

**“Recent SOE Reforms and Monitoring Implementation of the Guidelines”
6th Meeting of the OECD SOE Network for Southern Africa
24-25 November 2015
Victoria Falls, Zimbabwe**

Summary Record Recap

Day 1, Recent SOE Reforms and Monitoring Implementation of the Guidelines

- The Network received a presentation on the Revised OECD *Guidelines on Corporate Governance of State-Owned Enterprises* ("OECD SOE Guidelines"); and heard from the United States and the United Kingdom on their “contemporary” SOE governance practices.
- The Network received an update from four countries (Namibia, South Africa, Zimbabwe, and Seychelles) on recent and planned SOE reforms, involving a whole-of-government approach; including the Keynote Address provided by Honorable M. Bimha, Minister of Industry and Commerce from Zimbabwe.
- The Network tracked progress on implementation of the regional *Guidelines on Governance of SOEs in Southern Africa*. Participating countries (in attendance) reported on the practical application of the Guidelines to the context of ownership and governance arrangements in their respective countries.
- The Network concluded its discussions by considering short-term deliverables for the Network’s programme of work, as well as possible themes for work in the medium-term. In the short-term it agreed to :
 - ✓ Regular reporting on implementation of the *Guidelines on Governance of SOEs for Southern Africa*
 - ✓ Raise the profile and regional integration of the Network’s work, including elevating the *Guidelines* to a SADC political process
 - ✓ Improve Network communications in between meetings (for example through a Linked-In group)
- In terms of medium-term priorities the Network identified the themes which it can cover, these included: Transparency and accountability; Broadening the ownership of SOEs, divestment and strategic partnerships; Rationales for state enterprise ownership; and, Financing SOEs and Investment Strategies.
- Regarding the next meeting (7th meeting) of the Network, members agreed to consider whether they could host (the Secretariat offered to follow up with Kenya and Seychelles on earlier offers). In terms of the meeting’s focus areas, Network members agreed that this should include further updates on members’ progress implementing the Guidelines as well as a discussion of one of the four themes identified above

Day 2, Thematic Discussion: Corporate Ethics and Business Integrity

- A thematic discussion took place on the tabled draft Handbook, entitled, *Ethics and Business Integrity in Southern Africa: A Handbook for Governance as Owners and State-Owned Enterprises*. Each chapter was presented by a member of the Task Force (charged with development of the Handbook), and followed by a discussion.
- Network participants agreed on the importance of the tool, and agreed to finalise the Handbook swiftly so that it can be circulated widely. Any further comments on the draft can be sent to the Secretariat by end-December. By end-January 2016, a revised draft will be circulated for comment and approval for publication via written procedure to the Taskforce.

Introductory Remarks

Mr. Justin Hugh Mupamhanga, Deputy Chief Secretary, Office of the President and Cabinet, Government of Zimbabwe: The Deputy Chief Secretary thanked Network participants and welcomed them to the 6th meeting of the SOE Network for Southern Africa, hosted by the Government of Zimbabwe. Mr. Mupamhanga recalled the mandate of the two-day meeting which includes taking stock of the progress made with the regional *Guidelines on Governance of State-Owned Enterprises for Southern Africa*, launched in Lusaka, Zambia in 2014; and hearing from the Task force responsible for drafting the Handbook on Corporate Ethics and Business Integrity.

Mr. Mupamhanga applauded the Network for the seriousness in which it engages, and emphasised that sharing of experiences and raising of corporate governance practices can ultimately lead to better economic development outcomes. He recalled challenges faced by SOEs (including under-capitalisation, underinvestment, and financial drain); and the costs and impact their failure can have on regional integration, and the ability attract regional and foreign investment.

He called on Network members to continue to build on the work done, concluded by recalling the efforts by the Government of Zimbabwe via the SADC Secretariat to elevate the status of the document to a SADC instrument. In this vein, he encouraged the Government of Botswana, which took over Chairmanship of SADC, to take the agenda forward to give the Guidelines "the thrust that it needs."

Mr. Nigel Smith, Shareholder Executive, United Kingdom, also Vice Chair OECD Working Party: Mr. Smith thanked the host Government, the organisers and the Government of Norway for their financial support of the Network. Mr. Smith provided an introduction to the OECD's Working Party on State-Ownership and Privatisation Practices, its regional activities and recalled the 2015 revision process of the OECD's Guidelines on Corporate Governance of SOEs. He also thanked the Network for its work and comments on the update of the OECD Guidelines. Mr. Smith applauded the Network members for the reforms undertaking at the national level and for the work undertaking through the Network itself. Mr. Smith recalled the importance of the focus on SOE governance issues, and recalled the sizeable and growing role of state-invested companies worldwide, and current reforms being undertaken by the UK government. He concluded by stating how the OECD Working Party and its Bureau is committed to supporting the Network, and that it would like to see these activities carried forward sustainably, further building on regional ownership. In this vein, he encouraged the Network to further build linkages with regional partners, including African Union, Southern African Development Community and the United Nations agencies (he cited the Africa Peer Review Mechanism, the New Partnership for Africa Development, the United Nations Economic Commission for Africa, and World Bank). He also encouraged Network members to participate in future global events organised by the Working Party.

Keynote speech by Honourable M. Bimha, Minister of Industry and Commerce (Keynote took place on Day 2): The Honourable Minister recalled the theme of the 6th Meeting of the SOE Network for Southern Africa, emphasizing the need to focus on implementation of the Network's new Guidelines and, SADC members' commitments to ensuring integrity in their SOE sectors. The Minister provided an overview of Zimbabwe's own efforts to "walk the talk" through reforms in its SOE sector. The Minister described how Zimbabwe's 97 state entities suffer from underperformance and, until recently, passive state ownership. He posited that Zimbabwe can no longer afford to leave things as they are or to rely on these entities to simply reform themselves. These challenges are compounded, the Minister added, by the scourge of corruption, including in the SOE sector.

The Honourable Minister then described how the Government of Zimbabwe is planning to address the governance and integrity challenges faced in the SOE sector. These plans include

identifying Zimbabwe's 10-largest strategic state entities, including all the major providers of key utility services, for priority reform. Together, the Minister estimated that these 10 SOEs should be capable of contributing to 40% of GDP. The Minister further described how the reform of these SOEs is integral to "Zimbabwe's Agenda for Sustainable Socio-Economic Transformation", also known as Zim-ASSET. Efforts in the short-term to reform Zimbabwe's largest SOEs include undertaking financial and performance audits and improving corporate governance practices, with a view to possibly broadening the ownership of SOEs at a later stage, for example through joint ventures or public-private partnerships.

The Honourable Minister reported that his Government welcomed and was deeply impressed with the Network's *Guidelines on the Governance of SOEs in Southern Africa*. The Guidelines informed the development of Zimbabwe's own National Code of Corporate Governance, launched in April 2015. Elements of the new Code will be integrated into the draft *Public Sector Corporate Governance Bill*, which, if approved, will give legal effect to, and punitive consequence for, non-compliance with the Code. The Bill also has plans to establish a "Corporate Governance Delivery Agency" to coordinate ownership across the government.

Finally, the Honourable Minister underlined the importance of having—and implementing—a standard regional set of good governance practices, such as the Guidelines, for promoting greater integration in the SADC region. Having effective SOEs—which provide essential services such as infrastructure, electricity and transportation—is integral to this process. The Honourable Minister added that the Network's focus on corporate ethics and business integrity provides an additional contribution to collective efforts to strengthen and improve the efficiency of the region's SOE sectors. The Minister further thanked the co-organisers, Network members and OECD Secretariat and OECD Working Party on State Ownership and Privatisation Practices Vice-Chairs for their participation. (Refer to full transcript of the Minister's speech.)

**Session 1: Contemporary Reforms and Best Practices:
An overview of the Revised OECD Guidelines on Corporate Governance of State-Owned Enterprises**

Mr. Nigel Smith, Shareholder Executive, United Kingdom, also Vice Chair OECD Working Party: Mr. Smith introduced the Shareholder Executive, established in 2003, with a mandate to ensure the UK government "is an effective and intelligent shareholder in government-owned business". The current portfolio comprises of 20 commercially-oriented businesses, mainly concentrated in the telecoms, electricity, water, gas, airports, airlines, aerospace, oil, steel, and railways sectors; it also oversees SOEs held by other departments. Mr. Smith discussed plans to establish the UK Government Investments Office under the Treasury, which, when finalised in April 2016, would bring together the Shareholder Executive (ShEx) and UK Financial Investments (UKFI) under one roof giving it more weight and independence. His presentation covered the shareholder governance role that it ShEx employs, which includes: clearly articulating why it owns SOEs and what their purposes are; how it delivers on those objectives; clear processes for the appointment of a high-quality board that has real roles and responsibilities within an agreed context; and how it establishes an open and clear asset-shareholder relationship (which is based on "no surprises"), with the appropriate shareholder levers. Mr. Smith's presentation went into detail on these processes, and cited examples from the recent privatisation of Royal Mail - recalling some of the factors for successes and challenges that the government faced in this processes. Mr. Smith's presentation concluded with a comparison of the ShEx ownership practices and the OECD SOE Guidelines, to indicate how the UK has practically applied the recommendations of the instrument to its own ownership practices.

Ms. Ann Low, US Department of State, United States, also Vice Chair OECD Working Party: Ms. Low provided a detailed presentation of the 2015 OECD Guidelines on Corporate Governance of

State-Owned Enterprises, and the two-year revision process that it entailed. She discussed what trends in the corporate governance landscape occasioned the review; what remained the same through the revision process; and what significant changes were made to the instrument, including in the area of responsible business conduct, to link with the thematic sessions covering corporate ethics and business integrity covered on day 2. She also encouraged the Network to compare the regional Guidelines with the revised 2015 OECD Guidelines, and update the document to make it in line with international best practices. She recalled that SOEs represent an increasing share in international investment flows; and that that flows are increasingly emanating from development and emerging market economies; for this reason she underlined that strong corporate governance practices are important. A brief overview of sections pertaining to responsible business conduct was provided to link with the thematic session on corporate ethics and business integrity. Ms. Low also highlighted the GER.co initiative, which encourages governments to put more administrative processes online and to simplify those processes. She pointed out that many African economies have very user-friendly website, and encouraged that SOEs help to promote use and expansion of online administrative. Finally, Ms. Low provided a snapshot of the US ownership model at the federal level, which comprises of 17 government corporations established by Congress to perform public purposes.

Roundtable Discussion: The **Director of Events, Mr. Canaan Dube**, called upon participants to consider the extent to which the "single owner" concept is applicable across their jurisdictions; and to compare and contrast the regional SOE Guidelines with the OECD standard. A question and answer discussion followed, which covered the following topics: issues of capacity development and performance evaluation of board members; criteria used to determine whether a complex SOE should fall under a centralised ownership entities portfolio (i.e. value, public service obligations; liabilities, dividends; how to overcome resistance that might be faced towards the ownership entity by line ministries and SOEs; and how the OECD and its members might assist Network members to implement the Guidelines.

Session 2: Recent and Planned SOE Reforms

The Moderator, **Dr. Peter Rundell** of the World Bank invited government delegates and representatives to provide an update recent and planned SOE reforms which involved substantial changes to ownership or governance arrangements, and which have be subject to a government-wide reform process. The last time the Network has heard from its members on recent reforms dates back to the 2012 Midrand meeting. Speakers from Namibia, South Africa, Zimbabwe (government and an SOE executive), and the Seychelles presented. Their presentations can be summarised as follows:

Mr. Hezekiel Awasemeb, Deputy Director: Legal Advice, Ministry of Public Enterprises, Namibia. The presenter described the steps taken by the Government of Namibia to move from dual to centralized governance model. A Ministry of Public Enterprises was established to herald the move to a centralised model, which also required modifications to the SOE Governance Act. A specialised corporate governance reform unit was set-up to assist the transition from a dual to centralized governance model. The reforms are currently a work in progress; but the Government of Namibia considers it to be paradigm shift in the way it considers its public enterprise sector. The Ministry official further supported the call to elevate the regional Guidelines to a SADC protocol, noting that the Guidelines can support Network members in their respective national reform endeavours.

Mr. Adv. Melanchton Makobe, Acting Deputy Director General: Corporate Management, Department of Public Enterprise, South Africa. Adv. Makobe described the Government of South Africa's SOE reform strategy which follow's from the conclusion of the Presidential Review process in 2013. Current reform efforts are guided by a February 2015 Resolution to Implement SOE reforms. There are two main priorities under this plan, the first is to stabilise the financial situation of SOEs –

which might include rationalisation or consolidation of the sector- ; the second is to ensure that SOE contribute to the fulfilment of the National Development Plan. He recalled the Department of Public Enterprises' mandate of shareholder oversight and the active role given to it as coordinator of government policy towards SOEs. He also recalled the important size of the SOE sector in South Africa, accounting for 20% of capital formation and investment activity.

Mr. Edgar Nyoni, Executive Director, State Enterprise Restructuring Agency, Zimbabwe: Mr. Nyoni described SOE reform efforts which are guided by the 2013 National Development Plan. The government adopted a SOE reform strategy which aims to address some of the shortcomings in the SOE sector (e.g. poor state of infrastructure and equipment; non-compliance to corporate governance practices, inadequate capitalisation; high operating costs; debt overhang). A Public Sector Corporate Governance Bill is currently being drafted, and if approved, will establish a Corporate Governance Delivery Agency under the auspices of the Office of President and Cabinet. The Government is also working towards separating the roles of regulators and other government functions (e.g. Civil Aviation Authority of Zimbabwe). In terms of specific measures, the government is introducing debt off-setting and cost-cutting measures in priority SOEs; while introducing aggressive debt-collection methods. Other reforms in the pipeline, include reviewing the Procurement Act - which seen as a challenge to the operations of commercially oriented SOEs; and improving performance monitoring (a framework is under development, with support of the World Bank). At a regional level, Mr. Nyoni, suggested developing a standardised performance and monitoring framework.

Engineer Joshua Chifamba, Group Chief Executive Officer, ZESA Holdings: Mr. Chifamba provided an overview of the ZESA Holdings, which groups all the state-owned owned electricity operators in Zimbabwe. He recalled that the current priority is to attain investment-grade rating, and thus attract further capital and investment in the sector, to upgrade and modernise infrastructure. One approach taken is to improve revenue collection by conventional power users (moving to a prepaid model). In terms of overall reforms to the SOE sector, Mr. Chifamba posited that although the government has moved towards a more market-oriented approach, additional liberalisation might be useful, including unbundling transmission from distribution. He concluded that SOEs can provide good services and returns to the shareholder, so long as the appropriate corporate governance practices are in place, including further centralisation of the ownership function and separating ownership from regulation.

Mr. Roland Marengo, Public Enterprise Monitoring Commission, Seychelles: Mr. Marengo described the ownership model pre-2009, which was fully decentralised under respective line ministries and characterised by enterprises which were not profit-making. In 2009, the Public Enterprise Monitoring Department was created under the Ministry of Finance, and the government embarked on dual ownership model. In this process, the government also privatised a significant number of parastatals. In 2013, the government transformed the Department to a stand-alone Commission, operating at arms-length with the government (it has its own board of directors). The Public Enterprise Monitoring Commission oversees 13 SOEs all incorporated under Commercial Law, and acting purely commercial. The SOE landscape comprises of an additional 10 corporate bodies, established under their own decree. The government is in the process of establishing a Holding Company (SSIL), which will manage the state portfolio and reinvest earnings, this company will report to the Commission on governance matters. At the current juncture, the government is assessing the 10 remaining corporate bodies, and is working towards separating the regulatory from commercial functions; the former will be absorbed by the line ministries.

Roundtable Discussion: A question and answer session followed during which panellists addressed a number of issues including their top governance challenges; the motivation towards establishing centralised ownership units and the merits/demerits of a "holding company model;" how to prioritise commercial over developmental objectives; and political interference in the decision-making process of the company's governing structures. The Director of Events concluded the session by asking participants whether in their reform processes they have to considered "letting go" of state ownership.

Session 3: Tracking progress in SOE corporate governance reform based on the Guidelines on the Governance of SOEs in Southern Africa

The Moderator, **Ms. Tsitsi Mutasa** of the Zimbabwe Leadership Forum, invited countries to select and present on thematic topics (i.e., board practices, ownership policies, transparency and accountability, etc.) as part of a discussion on current SOE corporate governance policy frameworks and practices relative to the Guidelines on the Governance of SOEs for Southern Africa. Each presenter drew upon areas that represent a practical application of one or two principles in the Guidelines, and how they have been adapted to the context of ownership and governance arrangements in their respective countries.

Mrs. Sara Sultan, Policy Analyst and Network Manager, OECD SOE Unit: Ms. Sultan provided an introductory presentation, based on the 2014 [State-owned Enterprises in Southern Africa : A Stocktaking of Reforms and Challenges](#), the presentation provided an overview of current ownership arrangements across Southern Africa, and a comparative overview of changes in the legal and regulatory environment that have happened since 2012 (the last time the Network received reporting), the presentation was based on each chapter of the Guidelines. Ms. Sultan concluded that over the last three years, and in particular over the last year since the Guidelines were adopted, many countries have moved towards or currently considering centralised ownership models; have taken further steps to separate ownership from regulatory functions. The presentation also covered some of the remaining challenges as reported by Network countries to improve governance and performance of SOEs.

Mr. Ontiretse Kgarebe, Head, Performance Monitoring, PEEPA, Botswana: Mr. Kgarebe first discussed changes in the composition and landscape of SOEs in Botswana over the last 15 years. This period marked an increase in the number of SOEs created (from 25 to 61 SOEs), which signals the government's objectives to deliver on the national development agenda through the increased use of semi-autonomous agencies or parastatals. The number of commercially oriented companies also decreased (from 68% commercial SOEs in 2000 to 40% in 2015), with an increase (25% to 35%) in the number of SOEs responsible for social development, and an increase from (8% to 27%) of SOEs with a regulatory mandate. In terms of institutional arrangements, Mr. Kgarebe noted that the level of discourse on corporate governance practices has considerably evolved since 2011 with the adoption of the Corporate Governance Framework for SOEs. At the time, the discussion focused on basic corporate governance fundamentals, (i.e. board charters, defining board and management roles and composition, etc.). Mr. Kgarebe described a "breakthrough" in 2012 with the establishment of "formal guidelines on exercise of shareholder oversight. This year, the PEEPA got approval to develop a state enterprise ownership policy which will (1) define principles/objectives for ownership; (2) define oversight practices; and (3) define governance arrangements. Mr. Kgarebe said that the issue of centralisation of the ownership function has yet to be discussed in Botswana (currently the model is decentralised).

Ms. Odete Tsamba, Executive Board Member, IGEPE, Mozambique: The representative from Mozambique discussed the government's plans to decrease the ensemble of enterprises to about 40; the divestment process is conducted by IGEPE. In addition to managing shares in State representation, IGEPE also manages its own shares that it holds directly in some SOEs and other private companies. Currently, a law about the governance of the SOE Sector, which will aim to ensure SOE's conform with best practices of corporate governance, and a Resolution of the Cabinet to establish criteria on a board remuneration, are under approval. There is also a proposal to evaluate management's performance based on management contracts. The representative from IGEPE also described "SIMAP", as an integrated IT reporting system that allows real-time monitoring of SOEs performance. IGEPE is structured as an agency with around one person assigned to oversee 7 or 8

companies. This continuous monitoring procedure is considered, by IGEPE, to reduce risks and allows it to take action when companies are not performing well.

Mr. Romanus Kawana, Deputy Director: Economics and Public Governance, Ministry of Public Enterprises, Namibia: The representative from Namibia described the challenges faced by the government in raising the governance and efficiency of SOEs. The sector has historically been characterised with poor performance associated with mismanagement and poor corporate governance, which, according to the speaker, also included a lack of ethical culture. To address these shortcomings, the government enacted the SOE Governance Act in 2006 and established an institution to act as a watchdog over SOEs. At the time, the governance model was transformed into a dual model; however there were still major challenges in improving SOE governance, due to the multiple actors involved in the decision-making process, which apparently created a gap in SOE accountability. Thus, in 2015, the government embarked on a reform process to establish the Ministry of Public Enterprise, as the institution to centralise SOE governance and to reform the sector. The government enacted a new Public Enterprises Governance Act (2015), and some of the priority reforms it has identified, include: a) developing and overseeing governance and performance agreements; b) looking into financial and business plans and requiring reporting to be submitted on timely basis; and, c) assessing board remuneration, and looking to synchronize remuneration practices across the SOE sector. The representative indicated that the regional SOE Guidelines were considered to be an important influence in the current reform process, and following its adoption in Lusaka, the Guidelines were circulated to all government bodies involved in SOE governance, and to SOEs themselves. The government is considering adopting the regional Guidelines as part of its national code (a decision should be communicated shortly).

Mr. Roland Marengo, Public Enterprise Monitoring Commission, Seychelles: Mr. Marengo first pointed out that the Government of Seychelles is planning to apply both the recently revised OECD instruments on corporate governance to its SOE sector (i.e. the OECD-G20 Principles of Corporate Governance and the Guidelines on Corporate Governance of SOEs). In terms of evolution in the legal and regulatory framework, Mr. Marengo mentioned that since the establishment of the PEMC, the government has achieved separating ownership from regulation. In parallel, a competition policy is in place to ensure fair competition including as it applies to SOES. The government plans to rationalise its SOE sector and is planning to establish a framework, in addition to enhancing transparency of SOEs. The presentation was complemented by commentary from **Gary Fine** of the **World Bank**, which is currently assisting the Government of Seychelles in establishing a holding company to manage its SOEs with a "portfolio management" approach. One question that is currently being discussed is "how activist should the shareholder be".

Ms. Orcilla Ruthnam, Chief Director: Governance, Department of Public Enterprise, South Africa: Transparency & Disclosure): Ms. Ruthnam provided an overview of DPE portfolio which she noted, in the 2014/15 period all were able to show a profit. DPE then provided an overview of the transparency and disclosure requirements which ensures accountability of management, oversight and via independent external audit. Disclosure of audit outcomes of the state ownership portfolio was highlighted shortcomings in recent government assessments of the sector (characterised, according to the speaker, with irregular and fruitless or wasteful expenditure; procurement management; lack of quality financial statements; etc.). For this reason, DPE is in the process of reviewing its shareholder management practice tools and frameworks, for example: (1) SOC Reform of the Government Shareholder Management Model (Concept proposal to Minister); (2) Protocol on Corporate Governance in the Public Sector and the Board Induction Toolkit; (3) Remuneration Standards. The Shareholding Minister has requested all boards to put measures in place to address shortcomings found in audits; and DPE has monthly management meetings with some SOEs, and attends quarterly review sessions. SOEs must now report on quarterly basis on progress made in addressing findings and recommendations of the audits. It is considered that this process will introduce a culture of discipline that will build public confidence in SOE; improve performance; and, ensure clear accountability framework that will recognise good performance and address non-performance.

Mr. Themba Motsa, Senior Finance Officer, Public Enterprise Unit, Ministry of Finance, Swaziland: Mr. Motsa recalled that the portfolio of enterprises in Swaziland comprises of 48 companies, of which 75 per cent of their operating budget is provided by the government (even if assets are estimated to be worth a significant amount). The SOEs are providers of major public services including water, electricity, and tertiary education. The ownership model is decentralised, with about 15-20 line ministries overseeing the total portfolio. The Ministry of Finance unit that Mr. Motsa represents is the unit "politically responsible" for SOE supervision. In Swaziland, boards often report directly to Ministers; however there is a training programme for board members. The King III Corporate Governance Principles inform practices in Swaziland, which includes requirements for board composition. In terms of reporting requirements, public enterprises report to the Ministry of Finance and line ministries. This includes quarterly reports, unaudited statements, corporate plans, and budgets. SOEs are required to consult the government (either the responsible line ministry and/or Cabinet approval), on decisions that might include restructuring tariffs, certain types of investments. In 2004 a privatisation policy was approved, but apparently not progress was made due to lack of political will. The Ministry of Finance recently developed a dividend policy for profit-making enterprises that came into effect this current financial year; and has amended its Public Financial Management Act to encourage greater accountability.

Mr. Stuart Comberbach, Permanent Secretary, Office of the President and Cabinet, Zimbabwe: Mr. Comberbach recalled the size of the portfolio of SOEs in Zimbabwe which comprises of 97 entities. In the government's Parastatal State Enterprise Reform programme, it has identified 10 large commercial SOEs (operating in energy, telecom, water and transportation) as priority for reform, considering their importance to the development process; and the level of complexity of the reforms. The programme will be rolled out to the remaining SOEs in due course. The question of organisation of ownership (i.e. decentralised or centralised), is still being considered in Zimbabwe, which is currently organised as a decentralised model but with plans to establish a Corporate Governance Delivery Agency to coordinate SOE policies via the Office of the President and Cabinet. Mr. Comberbach cited some of the shortcomings faced by the SOE sector, as noted in the Auditor General's narrative report, which noted that most challenges in SOEs are of corporate governance in nature. Following adoption of the regional Guidelines in Lusaka, the Ministry of finance circulated a brief to all cabinet members and circulated copies of Guidelines to all ministries, and SOEs for their consideration. The development of Guidelines also informed the National Corporate Governance Code which will be rolled out in 2016. Previous disappointments with implementation of codes, bad media coverage, and parliamentary scrutiny of reportedly dubious SOE practices has led the government the intent to give legal effect to code, which would be enacted in to a Public Sector Corporate Governance Law. The Code and draft Law touch upon many issues, including board and CEO appointments, board committees, procedures on regular and transparent reporting, etc. Other acts are currently being amended as well (including the Companies Act, Audit Act, Public Financial Management Act, and the Anti-Corruption Commission Act). The government considers that the strict and consistent enforcement of the Law will be the real test in Zimbabwe, but by establishing a law this sends an important signal to SOEs of the seriousness of the government's intent to reform. Mr. Comberbach concluded by noting that the Network has been of great benefit and guidance to help bring Zimbabwe to where it is today in its reform process.

Roundtable Discussion: The themes discussed during the question and answer session that followed included: the right timing necessary to carry out privatisations; which form of privatisation and divestment is best suited to certain SOEs and the African context; and how to overcome a lack of political will; the reporting and separation of accounts in SOEs carrying out both commercial and non-commercial activities; and board remuneration practices.

The Director of Events concluded that the Guidelines are an important benchmark for Network countries, and that implementation should begin with the "easy pickings" - he urged countries not to delay implementation (for example on financial reporting and disclosure) and not to "get stuck on

policies and adoption" processes. Mr. Dube suggested that a toolkit might be developed to assist countries in regular reporting in the adoption of the Guidelines. On the issue of privatisation, he advised governments not to privatise before commercialising SOEs.

Way Forward

The Network concluded its Day 1 discussions by considering short-term deliverables for the Network's programme of work, as well as possible themes for work in the medium-term. In the short term, the Network agreed to further consider the following deliverables before its next meeting in 2016:

Reporting on implementation of the Guidelines on Governance of SOEs for Southern Africa. Network members agreed on the importance of continuing to track implementation or application of the Guidelines. The 6th Network meeting in Zimbabwe provided a first step toward developing a regular update on Network members' progress in this regard. Future reporting back to the Network could include the development of standardised reporting template, structured around the Guidelines document. Such an exercise would not be used to "scorecard" members' SOE governance practices but, rather, to facilitate the exchange of country practices and information. The Network might further consider harmonising its regional Guidelines with the revised 2015 OECD Guidelines to make it consistent with internationally accepted best practices.

Raising the profile and regional integration of the Network's work. As suggested by Zimbabwe's Mr. Justin Hugh Mupamhanga, Deputy Chief Secretary of the Office of the President and Cabinet, the Network should seek to integrate its work into the regional framework of the SADC political process. This would both raise the profile of the Network's work and would help to ensure that the Network's outputs are truly regional and that its momentum is sustainable. Botswana, which will lead SADC in 2016, was encouraged to seek political endorsement of the Guidelines at the SADC-level, possibly in the form of a SADC instrument.

Improving Network communications in between meetings. Network members agreed it would be useful to develop a mechanism for continuing the dialogue on SOE governance outside the Network's yearly meetings. For example, Network members could develop a Linked-In group to exchange information on an informal basis. Volunteers from the Network are welcome to establish and take up responsibility for managing this online platform, in cooperation with the Network Secretariat.

As noted above, the Network also identified the following themes as priority areas for work in the medium-term:

- ***Transparency and accountability:*** This theme would focus on improving transparency and accountability for both SOEs and the ownership entity. Work undertaken under this theme could include assessing ownership policies (see also "rationalisation of state ownership" below); setting SOE objectives, taking into account developmental and other non-commercial policy objectives; and processes for monitoring and evaluating SOEs' performance.
- ***Broadening the ownership of SOEs, divestment and strategic partnerships:*** This theme would focus on exploring avenues for diversification of ownership of SOEs, for example through stock market listings; through divestments and asset sales; and/or engaging in public-private partnerships with strategic partnerships and privatisations. Work undertaken under this theme would include: assessing the rationales for broadened ownership; desired outcomes in terms of governance and performance improvements; impacts on capital market

development; and attracting investment from, and partnerships with private sector financiers or investors.

- *Rationales for state enterprise ownership:* This theme would focus on rationales offered by national governments for maintaining or increasing corporate assets in state ownerships. Work undertaken under this theme could assess state enterprise ownership policies (where they exist) and how these policies are developed, communicated, reviewed and applied, particularly in cases of SOE-creation or SOE-termination; how the State defines the overall objectives of the SOE sector; and the state's role in the corporate governance of SOEs.
- *Financing SOEs and Investment Strategies:* This theme would focus on national policies and practices toward SOE financing and investment decisions, with a view to better understanding decision-making processes surrounding SOE financing at different stages of the corporate life cycle. Work undertaken under this theme could assess SOEs' capital structure, rate-of-return requirements, dividend pay-out expectations, and the provision of state support, including for covering the costs of meeting commercial and non-commercial objectives and delivering on developmental objectives. It could also address questions related to SOEs' main sources of SOE financing and the mechanisms employed to ensure SOE financing is obtained on competitive conditions, as compared with private companies.

Regarding the next meeting of the Network, members agreed to consider whether they could host, while the Secretariat offered to follow up with Kenya on its earlier offer to consider hosting. In terms of the meeting's focus areas, Network members agreed that this should include further updates on members' progress implementing the Guidelines as well as a discussion of one of the four themes identified above, if possible with presentations of real-life case studies. Network members also agreed that participants at next year's meeting should include representatives from the SADC secretariat, in order to identify synergies between the Network's programme of work and that of the SADC. Additional suggestions on areas for future work were collected through an informal poll of participants to the meeting; these results are summarised in Annex 1.

DAY2: Thematic Discussion: Corporate Ethics and Business Integrity

***Introduction and Overview of the draft Handbook Ethics and Business Integrity in Southern Africa:
A Handbook for Governments as Owners and State Owned Enterprises***

Mr. Edwin Mubataripi, General Manager (Prevention and Advocacy), Anti-Corruption Commission, Zimbabwe: Mr. Mubataripi opened Day 2's thematic discussion on corporate ethics and business integrity. He began by recalling the role and mandate of the Anti-Corruption Commission (ZACC), which is mainly to prevent corruption through advocacy and awareness-raising via electronic or print media, conferences, and by mainstreaming the fight against corruption throughout Zimbabwe's public sector and educational system. ZACC also consults on draft bills to ensure that good governance practices are incorporated and mainstreamed into Zimbabwe's legal and regulatory framework (i.e., the Public Finance Management Act). In the SOE sector, the ZACC assists in the establishment of corruption-prevention practices, particularly in the area of public procurement. The draft handbook, *Ethics and Business Integrity in Southern Africa: A Handbook for Governance as Owners and State-Owned Enterprises*, Mr. Mubataripi noted, is a useful and comprehensive tool for preventing corruption in the SOE sector and reinforces ZACC's message that "clean business is good business". Mr. Mubataripi concluded by suggesting that the Handbook, once finalized, could be followed-up by integrity trainings.

Ms. Sherry Thole, President, Institute of Directors, Zambia: Ms. Thole, in her capacity as Acting Chair of the Handbook task force, introduced the Handbook and its mandate, which stems from the Network’s 2013 decision to use the Network as a platform for sharing experiences combating corruption in the SOE sector, as well as the 2014 decision to develop guidance for SOEs and their owners. This mandate stems from members’ recognition of the devastating impact corruption in the SOE sector can have, given the central role SOEs play in many SADC countries. Ms. Thole explained that the Handbook is grounded in the belief that good corporate governance practices should provide the foundation for addressing corruption and promoting business integrity. That is why it draws from the Network’s *Guidelines on the Governance of SOEs for Southern Africa*, as well as the updated OECD *Guidelines on the Corporate Governance of State-Owned Enterprises*. The draft Handbook also builds upon the Network’s *Stocktaking of Anti-Corruption and Business Integrity Measures for Southern African SOEs*. Ms. Thole concluded by asking participants to: identify areas where the Handbook could be further developed or corrected; contribute further national experiences and practices; and consider how the Handbook’s advice can be applied across Network jurisdictions.

Ms. Mary Crane-Charef, Policy Analyst, OECD SOE Unit: Ms. Crane-Charef presented the introductory chapters of the Handbook. She began by distinguishing corporate governance frameworks from internal controls, ethics and compliance programmes or measures for combating corruption, noting that corporate governance provides the umbrella framework that ensures such tools are established, implemented and monitored. She then recalled the positive link between combating corruption and economic growth and the growing international consensus to develop laws and regulations for improving business integrity. Ms. Crane-Charef concluded by underlining the Handbook’s focus on implementation of the existing legal and regulatory framework for combating corruption. It aims to provide practical examples of measures employed by governments and SOEs to prevent corruption and to promote business integrity.

Overview of the Handbook chapters

Ms. Orcilla Ruthnam, Chief Director: Governance, Department of Public Enterprise, South Africa: Ms. Ruthnam presented *Chapter 1 of the Handbook on the role of boards of directors*. Her presentation summarised the two sub-topics included in the chapter: (1) ways in which the board can set the “tone from the top”, and (2) ways to ensure the board’s effective oversight of the SOE’s commitment to integrity. In South Africa, for example, the oversight of SOEs’ capital expenditure business transactions is strengthened by the requirement that SOEs seek shareholder approval for transactions over a size threshold or transactions that take place outside South Africa. The oversight function is further strengthened by the requirement in South Africa under Company Law that listed and state-owned companies establish a specialized ethics and integrity committee of the board. The committee’s key oversight functions include promoting good governance vis-à-vis the OECD Anti-Bribery Convention, the UN Global Compact, International Labour Organisation practices, and compliance with South Africa’s Employment Equity Act.

Mr. Shepherd Chimutanda, Managing Partner, STC International Chartered Accountants, Zimbabwe: Mr. Chimutanda presented *Chapter 2 of the Handbook on the role of management*. His presentation began by distinguishing the role of the board—which focuses on supervision and oversight—from executive management, which is responsible for implementation and operational decisions. His presentation then summarised the five sub-topics included in the chapter: (1) establishing and communicating integrity measures and policies; (2) clearly assigning responsibility for implementing the integrity function; (3) operationalising the integrity function; (4) monitoring and enforcing the integrity function; and (5) reporting on and reviewing the effectiveness of the integrity programme or measures. Mr. Chimutanda encouraged the integration of internal audit in plans to establish, implement and monitor SOEs’ integrity programmes or measures; the need for clear lines of

reporting by the integrity function to the board; and the important role risk assessments and due diligence play in preventing corruption.

Ms. Odete Tsamba, Member of the Board, IGEPE, Mozambique: Ms. Tsamba presented *Chapter 3 of the Handbook on the role of Government as owner*. Specifically, Ms. Tsamba described how the state enterprise ownership function, exercised by the Instituto de Gestao das Participacoes do Estado (“Institute for the Management of State Holdings”, IGEPE), promotes good governance in the SOE sector, including by working with Mozambique’s anti-corruption body to strengthen SOE’s measures for preventing corruption. For example, in December 2015, IGEPE will sign a memorandum of understanding (MoU) with the Central Office for Combating Corruption (GCCC) with specific objectives for preventing and combating corruption in IGEPE and the SOEs in which IGEPE holds state shares. Planned joint IGEPE-GCCC activities envisaged under the MoU include: integrity trainings for IGEPE and SOE employees, awareness-raising, developing codes of conduct and anti-corruption compliance programmes, opening whistle-blower hotlines for reporting suspected corrupt acts, and establishing ethics committees in IGEPE and SOEs for oversight of these new integrity programmes and measures. Ms. Tsamba further noted that, through this collaboration, the GCCC will no longer be viewed only as an enforcer of rules, but as a capacity-building partner in the shared effort to prevent corruption in Mozambique’s SOE sector.

Ms. Tiny Diswai-Moremi, Deputy CEO, PEEPA, Botswana: Ms. Diswai-Moremi presented *Chapter 4 of the Handbook on the role of non-state actors*. Ms. Diswai-Moremi underlined the importance of engaging with civil society, non-governmental organisations and private sector industry and professional associations in raising awareness of the risks of corruption and partnering with these stakeholders to build capacity in preventing corruption and promoting business integrity. These groups may include professional associations, chambers of commerce, industry associations, and institutes of directors. She also underlined the role of the media in promoting transparency, disclosure, and accountability in the SOE sector. Finally, Ms. Diswai-Moremi called on Network members to contribute further examples of governments’ and SOEs’ efforts to engage stakeholders, to further develop this final chapter of the Handbook, which is the shortest of the four substantive chapters.

Next Steps- Finalisation of the Handbook

A question and answer period followed the presentations of the Handbook’s chapters. Participants positively received the first draft of the Handbook, noting that it provides a useful contribution to on-going efforts in the region to build capacity in the fight against corruption, particularly in the SOE sector. In terms of points raised in the Handbook, participants underlined: the importance of clearly assigning responsibility to the SOE board for ethics oversight; establishing clear channels for whistleblowing and ensuring effective whistle-blower protections; and engaging with external stakeholders in order to ensure transparency and accountability. On this last point, participants noted that Chapter 4 should have a stronger focus on engagement with the private sector. They also agreed with the presenters’ focus on the importance of awareness-raising among government officials, SOE representatives and the general public on the risks of corruption and means for promoting business integrity. In this regard, a number of participants underlined the need for more capacity-building (such as integrity trainings), so that those tasked with preventing corruption have the resources and skills to do so.

Network participants agreed to the following steps for completing, publishing and disseminating the Handbook: Network participants will submit to the Network Secretariat further contributions to the draft Handbook by end-December. By end-January, a revised draft will be circulated for comment and approval for publication via written procedure.

Concluding Remarks

Mrs. Sara Sultan, Policy Analyst and Network Manager, OECD SOE Unit: Ms. Sultan recalled the mandate of the meeting, the overall thematic areas discussed, and the agreed work programme going forward. She also thanked all members of the Network for their dedication to the process and encouraged their continued participation and engagement going forward.

Ms. Ann Low, US Department of State, United States, also Vice Chair OECD Working Party: Thanked the Network members, the Government hosts and sponsors, and donors and OECD Secretariat for making the event possible, and for the frankness of the discussion highlighting some of the challenges faced by Southern African economies in their SOE sectors. She encouraged the Network to take up idea of engaging with each other on a virtual platform in between meetings and take ownership of the platform (such as through LinkedIn). Ms. Low also encouraged that the regional Guidelines be updated to make them consistent with the 2015 updates to the SOE Guidelines. She also congratulated the Network and encouraged them to keep the momentum going, and wished success in follow-up work in dealing with the difficult challenges of improving corporate governance, and in achieving a business environment conducive to investment.

Mr. Justin Hugh Mupamhanga, Deputy Chief Secretary, Office of the President and Cabinet, Government of Zimbabwe: Thanked the organisers and participants. Mr. Mupamhanga stated that it is clear that the reform process is gaining momentum, and urged all partners to work to ensure that that momentum is sustained. With regard to the regional *SOE Guidelines*, he noted that concerted efforts are underway to domesticate those Guidelines into national policy, regulatory and oversight frameworks, and encouraged further "peer review" to track progress on implementation. He thanked the participation and presentation of the two OECD Working party Vice-chairs. He concluded that the work of the Network will continue to align closely with SADC's priorities and contribute to the attainment of common SADC objectives. He concluded by congratulating the Task Force and Network on the Handbook.

ANNEX 1: TABULATION OF INFORMAL POLL ON FUTURE WORK AREAS

<i>Thematic suggestions for future work</i>		
Suggestions	Countries (where included on ballot)	Total votes
Ownership models (i.e., decentralized, dual, central)		2
Ownership policy		4
Definition of SOE objectives (i.e. commercial v. non-commercial); categorisation of SOEs; dividend policy	Seychelles	3
SOEs in the development process (i.e., assigning policy objectives to SOEs in fulfilling policy implementation)		2
SOEs in the global marketplace / competitive neutrality; streamlining SOEs corporate forms; applicability of commercial law		2
Role of shareholder, board and management (including appointments to the board and executive management)		3
Transparency and disclosure, including annual reports on SOE governance		5
Broadening of ownership (privatisation, divestment)		4
Financing of SOEs		3
Stakeholder engagement, including in particular SMEs (mentioned by most of the votes here) but also engaging the “informal sector”	Zambia	7
Continued work on ethics, integrity and anti-corruption (including whistleblowing, anti-corruption enforcement in SOE sector)		5
Enforcement (i.e., sanctions applicable to SOEs and their employees, as well as directors and management)	Seychelles	2
<i>Working methods and Activity-related suggestions for future work</i>		
Suggestions	Countries (where included on ballot)	Total votes
Capacity-building and awareness-raising (i.e., sharing experiences, training, networking)	Namibia, Zambia	12
Monitoring and reporting on progress implementing the Guidelines (including development of a reporting and “implementation toolkit”)		8
Developing local Network chapters that could meet more regularly		1
Involving Ministers and heads of SOEs in Network discussions		1