

SOE Network for Southern Africa

Maputo
Mozambique

**LEGAL AND
REGULATORY
FRAMEWORK**

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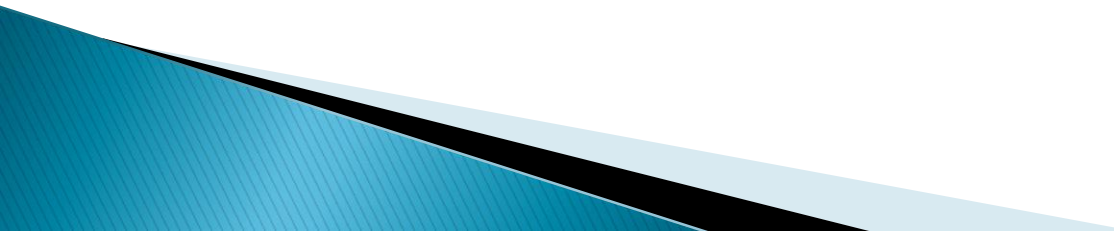


The Namibian Situation:

Background
How it all started

- Review of remuneration practices in SOEs
- Focus was broaden to the following, to:
 - Assess the strength and weaknesses of SOEs governance
 - Review best international governance practices
 - Formulate a policy framework for future governance of SOEs
 - Develop and implement framework for effective compliance

FINDINGS OF THE SITUATIONAL ANALYSIS

- ❑ No significant contribution to the economy in terms of
 - ❑ % to the GDP
 - ❑ Employment contribution
 - ❑ Worrying trends with regards to overall performance of SOEs
 - ❑ State expenditure on and lending to SOEs had increased rapidly and the disbursement was more on current expenditure , e.g. Salaries and wages
 - ❑ Some SOEs in monopoly or near-monopoly situations generated financial returns at levels raising questions about the reasonability of their price structure
 - ❑ Capital intensity was on the increase but not necessarily accompanied by the productivity of capital
 - ❑ Debt levels were persisting at unsatisfactory levels at many SOEs
 - ❑ Taxes were recovered from a very few SOEs
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Findings continue....

➤ A survey among SOE executives revealed perceptions and concerns around aspects such as:

- Inconsistencies an governance practices
- Undue political interferences
- Uncertainty about the developmental roles of SOEs
- Unsatisfactory performances of board members

➤ Legislative framework

- No overarching , consolidated legislation on SOE governance
- Out of step with best practices

Cont.....

- Transparency to and communication with external stakeholders
 - No proactive communication with e.g. Customers, specific interest groups and the public at large
- Owner representation
 - Interests of the State was separated in some instances there were inconsistencies
- Remuneration
 - Inconsistencies, anomalies in the remuneration structures to both Boards and executive management levels

Cont.....

➤ Board practice

- A number of weaknesses were found:
 - no criteria for board appointment
 - no appropriate balance in terms representations
 - some persons were serving on too many boards
 - some members not expose to training and development
 - risks of conflict of interest

➤ Performance management

- Lack of effective performance management between owner and SOE
- Superficial use of performance contracts
- Lack of effective incentives and disincentives

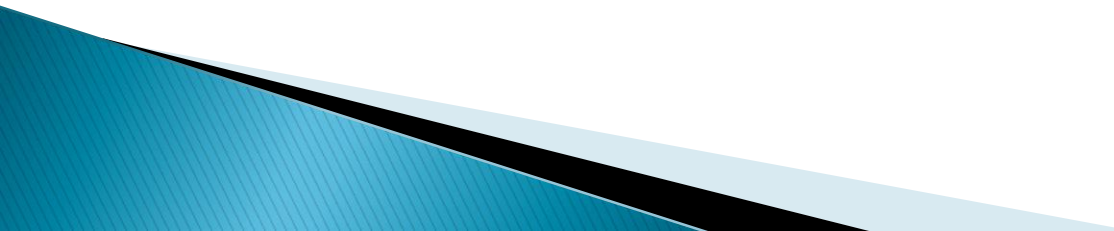
➤ Private sector participation

Recommendations

Developing guideline policy and implementation framework for the effective governance of SOEs was recommended, on issues such as:

- Board of Directors
- Executive management
- Performance Management
- Financial Accountability
- Tariff Policies
- Stakeholders Involvement
- Arrangements to ensure SOE Governance policy compliance
- Regulatory Framework
- Other Issues
- Increased private sector participation and the promotion of a competitive environment

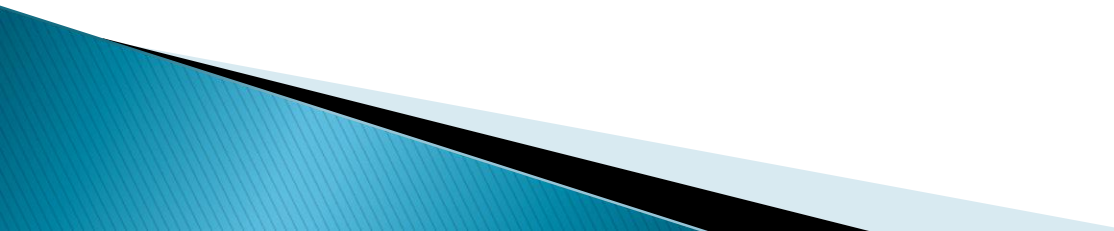
IMPLEMENTATION FRAMEWORK

- ▶ Mandating the policy framework
 - ▶ Establish the SOEGC
 - ▶ Establish associated structure
 - ▶ Recruitment of a CGA director
 - ▶ Preparation of work programmes and budget
 - ▶ Procurement of implementation resources
 - ▶ Ongoing communication
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Current situation

- ▶ **Challenges and constraints**
 - Establishment of structures to ensure SOE compliance legislations and policies
 - SOE Act was promulgated in 2006
 - Amended in 2008
 - Draft guidelines
 - **HR Capacity**
 - Tedious procedures
 - Incapable of attracting the best HR
 - **Bureaucracy**
 - SOEGC established
 - Secretariat

Future Plans

- ▶ Streamlining the Legal and Regulatory Framework
 - ▶ Establishing Corporate Guidelines for SOEs
 - ▶ Ensure Compliance
 - ▶ Implementation of survey on the remuneration packages for SOEs executive management
 - ▶ Aligning SOEs' core ideologies to National Strategic Goal
 - ▶ Ensure competition in the sector by working together with agencies like the Competition Commission
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Conclusion

Theoretically we are somehow in line with the OECD guidelines but practically we are far from implementing them as yet, but with passion and dedication we will be able to achieve

Thank you!

