



NAMIBIA  
INSTITUTE OF  
CORPORATE  
GOVERNANCE

## Are We Solving the Right Governance Problem?

*Reflections on Namibia's Public Enterprise Reform Journey*

The establishment of the State-Owned Enterprises Review Task Force by the Office of the Prime Minister, together with the proposed amendments to the Public Enterprises Governance Act (PEGA), signals an encouraging willingness by Government to take a deeper look at the governance of one of the country's most important sectors.

At the same time, the Namibia Institute of Corporate Governance (NICG) has spent the past year undertaking a comprehensive Governance Ranking Study in collaboration with the Department of Public Enterprises within the Ministry of Finance and Public Enterprises, with financial support from the European Union. The findings of that study will be published later this month.

At NICG, we welcome this renewed focus on public enterprise governance.

For many years, governance professionals have argued that strong public enterprises are fundamental to Namibia's economic development, service delivery and fiscal sustainability. Any initiative that seeks to strengthen the governance of these institutions deserves careful consideration.

At the same time, good governance requires us to ask an equally important question:

*Are we solving the right governance problem?*

That question is not intended as criticism. Rather, it is an invitation to ensure that, in our desire to reform, we correctly diagnose the underlying governance challenges before prescribing solutions

### **Governance is More Than Structure**

There is a natural tendency during periods of reform to focus on institutional arrangements.

Which ministry should oversee public enterprises? Who should appoint boards? Who should approve executive appointments? Who should determine remuneration?

These are important questions. And they are, notably, the precise questions that the Task Force has been mandated to address; that is, reviewing salary structures across state-owned enterprises, recommending remuneration frameworks for board members and committees, and assessing recruitment policies governing the appointment of chief executives.

We do not dispute the value of this work. Remuneration inconsistencies are real. Appointment processes have not always produced outcomes that can be defended on merit grounds alone. These deserve scrutiny.

But governance is not merely about where authority resides. It is about how authority is exercised.

One of the most enduring principles of corporate governance is the clear delineation of roles and responsibilities. Effective governance depends on each governance actor understanding its mandate, exercising its authority appropriately, and respecting the authority of others.

In the public enterprise context, this means recognising the distinct but complementary roles of the shareholder, the board and executive management. The shareholder determines

strategic ownership objectives and articulates the public policy outcomes expected of the enterprise. The board governs the organisation. It provides strategic direction, exercises independent oversight, appoints and evaluates the chief executive, and safeguards the long-term interests of the enterprise. Management manages. It executes the strategy approved by the board and is accountable for operational performance.

These distinctions are not administrative formalities. They are governance safeguards.

When these boundaries become blurred, accountability becomes equally blurred.

### **Looking Beyond Reporting Lines**

The current public debate has understandably focused on institutional arrangements and reporting structures.

Yet it is worth reflecting on the governance challenges that have actually characterised Namibia's public enterprise sector over the past two decades.

Many public enterprises have experienced recurring and well-documented difficulties. Forensic investigations have revealed significant financial losses at entities including TransNamib and NAMCOR. These losses were not attributed to

market conditions alone, but to weak internal controls, procurement irregularities, and management conduct that went unchecked for extended periods. The RCC has remained dependent on government bailouts for years while corruption allegations against its leadership have accumulated. Meatco has received over N\$700 million in public funds while governance and accountability concerns persist internally. These are not isolated incidents. They illicit patterns which require a systemic diagnosis.

This raises an important governance question.

To what extent have these challenges arisen from institutional structures and reporting arrangements, and to what extent have they reflected broader issues such as board effectiveness, leadership capability, accountability, organisational culture and the consistent application of governance principles?

The governance failures that have cost Namibian taxpayers the most have rarely been failures of structure. They have been failures of behaviour; management that operated without meaningful board oversight, boards that could not or did not enforce accountability, internal controls that existed on paper but not in practice, and external interference that undermined the institutional authority of the very structures designed to prevent exactly this.

It is therefore worth asking whether the Task Force's mandate, as currently framed, reaches far enough into these questions. Reviewing what

executives are paid and how they are recruited addresses the composition of the room. It does not necessarily address what happens once the door is closed. If an executive is well-recruited and appropriately remunerated but operates in an environment where the board cannot hold them to account, or where external authority overrides the board's decisions, the governance failure remains.

Changing governance structures may well improve coordination. Clarifying reporting lines may strengthen accountability. But structural reform alone does not necessarily produce better governance outcomes.

A governance framework is only as effective as the people who operate within it.

King V reminds us that good corporate governance practises ethical and effective leadership. That principle is significant because it shifts the conversation away from organisational charts, towards behaviour.

Ethical leadership requires integrity, accountability, transparency and sound judgement. Effective leadership requires competent decision-making, strategic oversight and disciplined execution. Neither can be legislated into existence simply by reallocating authority.

Good governance ultimately depends on whether those entrusted with authority understand their

responsibilities and are held accountable for fulfilling them.

### **A Timely National Conversation**

Over the past year, NICG has had the privilege of engaging with public enterprises, governance practitioners and policymakers through a range of initiatives aimed at strengthening governance practice in Namibia.

These engagements have reinforced an important observation.

There is growing recognition that governance matters. Across sectors, there is increasing willingness to examine governance arrangements, clarify responsibilities and strengthen accountability. That is a positive development and one that should be welcomed.

The Governance Ranking Study, which NICG will publish later this month, forms part of this broader national conversation. While it would be inappropriate to comment on the study's findings before their official publication, the study itself reflects a shared commitment by government, participating organisations and development partners to better understand governance practices and to promote informed discussion on the future of governance in Namibia.

The appointment of the State-Owned Enterprises Review Task Force represents another important contribution to that conversation.

The opportunity now is to ensure that the conversation remains focused on the governance

principles that ultimately determine whether institutions succeed.

### **Questions Worth Asking**

As Namibia embarks on another phase of public enterprise reform, several governance questions deserve continued reflection.

How do we strengthen boards without diminishing their independence? How do we ensure shareholders exercise appropriate oversight without inadvertently assuming the role of management? How do we improve executive capability and accountability? How do we create governance systems that encourage sound decision-making rather than mere compliance? How do we ensure that governance reform ultimately improves organisational performance and public value rather than simply altering institutional arrangements?

And perhaps most pertinently, given the Task Force's mandate: how do we ensure that what we pay people and how we appoint them is not the ceiling of our ambition, but the floor? Remuneration and recruitment are entry conditions. They set the stage. What happens on that stage is determined by board quality, management integrity, the genuine independence of oversight structures, and the shareholder's willingness to trust those structures to do their work.

These are not questions with easy answers. They are, however, the questions that good governance requires us to ask.

### **A National Opportunity**

The establishment of the Task Force presents Namibia with an important opportunity.

Not simply to redesign governance structures, but to strengthen governance itself.

We would encourage the Task Force to consider broadening its lens, to ask not only what leaders are paid and how they are appointed, but whether boards are genuinely empowered to hold management to account, whether accountability is consistently and proportionately applied when governance fails, and whether the boundaries between shareholder oversight and board authority are clearly understood and honoured by all parties.

If this moment encourages a broader national conversation about board effectiveness, shareholder stewardship, executive accountability, governance capability and institutional performance, it will have achieved something of lasting value.

Governance reform succeeds not when authority is relocated, but when responsibilities are clarified, institutions are strengthened, and accountability is consistently exercised.

Ultimately, the measure of success will not be where authority sits.

It will be whether Namibia's public enterprises are better governed, better managed and better able to fulfil the mandates for which they exist.