



REPUBLIC OF NAMIBIA

BUDGET APPROVAL – VOTE 34
MOTIVATION BY THE HONORABLE LEON JOOSTE, MP MINISTER OF
PUBLIC ENTERPRISES
NATIONAL ASSEMBLY, 25 April 2019

Honourable Chairperson of the Whole House Committee and Honourable Members,

I rise to present a motivation for the budget for Vote 34 of the Ministry of Public Enterprises.

Please allow me, Honourable Chairperson, to congratulate the Honourable Minister of Finance, his Deputy and the entire staff of the Finance Ministry for their thorough preparation of the budget, which is currently under consideration.

Equally, I would like to extend the same congratulations to the Honourable Minister of Economic Planning, his Deputy and staff of the National Planning Commission for the meticulous preparation and tabling of the 2019/20 Medium Term Expenditure Framework.

This is also the year in which we also celebrate the 90th birthday of our Founding Father of the Namibian nation, His Excellency Dr Sam Shafishuna Nujoma. Together with his generation of freedom fighters these giants of our democratic struggle sought to work for a society based on justice, fairness, equity, democracy and non-racialism.

Hon. Chairperson, before I present in more detail our Ministry's budget, let me also express my gratitude, here and now in this August House, for the display of confidence in my Ministry's implementation and execution ability.

By passing the long anticipated Public Enterprises Governance Bill 2018 on the 9th April 2019 you have demonstrated, in no uncertain terms, this tremendous support. Be assured from our side, my team and I at the Ministry of Public Enterprises (MPE), will not be wanting in our efforts to execute on the mandate accorded us by the people of Namibia through its elected representative, the Members of the National Assembly.

As we proceed and I delve into the budgetary allocation, Hon. Chairperson and Members, permit me to remind this August House that the Act in its current form takes cognizance of the fact that the Public Enterprises Governance Act (no.2 of 2006) was amended for the following reasons:

- 1) A consolidation of the original Act and the previous amendments of 2008 and 2015
- 2) To incorporate the Hybrid Governance Model as approved by Cabinet on 19th July 2016.
- 3) To clarify roles between different stakeholders.

It is important to highlight that resulting from such amendments the Act now provides for the categorization of Public Enterprises (PEs) into three categories, which are as follows:

- Commercial Public Enterprises
- Non-Commercial and Financial Institutions
- Extra-Budgetary Funds

This means that Commercial PEs will resort under the MPE as the Shareholder Ministry. The MPE now has full Shareholder responsibilities and will be fully accountable for the (a) commercial and financial operations of commercial PEs, and as it then naturally follows, (b) for the performance of those entities.

Delivering on this mandated responsibility MPE shall, going forward, enforce compliance and thereby ensure full accountability for governance oversight on all PE's as it pertains to compliance to the PEGA.

It is important to note that Non-Commercial PEs are:

- Regulators, Promotion, Development, Advocacy and Research bodies, Educational and Training, Media Institutions and Service providers. In summary they are all entities which are not of a commercial nature. They will fall under the responsibility of the relevant or appropriate Portfolio Ministries.

This means that the Portfolio Ministries are tasked with the responsibility to:

- Enforce full accountability, oversee commercial operation, financial operation and overall performance of these entities. Take full control over Industrial/Sectorial Policy formulation as well as the formulation of Sector Legislation and Regulation of the Sector.

Financial Institutions and Extra-Budgetary Funds are:

- PEs of a financial nature. This category of PEs is fully accountable to the Ministry of Finance (MoF). Resultantly the MoF is tasked with the responsibility of enforcement of commercial operation, financial operation, and to monitor the performance of these entities.

Honourable Chairperson of the Whole House Committee and Honourable Members, like in any economy where public enterprises or state-owned enterprises are established it is for specific reasons. Public Enterprises (PEs) are usually created to achieve the following purposes:

- To provide public goods;
- To generate public funds;
- To increase access to public services;
- To encourage economic development and industrialization through sustaining sectors of special interest for the economy.

Although, PEs were created to perform the aforementioned functions, unfortunately over the years many have failed to deliver on their delegated mandate, to deliver on their intended purpose. Sadly, instead of generating revenue for the State, far too many PEs became a burden to the Fiscus, being dependent on the State for annual government subsidies and guarantees to sustain their operations.

For financial year 2017/18 alone, Commercial PEs that are supposed to generate revenue received a total allocation from the National budget of more than N\$1,2 billion. It concerns us all as elected leaders of this great Nation that the total debt of Namibia's PEs is already about N\$ 43 billion, which is 25% of GDP.

Hon Chairperson, it is also important to note that in the previous fiscal year, the total return on the assets of the PE portfolio is negative, with a total loss now exceeding an unsustainable N\$150 million per annum.

This indicates clearly and in no uncertain terms that the current levels of performance and financial results emanating from most of our PEs is frighteningly low and just not sustainable. Thus, our Ministry role to reverse this situation is critical.

Hon Chairperson, the functions of the Ministry of Public Enterprises are summarized as follows:

- To establish generally accepted common principles of corporate governance and good practice governing State-owned enterprises;
- To develop and monitor common policy frameworks for the operations of public enterprises, including policies on issues relating to human resources, assets and finance;
- To provide directives on governance and performance agreements to be entered into between the portfolio Minister and the Board.
- To provide directives on performance agreements to be entered into between the board of the PE and its Chief Executive Officer and other Senior management staff.
- Review business plans, annual financial statements and annual budgets.
- Responsible for the Board of Directors recruitment and appointment guidelines.
- Responsible for the restructuring of Public Enterprises.

May I now move, Hon. Chairperson, that this August House considers the total budget allocation, to the Ministry of Public Enterprises, for the financial year 2019/2020, which amounts to; N\$40,022,000. (Forty Million and Twenty Two Thousand Namibian Dollars). This represent a 4.21 % reduction compared to the 2018/19 revised budget.

Honourable Chairperson,

The activities of the Ministry of Public Enterprises are grouped under two main Programmes; namely:

1. Legal, Economic and Financial Advisory Services; and
2. Policy Coordination and Support Services.

Programme 1: Legal, Economic and Financial Advisory Services,

An amount of **N\$7,036,000 (Seven Million and Thirty Six Thousand Namibian Dollars)** has been allocated to this Programme.

The main activities to be carried out under this programme are as follows:

- Drafting of legislation for the Public Enterprises Governance Act , 2019
- Harmonization of individual establishing Acts of Public Enterprises and their respective constituent documents of the PEs to the Public Enterprises Governance Bill , 2018
- Implementation of the Business Process Reengineering processes
- Development of the governance scorecard
- Signing of new governance and performance agreements
- Compilation of Compliance Reports
- Analyzing of Public Enterprises Business, Financial and Annual Performance Reports

Programme 2: Policy Coordination and Support Services,

An amount of **N\$32,986,000 (Thirty-Two Million Nine Hundred and Eighty-Six Thousand Namibian Dollars)** has been allocated to this programme.

Under this programme, my Ministry will carry out the following activities:

- Development of the ownership policy
- Development of the Public Enterprises Transformation Strategy
- Development of a Compliance rating framework
- Development of Public Enterprises Classification and Remuneration Framework
- Development and implementation of the Board Performance Evaluation framework
- Facilitation of strategic Public Enterprises Reform

Honourable Chairperson,

The mandate of the MPE is to “position Namibia’s key Public Enterprises to play their meaningful role in the country’s development agenda and to ensure that public enterprises are well managed in order to reduce the financial burden on the

state". I am however delighted, Honourable Speaker, to inform you that a number of milestones have already been reached:

- Public Enterprises Governance Act no 2 of 2019 was passed by this House
- The "Public Enterprises Policy Frameworks, Guidelines, and Directives were drafted and finalized.
- Compulsory Boards of Directors induction training for all new Directors was facilitated through NIPAM.
- E- Recruitment system procurement was finalized. As from this financial year, Namibians aspiring to be board members can now apply online.
- The Public Enterprises Monitoring and Evaluation System (PEMES) was developed. This is a financial database, which help the ministry to analyze the audited financials, as sporadically submitted by PEs. PEMES is critical for financial performance monitoring and reporting.
- In addition, Integrated Electronic Monitoring System Project, which is funded by GIZ, has commenced.

Programme 02: Supervision, Coordination and Support Services
Under this program Main Achievements are as follow:

- Directive on the Public Enterprises Procurement Policies aligned to the new Procurement Act, 2015 was issued to all the Public Enterprises.
- The report on the classification of Public Enterprises into Tiers and Remuneration Directives was reviewed and finalized.
- A Board Nomination Committee (BNC) was established. The BNC will monitor Board term expiries and provide assistance to portfolio ministries to proactively replace or fill vacant positions on Boards.
- A database containing CV's of potential candidates who can serve on various Boards of PE's was developed. The process is still ongoing, and requires to be automated for ease of operations. That is an all-inclusive and transparent.
- The Board of Directors Induction training was successfully conducted.

During the course of this year the Ministry will focus on the following areas:

1. **Finalisation and implementation of the Transformation strategy and our Ownership Policy-** this policy are now in draft format, what is left now is to conduct stakeholder's consultation and presented to Cabinet for approval to map the transformation strategy.
2. **Categorization of Public Enterprises:** As requirement of the new Act, the ministry will categorize all public enterprises into the commercial, non-commercial and extra-budgetary fund categories. The categorization will be submitted to Cabinet for the approval as the law requires.
3. **Development and Implementation of the Integrated Management Performance** framework for Public Enterprises performance and an integrated performance system will be developed. With the support of GIZ, an electronic performance system for PEs will be developed. All Public Enterprises will be required to have fully functional Performance Management Systems and remuneration will be incentivized.
4. **E-Recruitment and Professional Board Appointments:** Board recruitment guidelines was developed and submitted to Cabinet. Therefore this year, our ministry will focus se on implementing a new thorough recruitment process to ensure that the best possible Board members are identified in a transparent process. Our current manual database consisting of around 600 potential Board members will be transferred to an electronic format. In cases where appropriate skills cannot be sourced from our database, advertisements will be placed to provide further opportunity for professional Board members to apply.

One of the factors we will have to pay particular emphasis is to ensure that sector specific skilled Board members are appointed to ensure that a skills balance between the Board and the Executive is maintained. Board self-evaluation guidelines will be developed and implemented for all boards and annual evaluations will be conducted in most cases.

5. **CEO recruitments:** CEO recruitment guidelines will be issued within the first quarter of 2019. This, will solve problems around CEO suspensions and will formalise renewal/termination of CEO contracts.
6. **Board Performance Evaluation:** Ministry will start with board performance evaluation this year. The ministry have drafted the board evaluation guidelines which will be soon presented to Cabinet. After Cabinet approval the board evaluation will commence.
7. **Public Enterprises Revolving Fund:** To properly restructure and recapitalize Public Enterprises that are in "ICU" and "operating table, MPE

will need a revolving fund as PE restructuring is expensive. Therefore MPE will develop a draft proposal for the establishment of this fund for Cabinet's consideration and approval.

- 8. Strengthening Public Enterprises Governance:** We will tighten up on the efforts to curb corruption by conducting more Special Investigations in instances where malpractice is suspected and if corruption is exposed, the investigation reports will be handed over to the ACC for further processing and eventual prosecution if warranted. Please take note that there should not be an assumption that all our Special Investigations are aimed to target corruption. These investigations take multiple forms and are also intended to identify corporate governance failures, flawed policies, structural constraints etc. and to then propose suitable remedial actions.

**Honorable Chairperson,
Honourable Members**

Before I conclude, in these times of regeneration of the *status quo*, a new opportunity arises to make our PE's the pride of the nation again.

We appeal to civil society today, saying that the work is not yet done. We want civil society to help us raise our game, hold us accountable, demand transparency. The reform of our PEs and transformation of our society must be sincere, deep and long-lasting.

Insisting on transparency and accountability is not enough. We need moral and ethical leadership. We need people that act with integrity. And each one of us needs to have the courage to act on our principles.

In conclusion, I wish to thank the Honorable Members of this August house for their support and interest in the mandate given to our Ministry. I particularly would like to thank His Excellency the President, The Vice President, The Right Honorable Prime Minister, The Deputy Prime Minister and my dear colleagues in the Executive, for their patience and support.

I equally want to thank my Deputy Minister, Honorable Nekundi, the Executive Director and her Assistant and the entire personnel at the MPE for their hard work and dedication.

I wish to thank all the Honorable Members of this respected House in advance for the overwhelming support they have always given to Vote 34.

I thank you.

**Leon Jooste
(Minister)**