Governance of SOEs in SOUTHERN AFRICA

Boosting the performance of the SOE sector through improved governance arrangements can potentially lead to better economic and social outcomes in Southern Africa. State-owned enterprises (SOEs) are one of the largest sectors of the economy in many African countries, and are important contributors to national development processes. SOEs provide citizens with access to vital services such as water, electricity, health, sanitation and transportation. The competitive position of the private sector-led economy, including small and medium-sized enterprises, is also heavily dependent on the services and infrastructure provided by these firms. Regionally, SOEs are key players in large cross-border infrastructure projects which are crucial to realising regional integration goals and to overcoming what is considered to be the continent's top development challenge.

> **"The momentum for SOE reform is sweeping across Africa... Our economies need a shared conceptual framework to revitalise parastatals and inform SOE practices, especially in a context of regional integration... The OECD-SOE Network for Southern Africa is a way to sustain and raise these issues for debate."**
>
> **Mr. Gordon Moyo**
> **Former Minister of State Enterprises and Parastatals, Zimbabwe**
> **(Midrand - South Africa, 2012)**

The evolving landscape of SOE governance reforms and challenges

Following disappointment with the outcomes of privatisations and structural reform programmes in the 1990s, many Southern African economies have placed SOEs at the centre of their national development strategies. There is a growing tendency to rely on SOEs to remedy market failures, remove direct obstacles to development and pursue structural reforms. Nevertheless, distinct challenges remain for improving SOE efficiency, including under-performance of SOEs which results in poor returns on invested government capital, and, in many cases, ongoing government subsidies. SOEs tend to be fraught with outdated governance and inconsistent ownership practices. Better governance arrangements can lead to more effective institutions and accountability mechanisms. This is turn can make a positive contribution to development.

OECD
Organisation for Economic
Co-operation and Development

SOE NETWORK FOR SOUTHERN AFRICA

The SOE Network for Southern African provides a **forum for regional dialogue and co-operation**. It is the first initiative of its kind to focus on SOE governance and mainly covers the member economies of the Southern Africa Development Community (SADC). The forum was launched in 2007 to support regional and national reformers in their efforts to improve the performance of SOEs. The Network achieves this through:

- **Raising awareness and building consensus on** the challenges and the benefits associated with SOE governance;

- **Benchmarking progress and and measuring change** in participant countries;

- **Influencing policy making and strengthening capacity** by providing a forum in which policy makers, practitioners and experts can share knowledge and experiences;

- **Supporting viable and effective reforms** by analysing policy options, developing relevant recommendations and agreeing on regional reform priorities.

Annual meetings reinforce this process and dedicated regional taskforces work on specific recommendations for improvements in thematic areas.

PARTICIPATING COUNTRIES

Angola	**Namibia**
Botswana	**Seychelles**
DR Congo	**South Africa**
Kenya*	**Swaziland**
Lesotho	**Tanzania**
Malawi	**Zambia**
Mauritius	**Zimbabwe**
Mozambique	

*as of 2014

NETWORK PARTICIPANTS

The Network facilitates knowledge-sharing and dialogue among policy makers, practioners, stakeholders and experts. Participating institutions represent entities which manage portfolios of SOEs or which oversee the government policy vis-à-vis SOEs. Representatives from stakeholder institutions, regional and international organisations, development banks, and corporate governance practitioners are active contributers to the Network.

Regional partners, including the Development Bank of Southern Africa, the Africa Peer Review Mechanism, the New Partnership for African Development, and the SADC Secretariat, participate actively in the Network. The OECD serves as Secretariat to the Network.

"
This Network has been of great interest to the Democratic Republic of Congo because it allows us to exchange experiences with other countries on SOEs reform, while benchmarking progress and stagnant points. One of the most significant contributions of the Network is the development of the Guidelines on the Governance of SOEs for Southern Africa. *This work has inspired the DRC to publish its own guidelines.*

Mr. Alex N'Kusu Dongala Siya, Executive Secretary
COPIREP (Steering Committee for Reform of the State Portfolio), DRC (2014)
"

OECD

> " *One important lesson, that is key to developing countries and indeed any other country, is to share experiences. The OECD has helped me and the organisation I represent to tap into the wealth of expertise from Network stakeholders. The sharing of experiences has spurred us to look into our organisational operations and to suggest various ways of improvements. I would like to thank the OECD for providing Southern Africa with the platform to share our experiences.*
>
> Mr. Richards Kakona, Director: Finance and Administration
> State-Owned Enterprise Governance Council Secretariat, Office of the Prime Minister, Namibia (2014) "

NETWORK PRIORITIES

Guidelines on the governance of SOEs in Southern Africa

Launched in 2014, this regional instrument is the shared property of all network participants and will be offered as a tool to the SADC community. The Guidelines can be endorsed by members who wish to formally associate themselves with them.

Company guidance on anti-corruption and corporate ethics

This guidance will focus on ethics, including board responsibility and the conduct of management, employees and other stakeholders affiliated with the SOE. It will recommend how to curb corruption through transparency, accountability and disclosure mechanisms.

White paper on the governance of SOEs in the infrastructure sector
This white paper will detail the main obstacles to efficient operation of infrastructure SOEs in the region, supplemented with country-specific reform priorities.

OECD WORKING PARTY ON STATE-OWNERSHIP AND PRIVATISATION PRACTICES

The Working Party is the Network's main counterpart at the OECD. It facilitates international policy dialogue and information exchange on improving corporate governance of SOEs and implementing privatisation policies. It is the OECD body responsible for oversight of the *Guidelines on Corporate Governance of State-Owned Enterprises*.

The Network draws on the expertise of the Working Party and its network of practioners, and benefits from the OECD's broader international dialogue on corporate and SOE governance taking place via numerous regional initiatives and programmes with individual economies.

Individual economies within the Network also have a longstanding association with the Working Party. South Africa, for example, regularly participates in meetings to report on reform developments and to take part in country policy reviews based on the OECD SOE Guidelines. Recently, the Working Party contributed to South Africa's Presidential Review Commission for State-Owned Enterprises.

NETWORK EVENTS BY YEAR

2007 Country study mission
Maputo, Mozambique

2008 1st Network meeting
Cape Town, South Africa

2008 Country study mission
Lusaka, Zambia

2009 2nd Network meeting
Maputo, Mozambique

2012 3rd Network meeting
Midrand, South Africa

2013 Taskforce meeting
Gaborone, Botswana

2013 4th Network meeting
Swakopmund, Namibia

2014 5th Network meeting
Lusaka, Zambia

The OECD's mission is to promote policies to improve the economic and social well-being of people around the world. We provide a forum in which governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations to produce better policies for better lives.

GUIDELINES ON THE GOVERNANCE OF STATE-OWNED ENTERPRISES FOR SOUTHERN AFRICA

The Guidelines on the Governance of State-Owned Enterprises for Southern Africa help governments manage more effectively their responsibilities as company owners. Improving the corporate governance of SOEs makes them more competitive, efficient and transparent. SOEs which operate with higher standards of governance are better able to pursue both commercial and non-commercial priorities.

The Guidelines cover 6 broad areas:

- ensuring the basis for an effective corporate governance framework
- rights of shareholders and key ownership functions
- equitable treatment of shareholders

- role of stakeholders
- disclosure and transparency
- responsibilities of the board

These Guidelines capture the regional aspirations and priorities of Southern African economies. It is a voluntary guidance to achieve international best practices adapted to the regional context.

SELECTED PUBLICATIONS FOCUSING ON SOUTHERN AFRICA

SOE Governance A Stocktaking of Reforms and Challenges in Southern Africa

A regional overview of SOE governance reforms and challenges across the SADC region. Part One summarises the challenges and governance practices related to state-ownership across SADC economies; it draws conclusions on how to address common regional priorities. Part Two is organised around country profiles providing a fact-based assessment of SOE reform policies and practices in 14 economies.

Stocktaking of Anti-Corruption and Business Integrity Measures for Southern African SOEs

This stocktaking maps the experiences of a number of SADC governments with addressing anti-corruption, ethics and responsible business conduct in SOEs. Part One considers the impact that corruption-prevention and business integrity measures have had in some jurisdictions. Part Two summarises the general legal and regulatory framework applicable in the surveyed countries for combating corruption and for encouraging clean business practices. It also focuses on the application of this framework to SOEs by governments, as well as measures by SOEs to limit their exposure to the risks of corruption.

RECOMMENDED OECD REFERENCES

- **Boards of Directors of SOEs: An Overview of National Practices**
- **Competitive Neutrality: Maintaining a level playing field between public and private business**
- **Accountability and transparency: A guide for state ownership**
- **Privatisation in the 21st Century: Recent experiences of OECD countries**

Find the full range of OECD corporate governance publications, guidance, good practices, working papers, country comparisons and country reviews online at www.oecd.org/daf/ca

For more information or to participate and/or contribute to the activities of the SOE Network for Southern Africa, please contact: Ms. Sara SULTAN BALBUENA (Tel: +33 (0) 1 45 24 98 97 ; sara.sultan@oecd.org)

www.oecd.org/daf/ca/soe-africa.htm