



DPE SHAREHOLDER OVERSIGHT

2ND MEETING OF THE OECD NETWORK

03 March 2010, Paris



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Contents



- Evolution of DPE's strategic mandate
- Shareholder Objectives
- Key constraints
- Key risks
- Disadvantages
- Our Aim



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Evolution of DPE's Strategic Mandate



Until 2003: development & implementation of an integrated and coherent approach to maximising the contribution of SOE to the socio-economic development of SA (restructuring/privatisation of SOE)

Post 2003: ensure alignment between the SOE business strategies with sector department policies and regulatory authorities whilst ensuring that SOE, as sustainable business entities, provide sustainable economic benefit to the country.

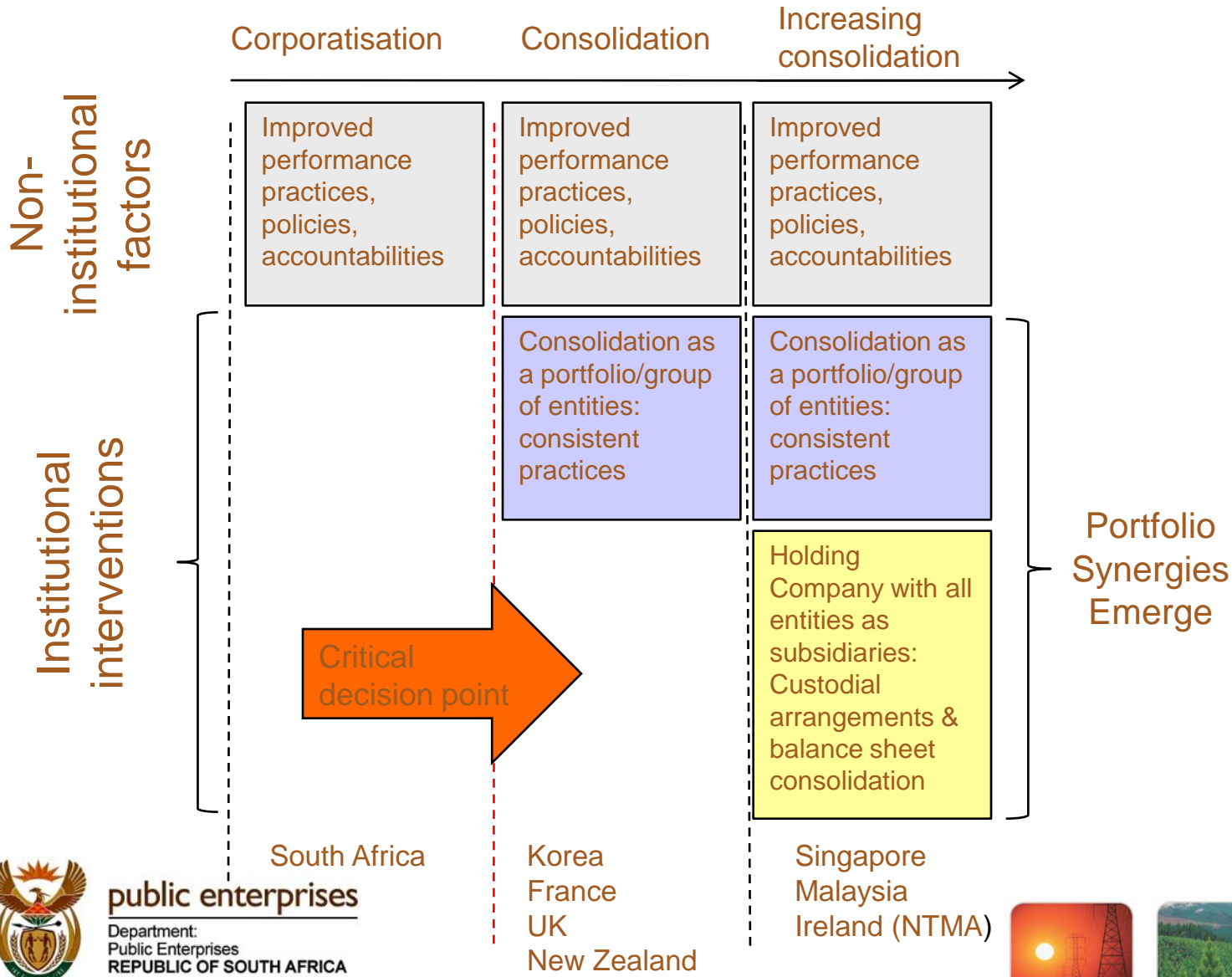


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Evolution of DPE's Strategic Mandate Cont...



Evolution of DPE's Strategic Mandate Cont...



The DPE has managed the portfolio of SOEs towards the achievement of the following long term objectives:

- Security of supply in energy
- National presence in airline capacity
- Broadband capacity
- Efficient transport infrastructure
- Consolidation of aerospace capability
- Focused manufacturing capability and export of defence solutions



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Evolution of DPE's Strategic Mandate Cont...



- **Oversight at 2 levels:**
 - Enterprise – Ensure SOE is financially viable & sustainable
 - Industry – Create space for the private sector where optimal in the value chain
- **Oversight strengthened through:**
 - Precisioning of the strategic mandate & intent
 - Conclusion of Shareholder Compacts with SOE Boards
 - Business Intelligence Dashboard for performance reporting and analysis
 - Significance and materiality framework MOU
 - Standard governance documents for all SOE



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Evolution of DPE's Strategic Mandate Cont...

- Strengthening Board composition
- Portfolio level monitoring to ensure that existing & new SOE are adequately capitalised & that high impact projects can be funded & appropriate funding mechanisms developed
- Review of routine oversight reporting at SOE & DPE levels to ensure robust SOE governance, investment, financial & risk management systems, adequate information for strategic decisions and SOE & portfolio performance can be assessed in relation to Government's overarching intent
- Codification of Government's role and functions through Development of Shareholder Management Concept in order to optimise SOE contribution to economic growth & development



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DPE Shareholder Objectives



- In RSA SOE are clustered under a various shareholder Departments (Multiple shareholding structure)
- Developing site of shareholder excellence (shareholder compact's, shareholder levers, risk management)
- Developing track record of support for the SOE (recapitalisations, demanding new strategies, acting as a political champion, EIAs)
- New IP on the nexus between SOE and sector development strategy
- Developing new IP on how to exploit portfolio synergies (e.g. competitive supplier development programme)



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Key Constraints

- Impact of 'build' programme placing pressure on SOE balance sheets (price and 'supply' pressures)
- Limited SOE-related financial innovation in world of accelerating global financial innovation
- Slow speed of investments and slow speed of entry into new SOE (despite the commercial case)
- No formal institutional champion for industrialisation of large-scale state science investments (which are presumably SA's leading edge of technology development)
- Non-optimisation of state portfolio of SOEs: e.g.. leveraging state shareholding /dividend flow



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Key risks



- Under investment and Inefficient capital usage
- Inability to make decisions
- Inability to consistently control and drive required behaviours
- Ineffective strategic mandate implementation
- Legislation/regulation

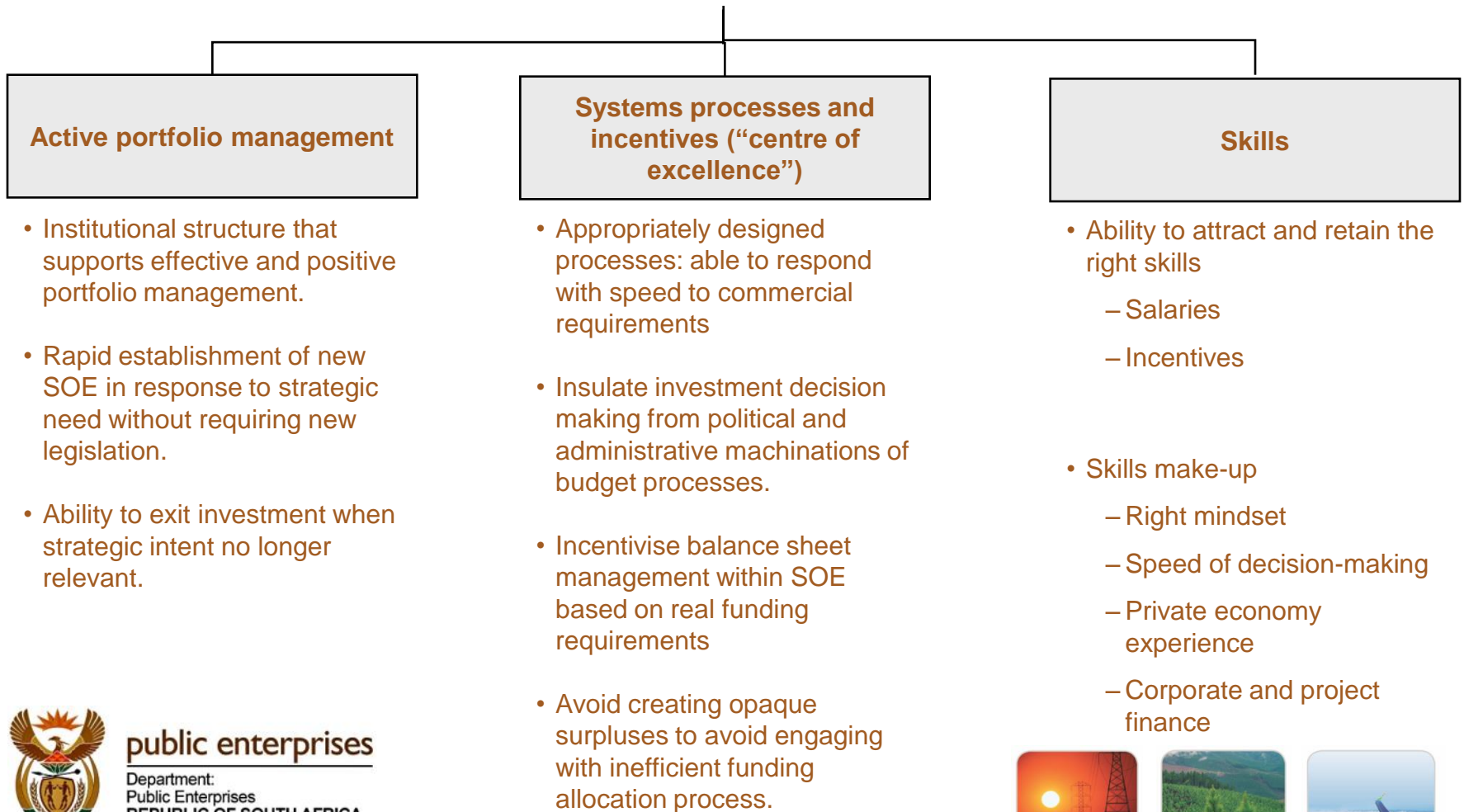


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Disadvantages.....



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OUR AIM



- Establish shareholder uniform approach and standard applicable across all SOE
- Serve as custodian of consistent shareholder management practices by:
 - Developing harmonized & consistent shareholder management practices to be issued as regulations &/or practice notes;
 - Provide ad-hoc shareholder management & transaction advisory services on request;



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THANK YOU



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