

DSA calls on AU to help rid Africa of Ponzi schemes

The Direct Selling Association of South Africa (DSA) is imploring the African Union (AU) to initiate a continent-wide effort to stamp out Ponzi schemes.



"The DSA has noted with concern the increasingly cross-border nature of Ponzi schemes," says DSA chairperson Rajesh Parshotam.

A Ponzi scheme is a form of fraud involving unscrupulous investors who take advantage of unsuspecting individuals by promising them extraordinary returns in exchange for their money. Parshotam says these unlawful schemes are often based in the developed world from where they leverage sophisticated financial instruments such as cryptocurrency to lure unsuspecting people.

"Africans are increasingly becoming targets of Ponzi schemes hatched-up in foreign lands to rob the continent of scarce resources," laments the DSA chairperson.

The DSA is the industry's umbrella body that represents the interests of 24 direct selling organisations operating in South Africa and abroad.

Mounting interest in Africa

The introduction of an African passport, as recently announced by the AU, will encourage and increase intra-trade on the continent through the free movement of people, goods, and services. However, Parshotam warns this move could also have the undesired outcome of making it easier for cross-border Ponzi scheme operators to flourish.

Before Covid-19, nearly half of the world's fastest-growing economies, as measured by gross domestic product, were in Africa. "This is the reason, we believe, that those with ill-intent have sharpened their focus on the African continent," warns Parshotam.

Africa, while rich in natural resources and human capital, is still relatively underdeveloped. "The continent can't afford to have another exodus of capital without the concomitant exchange of value", says Parshotam.

He says Ponzi scheme masterminds are drawn to the continent for two main reasons: "The rapid rise of African economies, a growing middle-class with disposable incomes, and relatively underdeveloped justice systems."

Sophisticated criminal syndicates can evade accountability where there are poor justice systems.



Weak economy a breeding ground for get-rich-quick schemes

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Parshotam called for vigilance as the continent collectively takes measures to fast-track economic recovery, development and job creation.

"We should be equally vigilant in disrupting the forces that are at the forefront of yet another scramble for Africa that could result in zero economic benefits to the continent," says Parshotam.

"The direct selling industry has few barriers to entry. This is one of the reasons for its growing popularity on the continent."

He says the DSA in South Africa is actively involved in the formalisation of the industry around the continent. "We have taken the responsibility to guide the establishment of DSA offices in other countries on the continent," says Parshotam.

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