



REPUBLIC OF NAMIBIA

MINISTRY OF PUBLIC ENTERPRISES

Office of the Minister

Media Statement

The purpose of this press conference is to provide an update to the public on the implementation of the highly anticipated Hybrid Governance Model for Public Enterprises and to share some of our plans for 2017.

On 19 July 2016, Cabinet adopted the Hybrid Governance Model for Namibian Public Enterprises after thorough consultations with three separate Cabinet Committees and various stakeholders. To implement this governance model we need an amendment to the Public Enterprises Governance Act and we were hoping to table this amendment in 2016 during the last sitting of Parliament. Our legal department and the officials from the office of the AG has put a tremendous effort into this process but there are still a few minor adjustments which have to be made before this item will be ready to be processed by Parliament. The amendment will make provision for the Minister of Public Enterprises to be empowered to classify PEs according to the three new categories namely Commercial Public Enterprises (PEs), Non-Commercial and Financial Institutions and Extra-Budgetary Funds. The amendment will also include a Schedule whereby all the enabling Acts will be amended to capture the required provisions. The important issue I want to communicate is that in the interim period the status quo remains as before in that the MPE shares responsibility with the various Line Ministries, as has been the case under the State Owned Enterprises Governance Council since 2006 and the MPE since March 2015. This means that the Line Ministers have the Shareholder responsibilities while the PE Minister is responsible for governance related directives and remuneration matters.

In the background, however, we have been preparing for our new role as the responsible shareholder for the portfolio of commercial public enterprises. We are at an advanced stage of developing a super database for the commercial public enterprises. This Public Enterprise Monitoring & Evaluation System (PEMES) will allow us to track performance and also to make early interventions where necessary and this will become an integral tool for the MPE. The new Remuneration Guidelines have been finalized and will herald the introduction of an integrated performance based system for the first time. The new guidelines are incentivized with basic salaries with long- and short-term performance based bonuses. New Performance Agreements will be signed with individual Board members and these will contain measurable key performance indicators (KPI's). These KPIs will include economic, operational and compliance indicators custom made to each entity's unique environment and the

performance agreements are legally binding agreements. Boards will equally sign performance agreements with their CEOs/MDs containing the same KPIs and these will cascade down into the lower ranks of employees. We will then be using PEMES to measure the performance and endorse the incentives where applicable. The incentivized Remuneration Guidelines, PEMES and Performance Agreements thus become an integrated system.

We are implementing good governance guidelines and have already issued the guidelines for Board Member selection and appointment. These guidelines will go a long way towards making the Boards of public enterprises better equipped, both in terms of professional and technical skills. We have put these guidelines in action for the appointment of the new boards of MTC, NAMCOR and NAMPOWER. We will also continue with our efforts to attract more potential Board members for our PEs by advertising in the media as we've done before. Our database of potential board members has grown to more than 500 and we are currently busy to convert the manual database to an electronic one where all candidates will be grouped according to their skills and experience. This e-recruitment database will facilitate a smooth process of identifying the most suitable individuals possible for our Boards. The appointment of high quality Boards is the core of the success of an entity and this will be one of our primary focus areas.

Position papers on each of the sectors in which the commercial enterprises are active are in the making. We have also developed the framework for the Ownership Policy for Commercial PEs. This policy will guide the Government of Namibia in its ownership role of the commercial enterprise and it will be a practical working policy which will be used to gauge the enterprises and then recommend appropriate reforms where required. The policy will ask the following questions: Why are we invested in the enterprise? Should we remain invested? And if not do we bring in the private sector through a Public-Private Partnership or perhaps through listing on the stock exchange? What criteria should guide the due diligence process when we invest in new enterprises? How do we ensure at all times Namibia attains best value from the commercial enterprise portfolio, both in terms of financial and socio-economic returns? These are pertinent and complex questions we will need to answer in a collective spirit, guided by good research and strong evidence.

The main event lined up for next year will be the launch of the Public Enterprise Transformation Project that will span over a number of years. This project will be the embodiment of our road to transform the Namibian Public Enterprises into highly effective and efficient entities providing products and services in the best interest of our Nation. We have already formulated the draft roadmap for this project defining certain key initiatives. These will focus on various policies, enhancement of the effectiveness of Boards, strengthening of Shareholder oversight, implementation of the Public Enterprises Monitoring and Evaluation System (PEMES), improving the MPE systems and processes and capacity building of the MPE and PEs to name but a few. A dedicated launch of this project will take place at a suitable time in 2017.

At the Ministry of Public Enterprises we embrace the economic realities facing us and we believe that it is our collective responsibility to counter these challenges together with the efforts of the Ministry of Finance. We also embrace the fact that PEs play a major role in our economy and we are committed to compliment the efforts of the Ministry of Finance where the re-alignment of priorities are proving effective. The MPE has been assigned with an extremely complex mandate and any type of reform will always be associated with resistance and even controversy. I want to ensure the public that we will at all times make the most appropriate recommendations in the best interest of the PEs but fundamentally in the best interest of the public. The historic levels of bailouts and subsidies to PEs are no longer sustainable or acceptable and a dedicated effort must be made to curtail this. I believe that a number of our subtle interventions during 2015 and 16 have already had an immediate effect but more radical intervention will be required in 2017 to ensure necessary adjustments. Various business plans will urgently need to be reviewed and enhanced to address current inefficiencies and boost performance and profitability.

The Ministry of Public Enterprises will always make the most appropriate recommendations to Cabinet for consideration and our recommendations will always be based on facts and never on assumptions. Among these recommendations will be those dealing with the restructuring of some Public Enterprises. Restructuring may take many forms which could include merging certain PEs, absorbing certain PEs into Ministries, the listing of certain PEs on the Namibian Stock Exchange and attracting strategic partnerships where appropriate. The liquidation of a Public Enterprise is provided for under the existing legislation but I want to make it absolutely clear that this option will only be entertained after thorough due diligence and when certain conditions are met which include that the enterprise must have marginal strategic significance, low feasibility and high capital requirements. We will never support the liquidation of any of the strategically important PEs.

Thank you