

***Network on State Owned Enterprises
for Southern African countries***

27-28 May 2009

**SOE
Network
for Southern
Africa**

Maputo
Mozambique



AGENDA



Background and Objectives of the Southern African SOE Network

In southern Africa, the role of state-owned enterprises is of significant importance across a number of economies. With privatisation not a high priority in many participant countries, SOEs are likely to continue to play a significant role in the regional economic framework. Among southern African countries, SOEs are prevalent, to varying degrees, in key infrastructure and service industries including water, energy, financial services and transportation. These sectors are of critical importance to the well being of all citizens and to the competitiveness of upstream and downstream private sector companies and industries. In addition, SOEs are involved in dominant industrial sectors such as mining and textiles that represent the largest employers.

Improving the performance of the SOE sector via improved governance arrangements has great potential to improve economic and social outcomes in southern Africa. The under-performance of SOEs results in poor returns on invested Government capital, reflected in lower dividend streams and, in many cases, ongoing subsidies from the general Government. SOE underperformance can also have a negative impact on citizens and the economy when services in key sectors are not delivered effectively. However, there are significant impediments to reforming or improving the governance and ownership arrangements of the state-owned sector, including capacity constraints; the interests of incumbents being resistant to change; and the belief that corporate governance is of greater relevance to the private sector. Nevertheless there are strong advocates for reform who recognise the benefits to be derived from improved corporate governance in the SOE sector.

In 2005, the OECD issued Guidelines on Corporate Governance of State-Owned Enterprises, which now serve as a global benchmark for countries introducing governance reforms in the state-owned sector. In this context, the OECD is coordinating policy dialogue at the sub-regional level via the Southern African SOE Network. The objectives of the Network are:

- to raise awareness among relevant constituencies on the challenges and the benefits associated with good corporate governance of SOEs;
- to evaluate the current SOE corporate governance policy frameworks and practices in participant countries, highlighting exemplars of good regional practice, through survey work and the development of SOE case studies focused on the region;
- to influence policy making by providing a forum in which policy makers, practitioners and experts can share knowledge and experience amongst themselves and with their OECD peers; and
- to support viable and effective reforms in the area of SOE corporate governance, by discussing and analysing policy options, developing relevant recommendations and agreeing on priorities for reforms adapted to the conditions in Southern African economies.

The meetings involve approximately 60 participants, including the most prominent, active and influential policy makers, practitioners and experts regarding corporate governance of SOEs in the region. They will constitute a peer group that can develop linkages to promote reforms in the sub-region and to develop regional-specific responses to the policy challenges highlighted in the OECD Guidelines. The Network will also include relevant experts from other countries, particularly from the OECD Working Group on Privatisation and Corporate Governance of State-owned Assets.

The Network first meet in 2008 in Cape Town in 2009, dealing with the governance issues identified as being of the highest relevance to participant countries.

Wednesday 27 May 2009 - Morning Session

8:30 – 9:00 **Registration**

9:00 – 9:45 **Welcoming remarks**

Master of Ceremonies: Ursula Chikane

Mr. Manuel Chang

The Honorable Minister of Finance

“Mozambique and Good Governance: Successes and Challenges”

Mr. Arto Honkaniemi,

Senior Financial Counsellor, Ownership Steering Department
Government Office, Finland

Dr. Snowy Khoza

Group Executive Manager: Strategy and Communications
Development Bank of Southern Africa (DBSA)

9:45 – 11:15 **Focus on Mozambique**

Moderator: Ursula Chikane

Mr. Daniel Tembe

IGEPE Executive Chairman

“Corporate Governance in State-Owned Enterprises in Mozambique: Current Challenges and Opportunities”

Mr. António Pinto de Abreu,

Executive Director-Foreign Affairs and Patrimony, Bank of Mozambique

“Coping with the international financial Crisis: Corporate Governance in financial institutions in Mozambique”

Professor Dr. João Leopoldo da Costa,

Chancellor, The High Institute for Science and Technology

President of the National Elections Commission

Africa Peer Review Mechanism Thematic Area Coordinator *“The African Peer Review Mechanism and Business Ethics: How good Corporate Governance can influence Mozambique performance?”*

Mr. Joaquim de Carvalho,

Chairman, TDM (Telecomunicações de Moçambique)

“The challenges of implementing Corporate Governance at TDM SA”

11:15 - 11:30 **Coffee/Tea Break**

11:30– 12:45

Introductory Landscape Session

In many SADC countries, for both political and economic reasons, privatisation has taken on lower significance since the 1990's. For companies that remain in Government ownership, there is a need to focus on better corporate governance with companies operating on a more commercial basis. In this introductory session, representatives from three countries in the region are invited to provide a short presentation on recent policy initiatives in their jurisdiction which have, or are designed to, improve corporate governance practices in their State-Owned sector.

Chair: Mr. Mumba Kapumpa,
President, Institute of Directors of Zambia

Selective Tour de table on recent policy initiatives:

Speakers:

Angola:

Mr. Joao Boa Francisco Quipipa
Temporary General Secretary
Ministry of Economy,

Dr. David Zilungo,
Jurist,
Ministry of Economy,

Namibia:

Ms. Ingenesia Murangi,
Director, SOEGC, Secretariat,
Office of the Prime Minister, Namibia

General discussion and Summary: Chair

12:45 – 14:00

Lunch

Wednesday 27 May 2009 - Afternoon Session

14:00 – 15:45 **Equitable treatment of non-Government shareholders**

The OECD Guidelines place a great emphasis on mechanisms to ensure the equitable treatment of non-Government shareholders. The Guidelines promote the state's ownership agency playing an active role in promoting the rights of minority shareholders. In OECD countries, many SOEs are listed entities with a large number of minority shareholders. In southern Africa, listed SOEs are far less common, and non-Government shareholders are more likely to be blockholders or international partners. This creates a unique set of challenges for protecting shareholder rights, and may place governments in a comparatively more balanced position with respect to other shareholders. The session will provide an opportunity to consider the specific corporate governance challenges that such ownership structures create, and the role that non-government shareholders can play in promoting better practices, both within the SOEs and within Government.

Chair: **Mr. Patrick Chisanga,**
Private Sector Advisory Group,
Global Corporate Governance Forum

Speakers:

Ms. Lindie Engelbrecht,
Chief Executive,
Institute of Directors of South Africa
South Africa

Mr. Eugene Chandi,
Director,
Institute of Directors of Zambia

Mr. Arto Honkaniemi,
Senior Financial Counsellor,
Prime Minister's Office, Finland

General discussion:

- What are the key concerns of non-Government shareholders investing in SOEs? How can Governments best address those concerns?
- How can the existence of non-Government shareholders be used to positively impact on SOE performance? Does stock exchange listing promote SOE performance?
- What impact do non-Government shareholders have on the performance of SOE boards?
- What are the key provisions and mechanisms to address the rights of minority shareholders in SOEs? Are protections contractually or legislatively based?

Summary: Chair

15:45 – 16:00 **Coffee/Tea Break**

16:00 –18:00

The Role of Stakeholders in SOE Corporate Governance

Stakeholder relations are particularly important for SOEs in building sustainable and financially sound enterprises, for improving or protecting their reputation and for fulfilling the general service obligations that a number of them have. The OECD Guidelines recommend that SOEs respect stakeholders rights established by law or through mutual agreements and to fully recognize stakeholders' contribution. They also encourage active cooperation with them. Stakeholders, including creditors, employees and customers may also be a useful source of influence in promoting good corporate governance in SOEs. The Guidelines propose that SOEs report on their policies and effective relations with stakeholders.

Chair: **Mr. Morten Michael Kallevig,**
Deputy Director General,
Ministry of Trade and Industry
Norway

Speakers:

Dr. Y.R.K. Reddy,
Resource Person for SADC-DFRC / GCGF
Chairman & Founder, Yaga Consulting Pvt.Ltd / Academy of Corporate Governance, India

Mr. Mohamed Adam,
Corporate Counsel/SGM,
Eskom Holdings Limited, South Africa

Mr. Andrew M. Musukwa (TBC),
Company Secretary/ Legal Counsel ,
Development Bank of Zambia

General Discussion:

- What are SOEs responsibilities towards stakeholders?
- Which mechanisms should be in place to promote stakeholders' rights and encourage active co-operation with them?
- How can stakeholder relations be used to promote good corporate governance within SOEs?
- What role can creditors play in improving SOE corporate governance?

Summary: Chair

19:00

Gala Dinner, organised and sponsored by IGEPE

Thursday 28 May 2009 - Morning Session

09:00 – 11:00 The Legal and Regulatory Framework

A key focus of the OECD's SOE guidelines relates to establishing appropriate legal and regulatory frameworks. The issues to consider in establishing the legal framework include: seeking to simplify and streamline the legal form under which SOEs operate; ensuring a level-playing field in markets where state-owned enterprises and private sector companies compete, in particular by not exempting SOEs from the application of general laws and regulations; providing a clear separation between the state's ownership function and other state functions, particularly with regard to market regulation; providing that obligations and responsibilities that SOEs are required to undertake in terms of public services beyond the generally accepted norm should be clearly mandated by laws or regulations; and allowing creditors to press their claims and to initiate insolvency procedures.

Chair: **Mr. Daniel Tembe,**
Chairman,
IGEPE,
Mozambique

Speakers:

Mr. Mumba Kapumpa,
President, Institute of Directors of Zambia

Mr. Morten Michael Kallevig,
Deputy Director General,
Ministry of Trade and Industry, Norway

Mr. Fumbani Sichinga (TBC),
Assistant Director,
Department of Statutory Corporations,
Malawi

General discussion:

- Is it desirable to harmonize SOEs' legal status? What are the options for the legal forms, and what advantages and disadvantages do they bring in a local context?
- What are the main challenges and constraints to rationalising the current range of legal forms of ownership?
- What are the main areas where governments' ownership functions and its regulatory or industrial policy functions overlap? What further actions are possible to facilitate a better separation of ownership and other government functions?

Summary: Chair

11:00 - 11:15 Coffee/Tea Break

11:15 – 12:30

Case Study in Corporate Governance: Industry Focus - Electricity

Zambia Electricity Supply Corporation

The Zambia Electricity Supply Corporation Ltd (“ZESCO”) came into being in 1970 as the national utility responsible for generation, transmission and distribution of electricity. ZESCO is a parastatal company under the Companies Act; its governance has evolved over time to one that defines an arms-length relationship with government. The relationship is defined in a performance contract which also defines the commercialization issues and other operational benchmarks. In recent times ZESCO has attracted wide ranging criticism as to its performance, weak financial position and poor efficiency of operation in many areas. The regulation of energy in Zambia is carried out by the Energy Regulation Board of Zambia (“ERB”). The Zambian Energy Regulation Act established the ERB, defines its powers and functions, and provides for the licensing of undertakings for the production of energy or the production and handling of certain fuels. It is a body corporate with wide powers to regulate the energy sector, with the main regulatory methodology being the use of a licensing system.

Chair: Dr. Y.R.K. Reddy,

Resource Person for SADC-DFRC / GCGF

Chairman & Founder, Yaga Consulting Pvt.Ltd / Academy of Corporate Governance, India

Speakers:

Ms. Jane Kabaki,

Managing Director,

NOZAYO TRADING & DEVELOPMENT

Mr. Bernard Mhango,

Corporate Secretary,

DBSA (Development Bank of Southern Africa)

Discussion

Summary of Discussions: Chair

12:45 – 13:45

Lunch

Thursday 28 May 2009 - Afternoon Session

13:45 – 15:00

Way Forward

Harmonising the Work of the Group with Regional Forums:

This session provides an opportunity for participants to consider and discuss how the work of the Network might be promoted in regional forums as a means of promoting SOE reform and embedding it into regional policy development processes.

Moderator: Ursula Chikane

Speakers:

Mr. Bernard Mhango,
Corporate Secretary,
DBSA (Development Bank of Southern Africa)

Mr. Jim Colvin,
Policy Adviser,
Corporate Affairs Division, OECD

General discussion:

- Discussion of harmonization of the work programme with other regional bodies
- Discussion of the future role and work of the group

Main highlights from the meeting: Mr Jim Colvin,
Policy Adviser,
Corporate Affairs Division, OECD

15:00

Close of the meeting

Organisation of the Meeting

Main speakers are invited to launch the discussion for each session. Their role is to highlight the main challenges related to the specific theme, provide some elements to answer the related questions, and illustrate with their individual experience. The objective is to stimulate reflection and encourage the exchange of views and experience on these complex issues among all the Network participants. These initial presentations should last no more than 15 minutes each.

The discussion will then be open for all Network participants to react, expose their views and systematically discuss the issues raised in the initial presentation and related to the questions provided in the agenda. All Network members are encouraged to actively and openly participate in discussions to provide the whole Network with their country experience and vision for reforms.

Chairs are invited to encourage open discussion among different Network participants, to maintain the focus on the theme of their session and to be strict in managing time.

The planning session will allow discussion on the format and focus of a Regional Policy Brief that could flow from the work of the Network, and to set priorities for the future role and work of the group.

All the information regarding the meeting including PowerPoint presentations, final agenda, meeting summary and related documents will be posted on our website:

www.oecd.org/daf/corporateaffairs/soe/africa