



**3<sup>rd</sup> Meeting of the OECD Network on the Governance  
of State-Owned Enterprises in Southern Africa**

*Forging Ahead with Reforms*

***SESSION 2: FORGING AHEAD A SOUTHERN AFRICA  
REGIONAL REFORM PROCESS***

DBSA Vulindlela Academy, Midrand, South Africa  
8 – 9 October 2012



Third Meeting of the OECD Network on the Governance  
of SOEs in Southern Africa.

Midrand, JHB  
South Africa

8-9<sup>th</sup> October 20

**Overview of the current reform process**

*“Forging ahead with reform”*

**Session 2**

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# Developing Regional Consensus

SOEs all over the world are established for many different and vital reasons

Three main reasons why SOEs are established:

- Create employment
- Boost the economy
- Delivery of effective and efficient services

# Government's role in creating an conducive environment

- ① Enabling Legislation
- ① Acceptable good corporate guidelines
- ① Correct/acceptable governance model
- ① Shareholder support

# Priorities areas in view of regional consensus

- ⦿ Recognition of the SOE as a sector contributing to the overall economic development and well being of citizens
- ⦿ Harmonization of legal and regulatory framework
- ⦿ Standardizing of governance ownership models and management structure
- ⦿ Exchange of technical information and skills
- ⦿ Adoption of a regional code of conduct/Ethics in the SOE sector
- ⦿ Create a pool of experts in the region

## **SOE Governance in Southern Africa – Towards a Regional Consensus**

*Presentation given at the meeting of the Southern Africa Network on Corporate Governance of SOEs in Midrand, 8-9 October 2012.*

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# Outline

- Why SOEs specifically?
- What can better corporate governance achieve?
- Examples of National Approaches
- So, why regional guidelines?

# Why SOEs specifically?

- *SOEs are prominent in most Southern African economies, they are present in key sectors linked with downstream economic activities*
- *Today's consensus is aimed at “corporatisation” and “commercialisation” versus “privatisation”*
- *Political will, but also pressure, to improve SOE performance (i.e. to improve not impede economic development)*
- *But, challenges remain...*

# What can better SOE corporate governance achieve?

- ***Challenges are multidimensional and complex. Some are exogenous, but others are endogenous and can be addressed by better corporate governance.***
- ***There is no one-size-fits all solution, but generally accepted principles of corporate governance has led to better outcomes by:***
  - *Improving transparency and accountability*
  - *Improving efficiency and allocation of resources*
  - *Stimulating competition and downstream private commercial activities*
  - *Shielding SOEs from political interference*
  - *Delivering more effectively on public service obligations*
  - *Generating revenue stream*
  - *...*
- ***But this is no secret, the region is already doing much in terms of prioritising SOE governance reforms...***

# Examples of national approaches

***Malawi: 2011 Sector Guidelines for Parastatal Organisations and SOEs***

***Mauritius: 2006 Guidance Notes for SOEs***

***South Africa: King 3 Code for Governance***

***And more....***

***Zimbabwe, Mozambique, ...***

# So, why regional guidelines?

- *Common issues, common solutions (with different ways of achieving them)*
- *Helps to identify and set priorities for reform*
- *Peer pressure dynamic, but also mutual learning and commitment*
- *Regional benchmarking, progress monitoring*

*Other “regions” have done it, and it has been a useful regional tool:*

*OECD SOE Guidelines*

*Baltic SOE Guidelines*

*Asia Policy Brief and Recommendations*

# Southern Africa SOE Guidelines



- ***Southern African economies have already identified a need for it in previous phases of the Network But no regional guidelines exist.***
- ***What could they focus on ?***
  - *Effective ownership arrangements*
  - *The role of boards of directors and improving board efficiency*
  - *The role of non-government shareholders*
  - ...
- ***Develop a regional consensus, based on regional priorities, and good practices, applicability and relevance***

# Going forward: What could the Network contribute?

- *Develop a set of regional guidelines on SOE governance based on good practices, regional priorities and consensus.*
- *Depending on the level of ambition this can take the form of either:*
  - *“Southern African Guidelines on the Corporate Governance of SOEs”, or*
  - *“ A Regional Policy Brief on SOE Governance reform”*
- *Participation, either way, would be voluntary. So too for endorsement.*
- *To be successful, need engagement of 4-5 countries; participation in a workshop in April '13; and reporting back in November '13.*

“ We need to learn from each other, explore and consider ideas without imposing them, recognise and document unique solutions and successes, and push the boundaries of what is achievable so as not to be constrained by the limitations that they represent...”

- *The power of governance: enhancing the performance of SOEs* (R. Khoza and M. Adam, 2005)

**Thanks for your attention!**