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PRESS RELEASE
(for immediate release)
18 November 2021

Progress Report on the Reform of Namibia's Public Enterprises

It is with pride and a sense of satisfaction that I can confirm that the intention of His Excellency the President, Dr. Hage Geingob, that the Ministry of Public Enterprises must be phased out as per the recommendation of the High Level Panel on the Namibian Economy (HLPNE) has been reached and that the Ministry of Public Enterprises will soon be transformed into the Department of Public Enterprises under the Ministry of Finance.

This is only possible because my staff and I embraced this directive with determination and enthusiasm to expedite the implementation thereof. The genesis is therefore completed to a point where the period of creative conceptualization will make way for a period of implementation where the fruits of our labor will sprout positive outcomes for many years to come.

Shareholder functions will be greatly enhanced when the shareholder powers and budgetary functions are consolidated under the Ministry of Finance since they will then have direct oversight into the financial and operational performance of the Public Enterprises and subsidies can then be more accurately aligned to compliance and performance. This will also allow for the Ministry of Finance to take control of- and be directly involved in the process leading to the establishment of the Holding Company thereby creating critical institutional memory of the actual details of the process.

This is a decision based on technical facts and strategic rationale where the consolidation and streamlining of operational processes will inevitably result in substantial cost savings since a separate Ministry will no longer have to be maintained. I am entirely convinced that this decision is in the best interest of the nation and the government and that no momentum will be lost in our collective quest to transform the Namibian Public Enterprises.

Background:

On 21 March His Excellency Doctor Hage Geingob announced the establishment of the Ministry of Public Enterprises to conceptualize and lead the reform of the Namibian Public Enterprises. The Ministry immediately conducted research and embarked on targeted benchmarking missions to gain firsthand experience of current global best-practices.

The approach was based on the principle that one must always first identify and understand the problem, and root causes thereof, before appropriate solutions can be conceptualized.

It soon became clear that the dual governance model that existed at the time was severely flawed and needed to be addressed urgently. The combination of the research and benchmarking made it clear that the ownership of the Public Enterprises needed to be centralized to allow for the uniform, consistent governance of Public Enterprises. The Hybrid Governance Model for Namibian Public Enterprises was conceptualized and approved by Cabinet on 25 November 2015. This was a fundamental achievement that would allow for the establishment of the most appropriate governance architecture as the foundation for the future reform of Namibian Public Enterprises. The Hybrid Governance Model and the Public Enterprises Governance Act that followed clearly separated the role of the State as policy formulator, regulator and operator by centralizing the ownership of the Commercial Public Enterprises under the Ministry of Public Enterprises while Non-Commercial Public Enterprises resort under the various Line Ministries and Extra-Budgetary Funds under the Ministry of Finance. This governance model and the Public Enterprises Governance Act that was drafted to implement it has been hailed by many of our peers on the continent and internationally.

The Hybrid Governance Model and the current form of the Public Enterprises Governance Act was the obvious next step in the evolution from the flawed dual governance model towards a centralized ownership model where the ultimate goal is the establishment of a holding company governance model. This model has proven to be extremely effective with Singapore and Malaysia serving as early adopters where a central holding company that becomes owner of all commercial Public Enterprises is established and reports to the Minister of Finance in line with the provisions of the State Finance Act. The establishment of a holding company governance model was also recently recommended by the High-Level Panel on the Namibian Economy and endorsed by Cabinet as one of the approved recommendations. The Ministry has managed to accelerate the formulation of multiple governance related guidelines, directives and policies with the following concluded, in process or close to finalization:

1. Board Recruitment Guidelines
2. Board E-recruitment System
3. Board Induction Guidelines
4. Board Evaluation Policy Framework
5. Board Skills Training
6. Public Enterprises Financial Monitoring System
7. Integrated Performance Management Framework
8. Integrated Performance Evaluation and Management System
9. Public Enterprises Classification Framework
10. Harmonization of establishing Acts and constituent documents to the PEGA
11. New Public Enterprises Remuneration Guidelines

12. Public Enterprises Human Resource Policy
13. Public Enterprises Communication Strategy
14. Public Enterprises Ownership Policy
15. Public Enterprises Transformation Plan

Experience has shown that most of the issues encountered at Public Enterprises that warrants the intervention of the shareholder, inevitably have a financial implication. These matters consequently require the consistent attention of the Minister of Finance, and many times end up on the agenda of the Cabinet Committee on Treasury (CCT). It is therefore obvious that it is in the interest of the Minister of Finance to always be acutely aware of the status of the Public Enterprises. With this in mind, a strategic decision has been taken to transform the Ministry of Public Enterprises from an independent Ministry to a Department of Public Enterprises under the Ministry of Finance.

The current progress has only been possible due to the vision and leadership of His Excellency the President and the support from my Cabinet Colleagues and other stakeholders. The Minister of Finance and his team will equally rely on the same level of support to complete the journey to implement the transformation of the Public Enterprises and to ultimately establish the Public Enterprise Holding Company within the next three years. I have reason to believe that Namibia will take its place as a benchmark for the reform of Public Enterprises against which other countries will measure their achievements.

Leon Jooste
(Minister of Public Enterprises)