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PUBLIC ENTERPRISE GOVERNANCE IN NAMIBIA

AN UPDATED SITUATION ANALYSIS

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IPPR ANTI-CORRUPTION RESEARCH PROGRAMME

"As good as the proposed new system may look in theory, political battles will have to be fought."

INTRODUCTION

In September 2016, the IPPR published a study on the governance of State-Owned Enterprises in Namibia. It seemed like a fitting time: government had recently announced a significant overhaul of the governance system for public enterprises, as they are now called. After much research, the new Ministry of Public Enterprises, headed by Leon Jooste, settled on a 'Hybrid Governance System' and a whole spate of governance measures to improve performance. A bill that would usher in the new regulatory framework was promised for February this year.

The new Ministry certainly has a lot of work ahead of it. Namibians think that public enterprises are poorly managed. When asked in 2014, 87 percent of Namibians agreed that the managers of public enterprises "receive excessive salaries,"[1] no surprise given the long line of governance scandals. This perception will not have changed since then. In fact, since the start of the discussion on the Hybrid Governance System, public enterprises have mostly made headlines for the wrong reasons: the Namibia Airports Company suspended its CEO, the SME bank shut down, and the Roads Contractor Company was placed under judicial management. Meanwhile, the bill that is meant to codify the new governance system has yet to appear before Parliament.

However, the bill does not represent the entirety of the new Ministry's attempts at reform. While the bill ultimately gives legal grounding to anything the Ministry does, the Ministry can still do a lot of work without it in place. This report seeks to outline some of the other initiatives aimed at improving governance, and to explain some of the features of the upcoming Hybrid Governance system in detail. It is meant to be read in combination with the previous report, to give a fuller picture of the public enterprise governance situation in Namibia.

To begin with, this report seeks to find clarity on the real number of public enterprises, an issue which has seemingly confounded even government at times. Government has amended the Public Enterprises Act to define public enterprises more broadly than before, but has in practice remained with the old definition which leaves many companies that government owns outside the scope of the new governance regime. The report then recaps the Hybrid Governance Model and its classification of enterprises into three different categories. It looks particularly at those companies now classified as 'commercial public enterprises,' which will fall directly under the Ministry of Public Enterprises, and produces some estimates of their cost to taxpayers over the years.

Next, the report outlines two initiatives by the Ministry which relate to SOE governance, but do not need the amended Act: the establishment of an electronic database of potential board members to easily find well-qualified candidates, and a new performance monitoring system that allows Ministries easy access to information about public enterprises. Finally, it discusses the problem of political will in achieving meaningful governance reforms in the public enterprise sector. As good as the proposed new system may look in theory, political battles will have to be fought to bring about a new reality of better governance. Whether there are enough senior leaders in government with the stomach for these battles remains an open question.

WHAT IS A PUBLIC ENTERPRISE, ACTUALLY?

Before discussing the governance of public enterprises, it makes sense to first have clarity on what a public enterprise is. Unfortunately, there is a lot of confusion as to the extent of the Namibian government's holdings. The State-Owned Enterprises Governance Act of 2006 contains three terms: there is a *public company*, which

[1] "Summary of Results: Afrobarometer Round 6 Survey in Namibia, 2014," 55.

is not defined but most likely means the same thing as state-owned enterprise. A "state-owned company", on the other hand, is "a company incorporated under the Companies Act … in which the State is the sole or majority shareholder."[2]

This sounds like a common-sense definition of a public enterprise. Indeed, the Organisation for Economic Co-Operation and Development defines a State-Owned Enterprise as "any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership."[3] Another definition says SOEs are "enterprises where the state has significant control through full, majority or significant minority ownership."[4]

The State-Owned Enterprise Governance Act of 2006, however, defines a state-owned enterprise as "an entity that is named in Schedule 1 to this Act." In other words, there is simply a list of companies at the end of the act, and any enterprise listed there is by definition a State-owned enterprise. This is clear, at least.

But the 2016 amendment to the Act (which changed the Act's name to the "Public Enterprises Governance Act") complicates matters once more. It defines a public enterprise as "a State-owned enterprise or State-owned company or any other entity established under any law or in terms of any other instrument, and the purpose of which is to advance any interest of the public."[5]

In other words, at first it would appear that the new definition of a Public Enterprise – and therefore the new governance regulations – would cover a broad range of enterprises that can be defined in line with a common-sense definition. Both the 72 companies that were "state-owned enterprises" by virtue of appearance on Schedule 1 of the Act, as well as other companies in which government owns a significant stake would be covered.

Unfortunately, this does not seem to be the case in reality. The document introducing the Hybrid Governance Model, as well at the Ministry of Public Enterprises' website, both refer to a list of 72 companies in the schedule to the original act – in other words, those companies that were initially defined as public enterprises simply by inclusion in the list. (This list is reproduced in the Appendix).

Why does this matter? Well, that list is not exhaustive. Several important companies in which the government owns a majority stake (i.e. state-owned *companies*, not state-owned *enterprises* under the old definition), such as the SME Bank or MTC Namibia, are now technically defined as public enterprises under the Act, but are not named as such by the Ministry in any of its documents on the new Model. This raises suspicions that they will not have to abide by the new guidelines for public enterprises. This is unfortunate, as they should be covered: in the case of the former, suffice to say that there was a clear governance deficit before the bank was placed under provisional liquidation; in the case of the latter, especially as government moves to own the company outright it becomes even more important that it is governed by the stringent rules required of public enterprises.

More broadly, this issue speaks to a lack of clarity from government itself. Take, for example, the Government Gazette no. 5213 of 31 May 2013, which contains the most recent "Schedule 1" to the Governance Act, and therefore the official list of SOEs on which the Ministry of Public Enterprises has based its Hybrid Governance Model. The first item of the gazette is concerned with issuing "Directives in relation to remuneration levels for Chief Executive Officers and Senior Managers of State-Owned Enterprises," and for this purpose divides SOEs into three tiers. However, the companies listed in these tiers do not all appear in the official list of SOEs just below. Specifically, both the Agronomic Board and the National Council for Higher Education are listed in Tier 1 of SOEs for the purposes of remuneration, but are not listed as state-owned enterprises in the official Schedule 1 of the Act which is supposed to define them – all of this promulgated on the same day, coming from the same office

[2] Government of Namibia, State-owned Enterprises Governance Act, 2006, sec. 1.
[3] OECD, "OECD Guidelines on Corporate Governance of State-Owned Enterprises," 15
[4] Ibid., 11.
[5] Government of Namibia, Public Enterprises Governance Amendment Act, sec. 2

(the State-Owned Enterprises Governance Council).[6]

The national budget also includes a definition of state-owned enterprise that includes more enterprises than just those mentioned in schedule 1. The latest version of the budget includes, for example, the Walvis Bay Corridor Group and Namibia Trade Forum (both of which are Public-Private Partnerships), AMTA (a specialised agency under the Ministry of Agriculture, Water and Forestry), and the National Road Safety Council (a statutory body). This is not to say that these organisations should be formally classified as public enterprises – but this example does illustrate that government itself often uses a loose definition to describe things as State-Owned Enterprises.

Finally, the Ministry of Public Enterprises itself is inconsistent. The document introducing the Hybrid Governance Model refers to 72 companies from the Schedule (again, seemingly ignoring the new, expanded definition under the amended Act) – but only lists 67. Taking into account the merger of the Offshore Development Company and Namibia Development Corporation, this still leaves four companies unaccounted for – Star Protection Services, Namibia Bricks Enterprises, August 26 Holdings Company and Windhoeker Machinenfabrik. The first two have reportedly been sold off,[7] while the latter are controlled by the military. The same 67 enterprises are featured on the website, which previously claimed 90 and 98 enterprises at different points in time.[8]

"Clarity around ownership is of utmost importance when it comes to public enterprises."

This is a problem because clarity around ownership is of utmost importance when it comes to public enterprises. Because public enterprises are ultimately owned by citizens, and because they are often designed to provide important services to the public, they should operate under especially stringent rules of accountability – they should be "more public than public companies."[9] In line with this reasoning, it is best practice for government to be clear on its public enterprises and their functions. In South Africa, for examples, public entities have to publish a plain English statement that explains the objectives of the company as well as what the public can expect in terms of performance.[10] As IPPR's last report stated, "if citizens do not even know how many companies they own – let alone their names, functions, and details on their performance" – it will be impossible to hold public enterprises accountable.[11]

It also matters in a legal sense, of course. As detailed below, under the Hybrid Governance Model the Ministry of Public Enterprises directly controls a subset of public enterprises, and is supposed to issue governance guidelines for all of them. The new definition of public enterprises suggests that those companies that would previously fall under the definition of 'state-owned company – such as MTC, presumably – now fall under the ambit of the Ministry of Public Enterprises. As noted above, the Ministry seems to restrict itself to the 72 original SOEs – suggesting it will not be in charge of oversight for these companies after all.

RECAP: THE HYBRID GOVERNANCE SYSTEM

The Hybrid Governance System represents government's third attempt at managing its public enterprises. Initially, each ministry directly oversaw the enterprises of which it was the shareholder. This approach did not prove sufficient as Ministries varied widely in their ability to ensure good governance. To enforce regular guidelines, government introduced the dual governance system in 2006. In this system, line Ministries remained primarily responsible, but a newly-formed State-Owned Enterprise Governance Council set general guidelines, including on remuneration. This system, too, proved disappointing and by early 2016, the Minister of Public Enter-

[6] Government of Namibia, Gazette No. 5213.
[7] Robin Sherbourne, *Guide to the Namibian Economy 2017*, 428.
[8] Maximilian Weylandt, "SOE Governance in Namibia: Will a Hybrid System Work?," 12.
[9] PricewaterhouseCoopers, "State-Owned Enterprises: Catalysts for Public Value Creation?," 20.
[10] The World Bank, "Held by the Visible Hand: The Challenge of SOE Corporate Governance for Emering Markets," 20.
[11] Maximilian Weylandt, "SOE Governance in Namibia: Will a Hybrid System Work?," 12.

prises concluded that "it has become apparent that this model does not provide the optimal governance model."[12]

Under the new system, public enterprises are split into three categories: Commercial Public Enterprises, Non-Commercial Public Enterprises, and Extra-Budgetary Funds/Financial Institutions. The Ministry of Public Enterprises will take over full shareholder rights of commercial enterprises and completely oversee them. Non-commercial enterprises comprise regulators such as the Namibia Tourism Board; promotion, development, advocacy and research bodies such as the National Youth Council; educational and training institutions like the University of Namibia, Media Institutions like New Era, and service providers such as the Namibia Statistics Agency. These will remain under their respective line Ministries, but will follow "common principles of good corporate governance" issued by the Ministry of Public Enterprises. Finally, financial institutions and funds fall under the Ministry of Finance.[13]

Table 1: Reallocation of public enterprises under new system

Commercial Public Enterprises (Ministry of Public Enterprises)	Ministry Losing Oversight
Air Namibia	Works and Transport
Epangelo Mining Company	Mines and Energy
Meat Corporation of Namibia	Agriculture, Water andForestry
Namibia Airports Company	Works and Transport
Namibia Institute of Pathology	Health and Social Services
Namibian Ports Authority	Works and Transport
Namibia Post and Telecommunications Holdings	Information and Communication Technology
Namibia Power Corporation	Mines and Energy
Namibia Wildlife Resorts	Environment and Tourism
National Fishing Corporation of Namibia	Fisheries and Marine Resources
National Petroleum Corporation of Namibia	Mines and Energy
NIDA (ODC + NDC merger)	Industrialization, Trade and SME Development
Roads Authority	Works and Transport
Roads Contractor Company	Works and Transport
TransNamib Holdings	Works and Transport
Zambezi Waterfront	Unclear
Henties Bay Waterfront	Unclear
Lüderitz Waterfront Company	Unclear

Extra-Budgetary Funds (Ministry of Finance)	Ministry Losing Oversight
Game Products Trust Fund	Environment and Tourism
Minerals Development Fund	Mines and Energy
Road Fund Administration	Finance
Trust Fund for Regional Development and Equity Provisions	Urban and Regional Development
Environmental Investment Fund	Environment and Tourism
Motor Vehicle Accident Fund	Works and Transport
War Veterans' Trust Fund	Office of the Vice President

[12] Leon Jooste, "Hybrid Governance Model for Namibian Public Enterprises.
[13] Ibid., 11.

This is supposed to bring several benefits: by centralising a large share of the oversight work, the system allows for the ministry to build and maintain specialised skills in a cost-effective way. It will remove some (though not all) confusion about lines of reporting and simplify governance procedures. Governments around the world increasingly favour centralised systems, so the general approach should be commended.[14]

THE COMMERCIAL PUBLIC ENTERPRISES

"Governments around the world increasingly favour centralised systems, so the general approach should be commended."

The Hybrid Governance Model is especially meant to improve those enterprises which are now classified as "commercial public enterprises," i.e. those that are meant to "provide a product or render a service in the best interest of the public."[15] The new system does not explicitly require that they should be profitable, but their nature implies that they should at the very least be somewhat efficient. It is ironic, given the fact that many of them actually have substantial income streams, that commercial public enterprises have required such a disproportionate amount of government aid that the Minister singled them out as having a particularly high failure rate.[16]

IPPR consulted national budgets to estimate the transfers from government to a selection of commercial public enterprises for the last decade. Given the difficulty of finding accurate figures for all years, these figures should not be read as the final word – in some years, it is likely transfers were higher than indicated, for example, while downward revisions have also occurred occasionally. Note also that this table only counts direct subsidies – for example, Namcor's earnings from the fuel levy, substantial transfers from the taxpayer, are not counted. The full table is in Appendix 2.

Table 2: Transfers to select commercial public enterprises over the last decade

Name	Total Transfers, 2008/9-20017-18 (N$)
Air Namibia	6,078,954,564
Epangelo	81,903,380
Henties Bay Waterfront	0
Luderitz Waterfront	33,498,111
Meat Corporation of Namibia	33,000,000
Namibia Airports Company (NAC)	1,196,357,642
Namibia Institute of Pathology	0
Namibia Ports Authority	240,677,000
Namibia Power Corporation	290,000,000
Namibia Wildlife Resorts	117,072,771
Namcor	510,000,000
NDC	76,397,384
ODC	4,691,129
Roads Authority	19,314,252
RCC	75,400,000
TransNamib	1,181,170,685
Zambezi Waterfront	82,832,852

[14] see also: Maximilian Weylandt, "SOE Governance in Namibia: Will a Hybrid System Work?"; OECD, "OECD Guidelines on Corporate Governance of State-Owned Enterprises"; OECD, "State-Owned Enterprise Governance Reform: An Inventory of Recent Change."
[15] Leon Jooste, "Hybrid Governance Model for Namibian Public Enterprises," 13.
[16] Ibid., 11

A look at transfers over the years reveals varying patterns. Some companies receive large transfers once in a while, but do not require assistance otherwise. This is defensible in principle: one can imagine government providing an infusion of capital to finance major new projects, especially in areas such as infrastructure provision. Other companies have shown a persistent pattern of large transfers. This may also be theoretically defensible: Air Namibia, for example, has argued that the economic benefit its flights bring to the country far outweigh the costs to the taxpayers[17] – an argument accepted by Minister Jooste.[18] Still, a number of scandals over the years have indicated that a lot of this spending was unnecessary. The *Guide to the Namibian Economy* claims that while "profit maximisation is not their ultimate aim … [public enterprises] should at least be able to break even."[19] Even if one allows for government investment for major projects, the bottom line is that under the Hybrid Governance System, it is expected that these commercial enterprises will perform more efficiently than they have so far.

In all fairness, it should be noted that SOEs do not just drain government finances; they sometimes can contribute to them. Government receives dividends from some of its public enterprises. While some have never returned any revenue to the Fiscus, others have contributed a fair amount over the years. The table below includes an estimate of dividends from some commercial enterprises over the most recent years for which this data was readily available – compared to dividends from companies which the government owns, but are either not classified as commercial enterprises or not officially considered public enterprises at all.

"Under the Hybrid Governance System, it is expected that these commercial enterprises will perform more efficiently."

Table 2: Dividends from selected commercial enterprises and other dividends for comparison, 2007/8 - 2011/12

Name	Total Dividends (N$)
Commercial Public Enterprises	
Lüderitz Waterfront	476,773
Meat Corporation of Namibia	0
Namibia Airports Company (NAC)	1,200,000
Namibia Ports Authority	72,000,000
Namcor	4,300,000
Other Dividends	
Namdeb	515,218,000
Post and Telecommunications Holdings	575,293,912
Rossing Uranium	25,924,054
Namibia Diamond Trading Company	310,000,000

The table shows that commercial enterprises have, as a whole, not performed as well as they perhaps should have. That Air Namibia and TransNamib are not listed, for example, will not surprise anyone. Namport, on the other hand, makes a decent case for itself when the full tables for transfers and dividends are compared. Taxpayers can probably stomach large investments every once in a while to finance a company that "regularly makes modest profits on steady growth in revenue."[20]

17 Desie Heita, "Air Namibia States Its Need to Exist."
18 Eric Mhunduru, "Jooste Defends SOEs."
19 Robin Sherbourne, *Guide to the Namibian Economy 2017*, 427.
20 Ibid.

"The problem with governance has often been down to implementation, not the guidelines themselves."

One factor that stands out is that among the companies that have brought in significant revenues, several – including the ones in the bottom portion of the table above – are only partly owned by government. (The dividends from the Post and Telecommunications Holdings are largely due to the success of MTC, which falls under the company). Many have argued that it is the private partner that ensures good performance in these ventures. The question is whether – as discussed in the first section of this report – they should fall under the same governance guidelines as all the other public guidelines. Arguably, they should: again, recall the maxim that companies owned by taxpayers should be 'more public than public companies.' They may have private shareholders, but they should also answer to the public, and therefore submit to heightened governance standards. Of course, when government is ineffective in promoting governance, as it has been in the past, government oversight hardly helps. But the problem with governance has often been down to implementation, not the guidelines themselves; and so if stringent guidelines set by government can be combined with private actors' ability to implement, governance will hardly suffer.

BOARD APPOINTMENTS

The boards of public enterprises are key to their good governance. As in other companies, they hold fiduciary responsibility,[21] and in line with this duty are supposed to oversee the work of senior management and hold it accountable – including enforcing good governance.[22] However, in the past many Namibian public enterprises have been characterised by board mismanagement and even corruption. This has been attributed at least in part to political interference with boards, as well as the appointment of board members based on political considerations rather than on the basis of qualifications.[23]

A key step in reforming public enterprises thus will be to ensure that each public enterprise is headed by an independent board made up of well-qualified individuals. To help with this, the Ministry of Public Enterprises has proposed reworking the system of appointments. Under the old dual governance system, the secretariat of the State-Owned Enterprise Governance Council, together with the line Minister, would draw up a list of requirements and a list of recommended names to fill the empty position. The Council would advise the Minister, who would appoint the board members.[24]

The Ministry foresees a different process under the new system. Its "Principles, Policy Frameworks and Directives" document correctly states that "a formal and transparent selection and nomination process is critical to gain the confidence and trust of all stakeholders involved."[25] The new process follows seven steps:

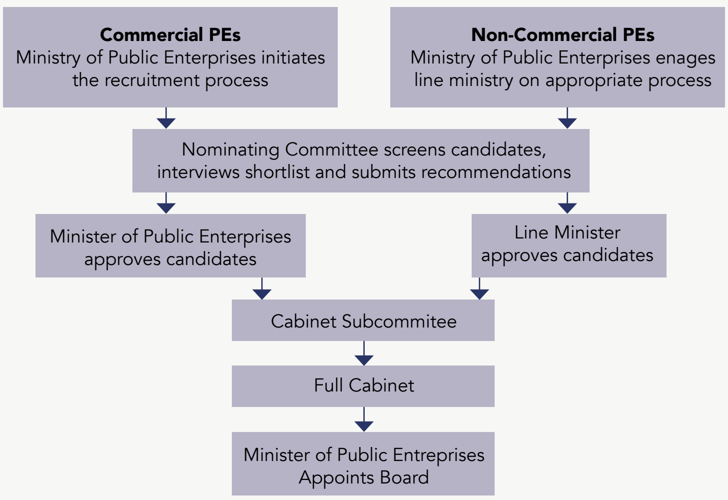
1. **Request for an appointment.** With enough time to spare, the Ministry of Public Enterprises analyses current board members' performance, and considers requirements for (re)appointment of members.
2. **Screening of Candidates.** The Ministry compiles a shortlist of up to 15 candidates and passes them to the Nominating Committee, which consists of one expert from the private sector, one from the public sector, and two employees from the Ministry of Public Enterprises. The committee shortlists candidates,

[21] Ministry of Public Enterprises, "Principles, Policy Frameworks and Directives for Public Enterprises in Namibia," 9.
[22] Ibid.
[23] Robin Sherbourne, *Guide to the Namibian Economy 2017*, 433.
[24] Government of Namibia, State-owned Enterprises Governance Act, 2006, sec. 15.
[25] Ministry of Public Enterprises, "Principles, Policy Frameworks and Directives for Public Enterprises in Namibia," 49.

keeping in mind legal requirements and the need for diversity and interview them.

3. **Minister Approves Candidates.** If the Minister does not approve of a candidate, he can ask the nominating committee for further reasoning.
4. **Cabinet Committee Endorses.** The Minister then submits the candidate list to the Cabinet Committee on Public Enterprises.
5. **Cabinet Endorses.** After approval by the committee, the list goes to the full Cabinet for approval
6. **Board Appointed.** Once Cabinet approves the appointment, the Minister issues the new appointees letters detailing their term of office, duties and responsibilities, and remuneration
7. **Board Inducted.** The appointees go through induction to learn more about their responsibilities and what is expected of them

Board Appointment Flowchart



Source: Adapted from Ministry of Public Enterprises, "Principles, Policy Frameworks and Directives for Public Enterprises in Namibia," p. 49

> "It remains to be seen whether the planned system does enough to promote transparency as far as the board appointment process is concerned."

This system is likely still undergoing revision. In fact, the Ministry's own policy document expresses concern that the process as currently envisioned would take too long to be viable.[26] It also remains to be seen whether the planned system does enough to promote transparency as far as the board appointment process is concerned, as every step is internal to the executive branch of government, with only one person outside government consulted. One innovation, however, is certainly notable: going forward, the Ministry of Public Enterprises plans to use an electronic database and recruitment system to aid in identifying potential new board appointees. The Ministry will track vacancies as well as expiry dates of existing appointments to anticipate openings. On the other hand, it will use a database of board candidates to match vacancies to individuals. The skills criteria for inclusion are listed in the Ministry's Policy Directives document.[27] In his 2017 budget statement, the Minister claimed that this database of potential board members had been set up.[28] Key questions still remain, including how exactly individuals will be selected for this list, whether the Ministry will succeed in limiting the amount of civil servants selected for boards, as per its stated desire,[29] and – crucially – whether the Ministry will improve transparency in appointing the board.

[26] Ministry of Public Enterprises, "Principles, Policy Frameworks and Directives for Public Enterprises in Namibia," 48.
[27] Ibid., 40.
[28] Kuzeeko Tjitemisa, "SOE Act Restricts Jooste's Transformational Efforts."
[29] Ministry of Public Enterprises, "Principles, Policy Frameworks and Directives for Public Enterprises in Namibia," 41.

"A commitment to true transparency could go a long way in restoring the public's trust."

THE OVERSIGHT SYSTEM

Another key part of the Hybrid Governance System is a monitoring system which, according to the minister, allows the Ministry of Public Enterprises to view data on "the financial performance and levels of compliance of all public enterprises."[30] This centralised database is meant to support government in making decisions, as well as enhance oversight. The Minister announced in the beginning of 2017 that this system had been established, and promised further enhancements during the year. In theory, this system promises to be a very useful tool in improving the performance of public enterprises. If it functions as designed, the database will address several of key problems of the dual governance system as identified by the Ministry.

In the document outlining the hybrid governance framework, the Ministry wrote that public enterprises are "to a great extent uncontrolled and unmonitored with regard to their corporate governance and activities."[31] Out of six challenges of governance detailed by the Ministry, at least three are addressed by the new database. The document bemoans "lack of oversight abilities" in the line ministries that are supposed to hold public enterprises accountable, and trace this at least in part to "ineffective communication and information sharing." The Ministry specifically highlights the challenge of "monitoring and access to key financial information." It writes that "without access to financial information, the Portfolio Ministries are deprived of an important tool to measure the performance of [public enterprises] … this anomaly has led to the common current scenario whereby the Shareholder is caught by surprise when [public enterprises] are in financial trouble, complicating and compromising the Ministry of Finance budgeting process."[32]

In theory, the new database of centralised information should let the Ministry of Public Enterprises – and line ministries, which have been promised access to it – know as soon as an enterprise is running into trouble. In practice, it is unclear how well it will perform. Firstly, it is not clear what sorts of indicators the database is tracking. Secondly, we do not know how often it is updated. Past governance systems often had decent rules; the problem lay with the implementation. For example, the law has for a long time required the publication of annual reports – and yet many and yet many public enterprises have simply ignored this law for years on end. This system will be rendered useless if compliance is not frequent, regular and comprehensive.

In addition, there are strong arguments for making a large proportion of this information public. As the previous IPPR report on this matter noted, South Korea has created an online platform where the public can access information about public enterprises. This information includes the number of staff, executive pay and average salaries, debts held by the enterprise and more.[33] The Ministry of Public Enterprises has indicated that it is beginning to expand the range of indicators from the ones with which it started. South Korea followed the same approach, reporting on only a few and then adding more – Namibia should follow suit. As the introduction noted, Namibians do not hold public enterprises and their management in high esteem. A commitment to true transparency could go a long way in restoring the public's trust in the companies which they ultimately own, allaying rumours of mismanagement when companies are well-run, and allowing accountability when they are underperforming.

A QUESTION OF WILL

It is important to address the elephant in the room: amongst all these attempts at reform, will senior leaders in government be able to stomach real reform? In assess-

[30] cited in Kuzeeko Tjitemisa, "SOE Act Restricts Jooste's Transformational Efforts."
[31] Leon Jooste, "Hybrid Governance Model for Namibian Public Enterprises."
[32] Ibid.
[33] Maximilian Weylandt, "SOE Governance in Namibia: Will a Hybrid System Work?," 13.

ing the literature, and in conversations with experts on governance, this is a point of universal agreement. Political will is difficult to quantify, impossible to outsource, but it is the *sine qua non* of governance reform – the essential ingredient without which all other efforts, no matter how well-conceptualised or intentioned, will fail.

It is difficult to assess the extent of political will for serious reform in this area. It is tempting to think of government as a single, monolithic actor in all of this, and debate whether 'government has the will' to seriously reform the sector or not. In truth, government is made up of a many different actors who display differing levels of competence and attitude. When reform stalls, how much is malice, versus incompetence or apathy? When a correct decision is taken, is this because a reformist politician had the clout to win over her cabinet colleagues – or because the politicians have made a plan to ensure the decision will have little effect in the end? Because there is so little public information on decisions, analysts tend to over-interpret what does reach the public eye and extrapolate from incomplete information. The truth is that it is difficult to know what is going on, and painting with a broad brush, while tempting and satisfying, does not answer any questions.

The reality is far more complicated. One fact is that pronouncements have been made by senior officials in government that reform should be carried out – in fact the current President, Hage Geingob, initiated this reform process when he was still head of the State-Owned Enterprise Governance Council. The Council issued a memo to Cabinet called "Proposed establishment of a centralized ownership model for state owned enterprises (SOEs) sector in Namibia," and Geingob followed this up by creating a Ministry designed for centralised oversight as soon as he became President.[34] Another fact is that the necessary enabling legislation needed to make this system happen has not been introduced in Parliament, even though the Ministry of Public Enterprises wanted it done more than half a year ago. It has also been widely reported that there have been fierce cabinet battles over the future of a number of public enterprises.

"Amongst all these attempts at reform, will senior leaders in government be able to stomach real reform?"

Thus, clearly there is some friction over reform attempts. Sometimes, it appears the signs are pointing in the right direction. When the RCC was placed under judicial management in early September, many commentators read it as a sign that there was a willingness (and ability) to pursue decisive action. In Late 2015, Minister Jooste publicly complained in Parliament that public enterprises were not complying with his requests for information, and he has bemoaned the lack of compliance with laws requiring the publication of annual reports. Recently, there has been some progress on this front. The Minister of Works and Transport promised that Air Namibia, which has not published annual reports for over a decade, would publish all of its audited financial statements since then in an annual report by the end of the year (note that this had not occurred by mid-September).[35] Epangelo, the state-owned mining company, published its first-ever annual report as well, for the year 2013-14, though this has not been published widely online.

Other times, current affairs seem to indicate that impunity and lack of accountability will remain. One striking case has been the SME saga. When the Bank of Namibia moved to dismiss the directors of the bank, and as it became clear that the nearly N$200 million the bank had invested abroad would not be recovered, it was a clear opportunity to demonstrate a sense of responsibility and accountability. Instead, those members of the board who have spoken in public have been utterly unrepentant, all proclaiming innocence while paying lip-service to the idea of fiduciary responsibility.[36] Meanwhile, Parliament did not discuss the matter, with the Speaker referring members to a rule that bars discussion of matters that are before court.[37]

[34] Leon Jooste, "Hybrid Governance Model for Namibian Public Enterprises," 5.
[35] Minister of Works and Transport, response to question in National Assembly, June 15 2017.
[36] see Sonja Smith and Chamwe Kaira, "My Conscience Is Clear - Simaata"; Toivo Ndjebela, "Simataa Breaks Silence on SME Bank."
[37] Ogone Tlhage, "Speaker Rejects DTA Motion on SME Bank."

Given these conflicting indicators, observers can believe that real reform is on its way or that it will come to naught, depending on their dispensation. Concrete changes, rather than excellently drafted policies, will be the proof that real reform is happening. Finally passing the new Act and getting public enterprises to comply with financial reporting rules would be indicators of progress. More fundamental changes in governance will likely take a while to reflect in any case. In the meantime it is up to the public to try and keep lobbying the government for better governance of public enterprises.

RECOMMENDATIONS

Given the lack of significant change in the governance landscape since IPPR's last report, our recommendations remain in place. In the context of this report in particular, we recommend that government do the following:

1. **Clarify which public enterprises it owns.** It should publish a list describing all companies in which it has a significant stake, their mandate, who they report to, and what sorts of governance standards they should follow.
2. **Make board appointments more transparent.** While the proposed appointment process is an improvement on the existing one, it does not allow for enough transparency. Public advertisements for posts should be mandatory instead of optional, and publishing shortlists should also be considered.
3. **Make the oversight system public** and keep pushing for the publication of annual reports and financial statements. This has worked to great acclaim in other countries. After decades of being kept in the dark, Namibians deserve to know what is going on with the enterprises they own.

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APPENDIX 1: LIST OF PUBLIC ENTERPRISES

Commercial Public Enterprises

Commercial Enterprises	
1	Air Namibia
2	Epangelo Mining Company
3	Henties Bay Waterfront
4	Lüderitz Waterfront Company
5	Meat Corporation of Namibia
6	Namibia Airports Company
7	Namibia Institute of Pathology
8	Namibian Ports Authority
9	Namibia Post and Telecommunications Holdings
10	Namibia Power Corporation
11	Namibia Wildlife Resorts
12	National Fishing Corporation of Namibia
13	National Petroleum Corporation of Namibia
14	NIDA (ODC + NDC merger)
15	Roads Authority
16	Roads Contractor Company
17	TransNamib Holdings
18	Zambezi Waterfront

Non-Commercial Public Enterprises

	Regulatory bodies	Line Ministry
19	Accreditation Board of Namibia	Industrialization, Trade and SME Development
20	Communications Regulatory Authority of Namibia	Information and Communication Technology
21	Electricity Control Board	Mines and Energy
22	Fisheries Observer Agency	Fisheries and Marine Resources
23	Karakul Board	Agriculture, Water and Forestry
24	Meat Board	Agriculture, Water and Forestry
25	Namibia Agronomic Board	Agriculture, Water and Forestry
26	Namibia Board of Trade	Industrialization, Trade and SME Development
27	Namibia Competition Commission	Industrialization, Trade and SME Development
28	Namibia Estate Agents Board	Industrialization, Trade and SME Development
29	Namibia Financial Institutions Supervisory Authority	Finance
30	Namibia Qualifications Authority	Higher Education, Training and Innovation
31	Namibia Standards Institution	Industrialization, Trade and SME Development
32	Namibia Tourism Board	Environment and Tourism
33	Security Enterprises and Officers Regulation Board	Safety and Security

	Promotion, Development, Advocacy and Research Bodies	Line Ministry
34	National Commission on Research, Science & Technology	Higher Education, Training and Innovation
35	Namibia Fish Consumption Promotion Trust	Fisheries and Marine Resources
36	National Disability Council	Office of the Vice President
37	National Heritage Council	Education, Arts and Culture
38	National Youth Council	Sport, Youth and National Service
39	Namibia Sports Commission	Sport, Youth and National Service
40	Diamond Board of Namibia	Mines and Energy

	Educational and Training Institutions	Line Ministry
41	Namibia Institute for Mining Technology	Higher Education, Training and Innovation
42	Namibia Institute of Public Administration and Management	Office of the Prime Minister
43	Namibia University for Science and Technology	Higher Education, Training and Innovation
44	University of Namibia	Higher Education, Training and Innovation
45	Namibia College of Open Learning	Higher Education, Training and Innovation
46	Namibia Training Authority	Higher Education, Training and Innovation
47	National Youth Service	Sport, Youth and National Service

	Media Institutions	Line Ministry
48	Namibian Broadcasting Corporation	Information and Communication Technology
49	Namibia Press Agency	Information and Communication Technology
50	New Era	Information and Communication Technology

	Service Providers	Line Ministry
51	Namibia Statistics Agency	National Planning Commission
52	National Art Gallery of Namibia	Education, Arts and Culture
53	National Housing Enterprise	Urban and Rural Development
54	National Theatre of Namibia	Education, Arts and Culture
55	Social Security Commission	Labour, Industrial Relations and Employment Creation
56	Namibia Water Corporation	Agriculture, Water and Forestry

Financial Institutions (Now fall under the Ministry of Finance)

	Financial Institutions
57	Agriculture Bank of Namibia
58	Development Bank of Namibia
59	National Special Risks Insurance Association
60	Namibia National Reinsurance Corporation

	Extra-Budgetary Funds
61	Game Products Trust Fund

62	Minerals Development Fund
63	Road Fund Administration
64	Trust Fund for Regional Development and Equity Provisions
65	Environmental Investment Fund
66	Motor Vehicle Accident Fund
67	War Veterans' Trust Fund

Allocation Unclear

These companies are listed under schedule 1 of the Public Enterprises Act, which the Ministry still claims gives the definitive list of Enterprises, but are not classified under the Hybrid Governance System.

68	Star Protection Services
69	Namibia Bricks Enterprises
70	August 26 Holdings
71	Windhoeker Machinen Fabrik

The Offshore Development Company and Namibia Development Corporation were combined into the Namibia Industrial Development Agency, which accounts for the total of 71. According to Sherbourne, Star Protection Services and Bricks Enterprises have been sold, leaving the allocation of August 26 and its subsidiary Windhoeker Machinenfabrik unclear.

Adapted from the "Hybrid Governance Model for Namibian Public Enterprises" by the Ministry of Public Enterprises, pp. 18-22

APPENDIX 2: TRANSFERS TO SELECTED COMMERCIAL SOES

Name	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Air Namibia	156,000,000	120,500,111	865,793,153	1,140,248,000	472,201,000	427,201,000	579,790,000	695,105,000	486,137,300
Epangelo	0	100,174		5,000,000	10,659,000	11,778,000	34,584,206	9,782,000	10,000,000
Henties Bay Waterfront	0	0	0	0	0	0	0	0	0
Luderitz Waterfront	10,000,000	11,000,111	0	0	0	1,000,000	0	6,498,000	5,000,000
Meatco	0	0	0	0	11,000,000	5,000,000	9,000,000	5,000,000	3,000,000
NAC	0	0	45,159,830	50,778,000	456,000,000	345,928,047	143,470,765	155,021,000	0
Namibia Institute of Pathology	0	0	0	0	0	0	0	0	0
Namibia Ports Authority	0	0	0	0	0	100,000,000	50,000,000	52,500,000	38,177,000
Nampower	190,000,000	100,000,000		0	0	0	0	0	0
Namibia Wildlife Resorts	0	10,000,216	17,000,220	0	31,650,000	35,000,000	23,422,335	0	0
Namcor	100,000,000	0	268,000,000	0	0	0	142,000,000	0	0
NDC	10,800,000	12,996,907	46,900,477	0	1,000,000	1,000,000	1,000,000	0	1,000,000
ODC	0	0	2,000,000	0	2,691,129	0	0	0	0
Roads Authority	1,300,000	200,000	11,710,495	0	0	0	1,998,402	2,000,000	2,100,000
RCC	0	0	0	14,400,000	0	0	20,000,000	20,000,000	21,000,000
TransNamib	31,500,000	31,000,288	31,000,843	0	18,813,944	0	535,681,610	312,929,000	220,245,000
Zambezi Waterfront	0	0	0	0	9,832,852	30,000,000	20,000,000	20,000,000	3,000,000
		Actual Spending		Estimated Spending		Projected Spending			

Notes: IPPR consulted National Budget documents in drawing up these numbers, treating them as the ultimate authority for state expenditure. Digital copies of more recent years were used, while physical documents supplemented the work for earlier budget periods. Numbers for years 2009-10 through 2015-16 are from the "Estimates of Revenue, Income and Expenditure" documents attached to the national budget each year. As a general rule, this document provides an updated estimate for the previous year, and "actual" spending figures for two years ago. Thus, for example, the document that accompanied the 2016-17 budget (titled "Estimates of Revenue, Income and Expenditure:" 01 April 2016 to 31 March 2019) contains, for the most part, the actual spending for the year 2014/15. However, some parts of the budget still refer to estimates for that year. Other budget documents list several years' actual spending. This table does not include the year 2008-10 for reasons of space, but expenditures from that year were added to the totals on page 6. The transfer to Namcor of N$510,000,000 is not listed in the national accounts as it came from the National Energy Fund, but is included as its omission would be significant. Namcor Annual Reports were available for 2010, 2012, 2015 and 2016. While all efforts went into ensuring the accuracy of these figures, we cannot guarantee it for a variety of reasons.

APPENDIX 3: DIVIDENDS FROM SELECTED COMMERCIAL PES, OTHER PES FOR COMPARISON

Name	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Lüderitz Waterfront		476,773	0	0	0	476,773
Meat Corporation of Namibia	0	0	0	0	0	0
Namibia Airports Company (NAC)	1,200,000	0	0	0	0	1,200,000
Namibia Ports Authority		32,000,000	25,000,000	15,000,000	0	72,000,000
Namcor	4,300,000	0	0	0	0	4,300,000
Namdeb	0	0	0	0	515,218,000	515,218,000
Post and Telecommunications	42,835,760	36,600,000	37,312,170	78,885,982	0	575,293,912
Rossing Uranium	8,230,500	8,593,200	8,512,331	588,023	379,660,000	25,924,054
Namibia Diamonds Trading	0	25,000,000	100,000,000	85,000,000	100,000,000	310,000,000

Notes: IPPR consulted National Budget documents to retrieve these numbers. Specifically, the "Estimates of Revenue, Income and Expenditure" for the given years provided dividends broken down by company. Unfortunately, more recent years only report aggregate amounts for dividends received, rendering the collection of detailed statistics outside the scope of this project.

As above, while all efforts went into ensuring the accuracy of these figures, we cannot guarantee it.

NOTES

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