

# **State Owned Enterprises Governance of 2006 (as amended)**

**Second Meeting of the  
OECD Global Network on Privatisation and Corporate Governance of  
State-Owned Enterprises**

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Office of the Prime Minister**

# INTRODUCTION

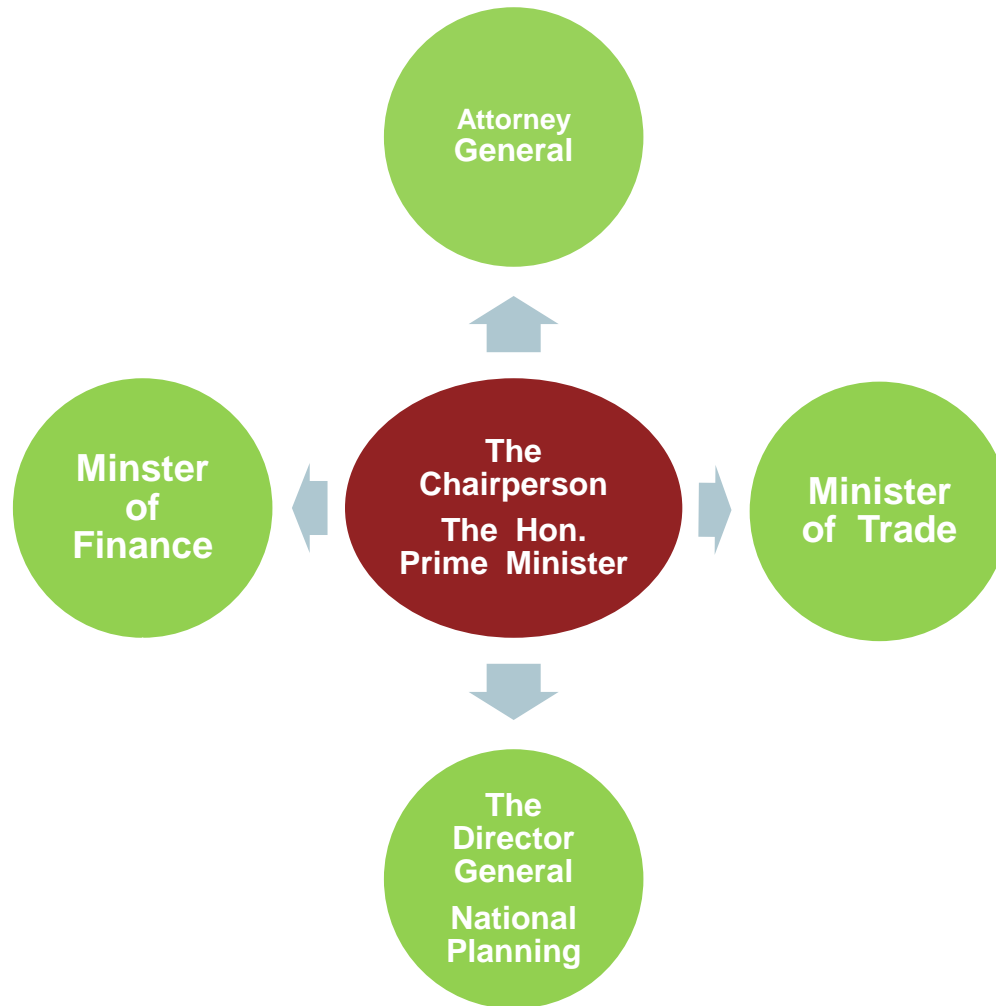
- During the period 1995-2005; GRN created over 50 SOE's
- Adoption of the Commercialisation Policy :-
  - Rationale:**
    - Better governance*
    - Improved Efficiency*
    - Improve GRN fiscal position*
    - Enhance delivery of service*
    - Job creation*
- Reality in 2005: poor performance, mismanagement and corruption in many SOE's

**Resulted in the promulgation of SOEG Act, Act 2 of 2006 ("the Act") -**

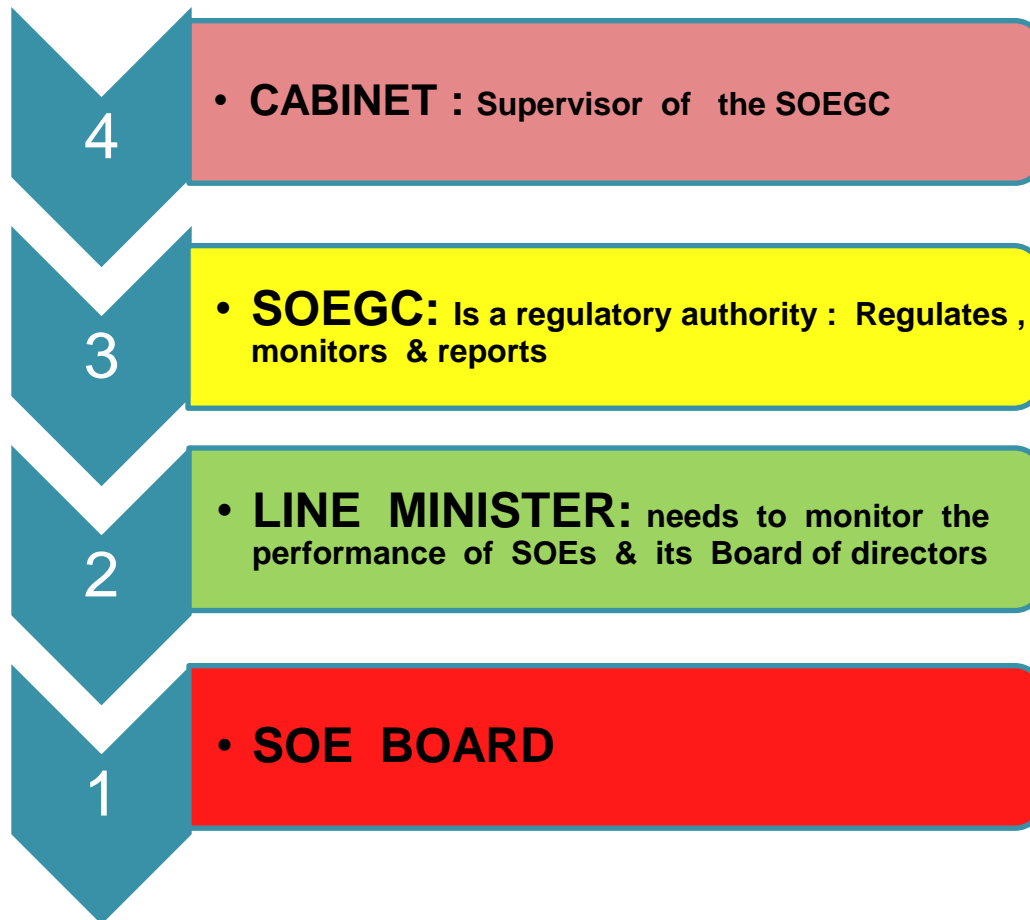
# THE STATE OWNED ENTERPRISE GOVERNANCE COUNCIL (SOEGC)

- Established by Act of Parliament, Act No. 2 of 2006.
- A juristic entity with a mandate and the responsibility for providing oversight in respect of all SOE's.
- The Council consists of five (5) members responsible to oversee compliance.
- Deemed member attends by invitation (E.g. Minister of Works and Transport )
- Meet at least 4 times a year.
- The Council is under the supervision and control of Cabinet

# THE CONSTITUTION OF THE COUNCIL



# EXTENDED LINE OF RESPONSIBLE BODIES TO SOEs



# **FUNCTIONS OF THE COUNCIL**

- **SOEGC has wide powers to determine/establish common broad based policies for all SOEs on : corporate governance, remuneration for CEOs & board members, investments, etc.**
- **Responsible for developing common policy frameworks for the operations of the SOE and develop means to monitor their performance**
- **Lays down directives to SOE boards, CEOs and senior management**
- **Strong emphasis on performance and governance contracts, performance measurement for SOEs.**
- **The Act further requires performance agreements to be entered into between the Minister and the individual members of the board.**
- **The guidelines are necessary for the effective discharge of the mandate of the Council and to ensure enforcement of good corporate governance standards amongst SOEs.**

# WHO IS COVERED UNDER THE ACT?

ownership relationship/structure

**All SOEs are 100 % GRN owned with the voting shares held equally by two “shareholding Ministers”**  
**\*Minister of Finance & Line Minister (who by convention is normally the Minister of the SOE). The SOEs report to GRN and their boards are appointed by GRN)**

**Definition of SOE as in the Act :**

**“State- owned enterprise” means an entity that is named in Schedule 1 of this Act**

- **Schedule 1 of the SOEG Act lists 52 SOEs (Most of them have been established by act of parliament /Statutory Acts and 16 are companies and are subject to the provisions of the Company's Act ) Example Nampower , Air Namibia, etc. and where GRN is the main/sole shareholder.**
- **In terms of Sec 4 (2) these SOEs can be classified as : Regulatory, Service Rendering, Economic & Productive and General enterprises**

# WHAT DOES THE ACT REQUIRE FROM THE SOEs ?

## GENERAL GUIDELINES

- Governance and Performance Agreements ( S17 & S18)-
- Annual business and financial plans (S19)
- Performance agreements of management staff (S21)

## SPECIFIC GUIDELINES

- Dividends (S 25)
- Annual Reports (S26)
- Investments Policies (S27)
- Exemptions (S45)

## IMPLEMENTATION PROCESS



# WHAT IF THE SOE FAILS TO COMPLY WITH THE SOEG ACT ?

- **Since the SOEG Act come into effect in 2006 the full implementation of the Act has been a daunting task for the SOEGC**
- **Lack of guidelines, directives and regulations**
- **Resulted in the Act being amended**
- **Cabinet has placed an moratorium on board fees and executive management of SOEs until the Act has become fully operational(2008)**
- **SOEG Act is silent on the issue of non – compliance**

# WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF THE ACT

## Advantages.....

- **Overarching legislation**
- **Watchdog**
- **Uniformed way of doing things**
- **Easy to monitor**
- **Performance can be rewarded or not rewarded**

## Disadvantages.....

- **Increased Pressure on SOEGC**
- **Blame culture from the SOEs**



**THANK YOU**