focused on the impact of the construction mafia on the South African economy, presented some recommendations that could catalyse positive change.

One suggestion calls for a transformative approach to project engagement. The emphasis on transparent and inclusive practices in public and private construction projects represents a cornerstone for rebuilding trust between project developers and communities. By involving communities in decision-making processes, particularly concerning land acquisition and development permits, a culture of collaboration and openness could be fostered.

Addressing economic inequality is another critical focus. Championing transparent, accountable and inclusive practices within businesses, particularly in the construction sector, is a linchpin for narrowing the wealth gap.

There is also an imperative to root out corruption and criminal activity. Robust measures are required against individuals, including gang bosses, engaged in mafia activities in the construction sector. The space for safe and ethical construction activity needs to be protected through rigorous policing and prosecution of criminal activity.

This requires that policing capabilities be strengthened. Addressing these issues demands not only fixing crime intelligence, but also ensuring a transparent national security strategy. Making this strategy public and updating it every year is vital, aligning efforts across various sectors. Transparency is vital for informed collaboration between government, civil society and the private sector, especially concerning public safety challenges associated with organised crime.

Championing economic fairness, eradicating corruption and fortifying law enforcement will sow the seeds for a society where prosperity is shared, ethics prevail and safety is a collective endeavour.

It is time for South Africa to rise again, freeing itself from the shackles of organised crime. We need to root out organised crime, so that the construction sector can, quite literally, play its role in building a better South Africa.

Daryl Swanepoel is the Chief Executive Officer of the Inclusive Society Institute. This article draws on the content of a recent dialogue on the Impact of the Construction Mafia on the South African economy, which was hosted by the Institute.