GOVERNANCE AND THE DIGITAL ECONOMY IN AFRICA
TECHNICAL BACKGROUND PAPER SERIES

Corporate Governance and Transparency of State-Owned and State-Linked Digital Enterprises in Africa

WORLD BANK GROUP

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Common Abbreviations and Defined Terms

This section explains the common terms and abbreviations used in this paper.

Abbreviation / Term	Full Terminology / Definition
CEO	Chief Executive Officer
FE	Fixed effects
ICT	Information and Communications Technology
iSOEF	World Bank Integrated State-Owned Enterprises Framework
KPIs	Key performance indicators
MT	Mauritius Telecom Ltd
OLS	Ordinary least squares
SAI	Supreme Audit Institution
SLE	State-Linked Enterprise
SOE	State-Owned Enterprise
SITA	South Africa State Information Technology Agency
WDI	World Development Indicators
WGI	Worldwide Governance Indicators

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1. Introduction

Digital technologies hold great promise for economic development and in many countries in Africa, the state carries out commercial activities in the digital sector affecting digital technologies' uptake. State involvement in digital infrastructure and services remains widespread in Africa. State-owned and state-linked enterprises[1] (SOE-SLEs) have historically been present in telecom markets and often enjoyed monopoly rights, extending from submarine cable landing stations, fixed line, and wireless broadband services to international gateway services and mobile internet. Almost all countries[2] have liberalized the sector through various steps, including moving from majority shareholding in SOEs to minority shareholding in SLEs. However, in many countries, SOE-SLEs remain important service providers. The presence and performance of SOE-SLEs in the provision of digital infrastructure and services can impact the quality and affordability of the internet and the growth of the digital economy overall – boosting it or restraining its potential. Ensuring a level playing field in markets where SOE-SLEs participate and focusing government direct participation on solving market failures is important to crowd in private participation and increase the efficiency of the economy as a whole.

Compared to private companies, SOE-SLEs face some distinct governance challenges. On the one hand, they may suffer from undue politically motivated interference, leading to unclear lines of responsibility, a lack of accountability and efficiency losses. On the other hand, a lack of any oversight due to passive ownership by the State can weaken the incentives of SOE-SLEs and their staff to perform in the best interest of the enterprise and the public and raise the likelihood of self-serving behavior by corporate insiders, as well as increased debt liability for the state. Additional governance issues arise when SOEs have the dual goals of carrying out economic activities and fulfilling a public policy role. Good corporate governance of SOE-SLEs is critical to ensure their positive contribution to economic efficiency and competitiveness. Establishing and enforcing corporate governance standards for SOE-SLEs in line with good international practice[3] would help them to become more efficient and ensure positive contributions by SOE-SLEs.

Transparency regarding financial and non-financial performance is crucial for strengthening the accountability of SOE-SLEs' boards and management and for enabling the state to act as an informed owner.[4] Disclosure refers to the release of financial and non-financial information on the state of affairs of a company. Disclosure requirements are both an incentive and a means for the board and management to perform their duties professionally. Disclosure is highly valuable for SOE-SLEs pursuing important public policy objectives with a large impact on the state budget and on the risks carried by the state. However,

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[1] SOE comprises any corporate entity recognized by national law as an enterprise, and in which the national or subnational government exercises ownership, including joint stock companies, limited liability companies, and partnerships limited by shares. Statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities are of a largely economic nature (i.e. the entity operates in a market for goods or services that could, in theory, be provided by a private company). SOEs also include government entities not organized as companies, but operating in business or market activities. SLEs are defined as companies where the state holds a minority shareholding but does not hold, directly or indirectly through another company, the largest single share of the company's equity capital.

[2] Eritrea is the only remaining exception.

[3] OECD (2015), OECD Guidelines on Corporate Governance of State-Owned Enterprises, OECD Publishing, Paris, pp.11-13.

[4] OECD (2015), G20/OECD Principles of Corporate Governance, OECD Publishing, Paris.

disclosure requirements should not compromise essential corporate confidentiality and should not put SOE-SLEs at a competitive disadvantage against other market players.

While each SOE-SLE operates within a specific country and business environment, and any effort to strengthen its governance should be tailored to those circumstances, several broad principles of transparency and disclosure are relevant. Based on their national institutional and economic backgrounds, SOE-SLEs should strive to observe high standards of transparency and report financial and non-financial information on the enterprise in line with high-quality internationally recognized standards of corporate disclosure.[5] Information that should readily be made available to the public notably include (but is not limited to): a clear statement of enterprise objectives; financial and operating results; the governance, ownership, and voting structure of the enterprise; remuneration of board members and high executives; board member qualifications, selection process, roles, and independent status; material foreseeable risk factors and risk management measures taken; financial assistance, including guarantees, received from the government; related party transactions; and any other relevant issues relating to employees, other stakeholders, and the general public. Websites can also be a useful tool to allow the general public, policymakers, and investors easy access to information on SOE-SLEs.

The first section of this note assesses the corporate governance framework of selected African digital SOEs and SLEs. The analysis is based on the information collected through a survey of 44 digital companies with state participation from 18 countries using desk research.[6] The countries were selected to ensure fair representation of all Africa's sub-regions and language groups, as well as of market structures. Within those groups, the selection was based on the extent of publicly available data at the national level and the significance of SOEs in the sector. The objective of the survey is to identify common issues across these countries and pilot the survey for future use in other countries. The performance of the companies considered is assessed relative to the OECD Guidelines on Corporate Governance of State-Owned Enterprises[7] with the objective of supporting corporate governance framework improvements.

The evidence collected via the surveys of digital SOE-SLEs in Africa indicates that the countries and companies in the sample have room to improve their corporate governance frameworks and practices to better fit best international practices in line with their national requirements. Most companies in the sample operate both under the company law and a general public enterprise law (or SOE law). They also tend to be subject to many other public sector laws and regulations. Working on the equal application of all laws and regulations for SOE-SLEs and the private sector is necessary to level the playing field. In more than half of the companies covered, the line ministry executes the ownership rights. For these companies, a clear legal separation between policymaking and ownership should be established so that ministers will only be able to influence the sector and its participants through transparent and fair regulation. Around 40 percent of the companies studied lack clear mandates and objectives, affecting their effectiveness and accountability. Clarifying mandates and objectives will allow them to design performance agreements and define key performance indicators (KPIs). Several issues were identified concerning the boards' composition, autonomy, and functioning. Not all boards of the companies studied have a balanced

[5] OECD (2015), OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264244160-en.

[6] The analysis is not representative of the African digital SOE-SLEs' corporate governance practices as a whole, as the sample was purposively determined based on the operation of SOEs with significant participation in markets, possibility of accessing information at the country level and regional dispersion of countries.

[7] Ibid.

composition with limited government representation and the presence of independent directors. Board efficiency and effectiveness could be improved in several companies through specialized board committees and strong management of conflict of interest. However, enacting rules aligned with best practice does not always guarantee effective implementation in practice. Consequently, improving the legal and regulatory framework to promote better corporate governance of SOE-SLEs does not always translate into more efficient and transparent management of SOE-SLEs, notably where there is a lack of capabilities or political will.

The second part of this note presents the findings of an empirical study measuring and analyzing the transparency of African digital SOE-SLEs. The corporate governance related information published on the webpages of all digital SOE-SLEs operating on the African continent was scanned in a consistent fashion using desk research. Based on the transparency and disclosure data collected on more than 160 companies, this note analyzes quantitatively the amount and type of information provided to the public by these companies via their websites.

Several findings emerge from the empirical analysis. The number of digital SOE-SLEs active per country varies by a large extent. Most companies do not reveal much non-financial information about their management, policies, and corporate governance arrangements. Company commercial and social objectives are the most frequently reported corporate governance items. On the other hand, details of major transactions and performance contracts are seldom disclosed. Fewer than 17 percent of SOE-SLEs publish on their websites their annual reports or financial statements. Where they do, SOE-SLE transparency is positively correlated with economic development and higher-quality regulatory institutions. Econometric results suggest that better regulatory quality encourages SOEs and SLEs to publish more financial information, but not policy and governance related information. More populous countries tend to have more transparent SLEs while countries with higher GDP per capita tend to have more transparent SOEs. Furthermore, the level of transparency is not correlated with market structure in retail markets. These findings indicate that African digital SOE-SLEs have room to improve transparency. Strengthening regulation-making institutions might contribute to achieving this objective.

The rest of this note is structured as follows. Section 2 concentrates on the corporate governance of digital SOEs and SLEs. Section 3 deals with transparency and disclosure. Additional technical information can be found in the Appendix.

2. Corporate governance of digital SOEs and SLEs

Corporate governance is defined here as the underlying rules, processes, and institutions that govern the relationship between SOE-SLEs' managers and their government owners. Evidence shows that a good corporate governance system in a country is associated with a number of benefits for all companies, whether private or state-owned. These benefits include, but are not limited to, improved operational performance through better allocation of resources and more efficient management, lower fiscal burden and fiscal risk, reduced risk of corporate crises and scandals, reduced risk of debt liabilities, and better relationships with stakeholders. Taken together, these benefits can boost the efficiency of SOE-SLEs and, in turn, that of the economy as a whole via more competitive and transparent companies and markets.[8]

[8] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.xxii-xxiii.

This section presents an analysis of the corporate governance framework of select digital SOEs and SLEs operating on the African continent. The practices of the African companies covered are evaluated against the OECD[9] and World Bank[10] guidelines on the corporate governance of SOEs.

2.1. Data and methodology

This section is based on the information collected via a survey focusing on the corporate governance practices of digital SOEs and SLEs. The survey was developed based on the World Bank Integrated State-Owned Enterprises Framework (iSOEF) entity-level questionnaire. Information was collected using desk research by legal and economic experts for the different countries covered. The design of the questionnaire took into account the fact that it could be answered without conducting company interviews.

The survey was conducted in 18 African countries and covered 44 digital companies. The selection of countries was based on a number of criteria, including a representation of all sub-regions and linguistic groups in Africa, coverage of different market structures, and the significance of the SOE for the relevant market. The lack of publicly available data in some countries precluded a wider analysis of other African countries. In each country, between 1 and 5 digital SOE-SLES were surveyed. Table 2.1 below presents the list of countries covered and Appendix 1.1 displays the full list of SOEs-SLEs included. The database does not always contain answers for all companies for all questions as the information sought was sometimes unavailable for a subset of companies. The information was collected in the period April-June 2021. The full questionnaire can be found in Appendix 1.2. and the list of contributors to complete the questionnaires is available in Appendix 1.3.

Importantly, the analysis does not claim to be representative of the corporate governance situation of the digital sector in the countries covered, let alone the African continent. Purposive sampling was used to select countries based on the importance of SOEs, sector performance, indications of issues related to SOE operation, and regional coverage. Once the country was selected, all the SOEs/SLEs operating in digital infrastructure or services markets were included.[11] The paper nevertheless provides evidence of common challenges and potential solutions across digital SOE-SLEs that should be addressed. This pilot also allows to generate a data collection instrument and analytical framework for wider analysis of SOE-SLEs in the digital sector in Africa and other regions.[12]

Country (number of SOE-SLE surveyed)		
Angola (3)	Gabon (2)	Morocco (2)
Benin (2)	Ghana (3)	Mozambique (1)
Comoros (2)	Kenya (3)	Sierra Leone (2)

[9] OECD (2015). OECD Guidelines on Corporate Governance of State-Owned Enterprises, pp.26-27.

[10] World Bank (2019). Integrated State-Owned Enterprises Framework iSOEF. Guidance Note: Module 4 Corporate Governance and Accountability Mechanisms.

[11] In the case of Angola only the three more important companies were selected given the limited publicly available information on their operation. The full list of SOE-SLE can be found in the Appendix.

[12] For a broader study on the operation of enterprises with state shareholdings across sectors and countries, see World Bank (2023), Business of the State: Delivering on an Ambitious Global Agenda.

Egypt (3)	Liberia (2)	South Africa (5)
Eswatini (2)	Mauritania (1)	Tanzania (3)
Ethiopia (1)	Mauritius (3)	Tunisia (4)

Table 2.1. Countries covered
Source: World Bank authors.

2.2. Legal framework

A clearly defined legal and regulatory framework for SOE-SLEs is essential for establishing the relationship between the government as owner and company boards and management. It also creates a robust foundation for improving company performance and governance. SOE-SLE legal frameworks vary greatly across jurisdictions, and sometimes within the same jurisdiction as well as depending on the legal form of the enterprise. Some SOE-SLEs are established as statutory corporations with their own legislative act or other distinct legal foundations. Others may be non-corporatized entities in the form of SOEs or government departments and usually fall under an SOE or public enterprise law. SOEs that are corporatized usually take the form of joint-stock companies or limited liability companies and may fall under SOE law, company law, or, in some cases, both.[13]

In the sample of companies for which data was collected, there is a fairly balanced distribution of legal forms between corporatized SOEs incorporated under the Company Law, statutory corporations, and corporatized SLEs under the Company Law (Table 2.2). About 41 percent of the companies surveyed have been set up as statutory corporations established by an act of parliament. These are governed by their own special statutes giving them financial independence or certain special capacities. Often such companies are legally assigned a specific policy goal other than profit maximization. Such companies are typically wholly state-owned. In our sample, these companies are often the historical telecommunications public enterprises of the countries covered.

Legal form under which the SOE-SLE is set up[14]	Number	Percentage
Corporatized SOE (state majority shareholding) under the Company law	13	31.0%
Statutory corporation established by an act of parliament/statute	17	40.5%
Non-corporatized SOE set up as a parastatal or government department	1	2.4%

[13] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.28-31.
[14] The table provides the breakdown of legal framework types following the iSOEF questionnaire template.

Corporatized SLE (state minority shareholding) under the Company law	11	26.2%
Total	42	100.0%

Table 2.2. Legal framework

Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

In terms of legal frameworks, most companies in the sample operate both under the company law and a general public enterprise law (or SOE law). In addition to SOE laws and company legislation, the majority of SOE-SLEs covered are also subject to many other public sector laws and regulations. These include public sector employment rules, investment and budgeting regulations, public sector procurement laws, public financial management laws, public sector audit requirements, and sector-specific laws and regulations.

Legal form under which the enterprise is set up	Percentage SOE	Percentage SLE
Corporatized SOE/ SLE incorporated under the Company law	30%	33%
Statutory corporation established by an act of parliament/statue	56%	13%
Non-corporatized SOE/SLE set up as a parastatal or government department	4%	53%
Corporatized company under the company's law	11%	

Table 2.3 Legal form of SOEs and SLEs

Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire

Eliminating or at least reducing differences between the rules governing African digital SOE-SLEs and private companies should be pursued as objectives when they exist. Equal application of broader laws and regulations helps create a level playing field and achieve competitive neutrality between state and private companies so that no business entity is advantaged (or disadvantaged) because of its ownership. Exempting SOE-SLEs from certain laws can create market distortions and reduce management accountability. On the other hand, the imposition of other public sector laws and regulations on SOE-SLEs, such as human resource and procurement regulations, can undermine their ability to compete with private actors in the markets in which they engage.[15] Some enterprises are also subject to various laws

[15] World Bank (2019). Integrated State-Owned Enterprises Framework iSOEF. Guidance Note: Module 4 Corporate Governance and Accountability Mechanism, pp.7-8.

creating a complex legal environment with multiple, and sometimes competing, applicable rules (See South Africa Broadband Infraco example in Box 2.1.).

Box 2.1. Multiple legal bases - South Africa Broadband Infraco State-Owned Corporation (SOC)

Broadband Infraco SOC is a licensed South African state-owned company in the telecommunications sector. It has been assigned the goal to improve market efficiency in the long-distance connectivity segment by increasing available long-distance network infrastructure. It provides long distance national and international connectivity to licensed private sector partners, license-exempt projects of national importance and to previously underserviced areas.

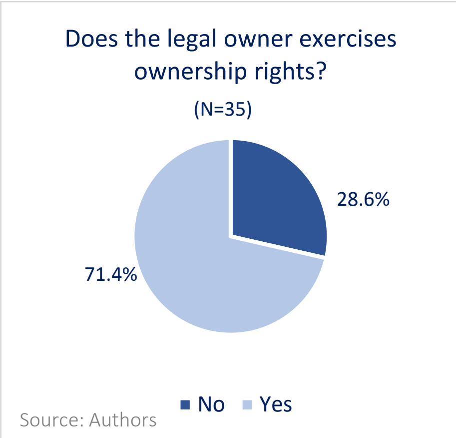
Broadband Infraco was initially incorporated as a private company. The state acquired its entire share capital under the Broadband Infraco Act 33 of 2007 (Broadband Infraco Act). This Act also provided for the Minister of Communications and Digital Technologies (the Minister) to instruct the Registrar of Companies to convert Broadband Infraco into a public company and issue an amended certificate of incorporation under the previous Companies Act of 1973 (now replaced by the current Companies Act 71 of 2008). After these changes, Broadband Infraco is now regulated under several provisions including the Company law (the Companies Act 71 of 2008) but also more general public laws such as the Public Finance Management Act 1 of 1999, the Preferential Procurement Policy Framework Act 13 of 2000, the Broadband Infraco Act, and Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE Act). The application of these various rules increases the complexity and uncertainty of the legal framework.

2.3. Ownership arrangements

Ownership arrangements refer to the way in which the state organizes itself to exercise its ownership rights over SOE-SLEs, such as nominating board members, making major investment decisions, or defining company strategy. Good practices have shown that the most efficient arrangement is when the state's ownership functions over SOE-SLEs are separated from its policy-making and regulatory functions so that the focus on ownership issues can be improved and the link between public policy and SOE activities removed. Importantly, ownership rights should be clearly and adequately defined, preferably in the law. Conflicts of interest can arise when ownership and regulatory roles are combined, especially in sectors and activities where the private sector is present as the state is both provider of a service and regulator. Good practice is to move away from traditional ownership models in which line ministries have ownership responsibilities to centralized ownership arrangements. In centralized arrangements, ownership responsibilities are concentrated in a single specialized independent agency responsible for exercising all ownership functions on behalf of the state as owner, while the line ministry is responsible for policymaking and the regulatory environment in which SOE-SLEs operate. This model has numerous advantages, including avoidance of potential conflicts of interest, minimization of the risk of political interference in company management, capacity to have oversight of the SOE sector, greater independence, and professional management of SOE operations.[16] However, within a more centralized model, there is no one-size-fits-all approach. Ownership arrangements need to be tailored to the country and sector, taking into account the political, economic, and institutional contexts. The choice of ownership model also needs to be adapted to both the business and governance environments as well as the size, scope, and nature of SOEs. Further, the entity charged with the ownership role needs to be adequately funded and resourced in terms of quantity and profile of staff, as well as ICT capacity.

For 71 percent of companies in the sample, the legal owner also exercises ownership rights. In other words, ownership rights have been delegated to another entity in only 29 percent of companies. Figure 2.1 below displays the identity of the government entity exercising ownership rights over the companies in the sample. In 60 percent of cases, it is the line ministry that does so, i.e., the Ministry of Telecommunications (or equivalent). For about one-third of companies, the Ministry of Finance executes the ownership rights. In only 8 percent of the surveyed companies, a specialized agency at arm's length from government (not subject to direct ministerial intervention other than for general guidelines and performance criteria) executes the ownership rights. This indicates that, in the majority of companies considered, the state's ownership function is not separated from its policy-making and regulatory function. For an illustration of lack of separation, see box 2.2. on Tanzania Telecommunications Corporation Ltd (TTCL). Another example is Seychelles, where the state, through the Department of Communications and Technology -DICT, owns 33 percent of the shareholding of the submarine cable (Seychelles East Africa System), but DICT is also the regulator. This has led to market distortions with other market players being locked out from wholesale access to cable capacity and slow regulatory response to remedy this issue. While each country's context must be taken into account before providing policy recommendations on ownership arrangements, the findings suggest that most countries covered here could benefit from transitioning towards more centralized ownership arrangements with a clearer separation between policy-making, regulation, and ownership.[17] This will reduce the risk of conflicts arising as the institution responsible for policies in the sector will no longer be charged with ownership of SOE-SLEs operating in the same sector.

[16] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.70-75.
[17] World Bank (2019). Integrated State-Owned Enterprises Framework iSOEF. Guidance Note: Module 4 Corporate Governance and Accountability Mechanism, pp.8-9.



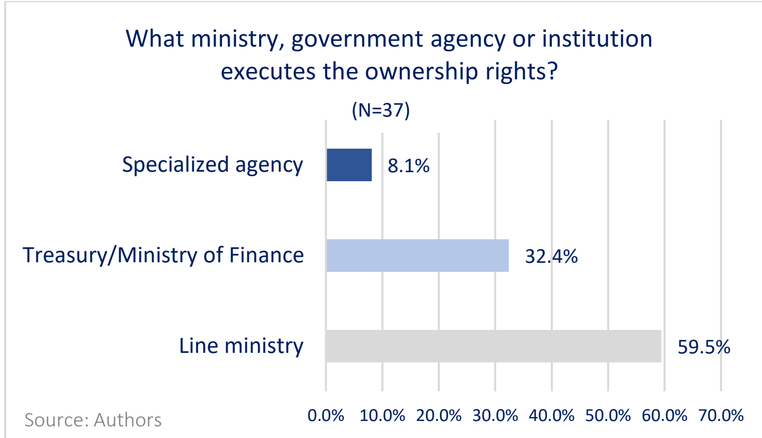


Figure 2.1. Ownership rights
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Box 2.2. Confusion of Ownership and Policy-making and Regulatory functions: Tanzania Telecommunications Corporation Ltd (TTCL)
Tanzania Telecommunication Corporations Limited (TTCL) was established by an Act of Parliament, 'The Tanzania Telecommunications Company Incorporation Act' of 1993. It is the oldest telecommunications company in Tanzania. In 2001, the company was partially privatized, before being re-nationalized in 2016. TTCL is owned by the Treasury Registrar in trust for the President of Tanzania (section 7(1) of the Treasury Registrar (Powers and Functions) Act, 1959 (Treasury Registrar Act)). However, the Ministry of Communication and Information Technology executes the ownership rights. According to section 7(2) of the TTCL Act, the Minister for Information, Communication and Information Technology (MICIT), appoints the majority of the Board. Further, the provisions of section 23 of the TTCL Act, read together with section 20 of the Public Corporations Act, give the MICIT supervisory powers over TTCL.

2.4. Performance monitoring

Monitoring SOE-SLE performance is a core function of the state as owner to ensure transparency and accountability in the use of public funds. It is central to ensuring that these enterprises produce outcomes that are in the best interest of the country and taxpayers, including managing liability risks to prevent unsustainable debts. Performance-monitoring systems refer to the institutions, processes, and documents that governments use to monitor the financial and non-financial performance of SOEs and SLEs. Empirical evidence has shown that effective performance monitoring can yield significant company performance improvements. Performance monitoring regimes set measurable objectives and targets for company boards and management. They introduce accountability for results and at the same time provide some degree of autonomy to company directors and executives to achieve those results. Performance monitoring usually involves three key elements: setting broad mandates, clear companies' strategies, and high-level objectives, establishing specific performance agreements, and developing key performance indicators (KPIs) and metrics. A fundamental challenge for measuring and tracking performance is that SOEs often have both commercial and noncommercial objectives. In many cases, the nonfinancial goals carry financial costs, making it complex for the board and senior executives to resolve competing priorities. A sound performance-monitoring framework addresses these inherent tensions by explicitly identifying in the company's strategy the core objectives of the SOE-SLE and by spelling out priorities for the various strategic objectives.[18] A successful performance-monitoring system should improve operational efficiency and help make important decisions for example regarding staffing (reducing staff to more competitive levels), expansion and upgrading investments, and extension of commercial activities into other markets. In the sample of African companies, approximately 40 percent of the companies do not have any clear mandates or objectives (Figure 2.2). About 29 percent of companies have commercial objectives and another 12 percent have social or non-commercial objectives. In total, 14 percent of the companies surveyed have both commercial and non-commercial objectives. A few companies even have regulatory functions. It stems from these results that the 40.5 percent of companies without clear objectives would benefit from adopting a mandate (at least a simple and brief description of the high-level objectives and missions of the company in the long run) clearly laid out in the company's strategy. Clearly defining the overall mandate of each company is useful for defining accountability and forming a basis for more specific targets for the company's operations.[19]

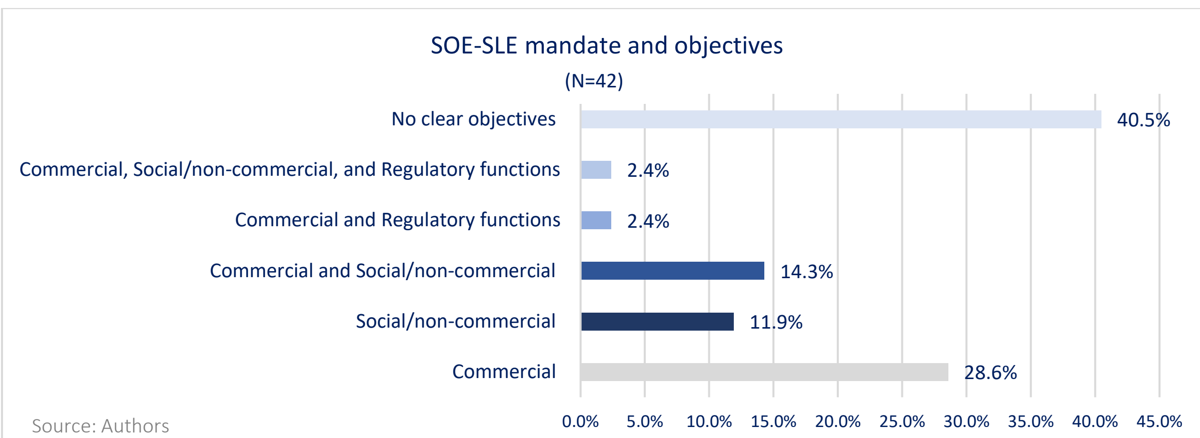


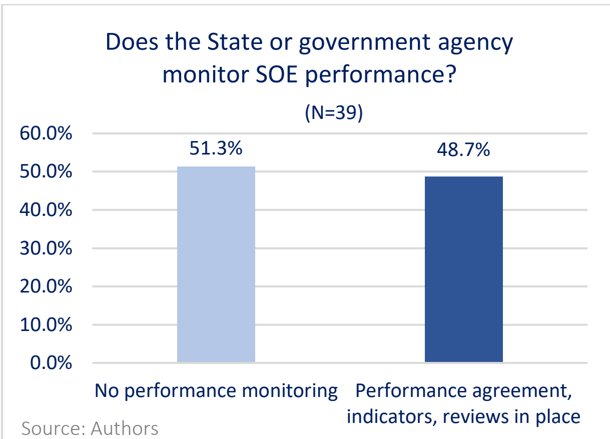
Figure 2.2. Mandates and objectives
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Each SOE-SLE should develop its own strategy, laying out its mandate and subject to board approval. It will provide a basis for measuring financial and nonfinancial performance. Monitoring company performance will in turn ensure the accountability of the board and senior management. Less than half of the surveyed companies have mechanisms in place for the government to monitor company performance such as performance contracts or KPIs (Figure 2.3). This poor performance should be remedied rapidly by

[18] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.102-103.
[19] World Bank (2019). Integrated State-Owned Enterprises Framework iSOEF. Guidance Note: Module 4 Corporate Governance and Accountability Mechanism, p.10.

the competent authorities as the absence of clear goals makes it difficult for the state as owner to assess managerial performance. Lack of clear goals can also create perverse incentives for management that go against the interests of the government and the broader population.

Monitoring performance against the agreed company objectives and performance targets as set out in performance agreements is generally done on an annual basis. For large companies with complex portfolios of activities, more regular monitoring is usually conducted. Among the companies surveyed that have adopted measurable performance indicators, about three-fourths report on those annually. See box 2.3 for an example of good practice from South Africa. Less than 25 percent produce quarterly KPIs and only one company publishes monthly KPIs.



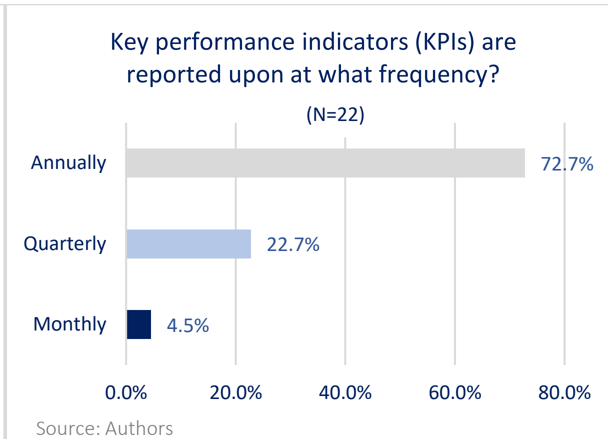


Figure 2.3. Performance monitoring
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Box 2.3. Annual Performance Plan: South Africa State Information Technology Agency (SITA)
SITA's role is to consolidate and coordinate the South African State's information technology resources to achieve cost savings through scale, increase delivery capabilities, and enhance interoperability. SITA offers end-to-end solutions across a complete spectrum of IT services to multiple national, provincial, and local government departments. SITA is wholly owned by the Government of the Republic of South Africa. Each financial year SITA's board approves an Annual Performance Plan. This plan provides the yearly objectives of SITA. The plan further stipulates the indicators/metrics that will be used by the board to ascertain whether SITA's performance of its objectives was successfully achieved. SITA and the government also conclude a shareholder performance compact on an annual basis. This compact sets out SITA's performance objectives and its key performance indicators.

2.5. Corporate governance related codes

SOE corporate governance codes are a set of principles of good corporate governance aimed at companies. They are meant to encourage SOE-SLEs to improve their governance and management practices. They can also increase awareness of governance issues within SOEs, the government, and the public. These governance codes come in different forms. Who develops them, how they are developed, and what their purpose is differs by country. Some SOE codes are voluntary, encouraging but not forcing SOEs to comply with their provisions. Some codes are applied on a comply-or-explain basis meaning that SOEs are expected to comply with the code and explain any areas of noncompliance. Mandatory codes are less common. Corporate governance codes typically focus on board composition, the roles, and responsibilities of board members, reporting and audit requirements, the obligations of the state as owner, equitable treatment of shareholders, and transparency. As compliance with corporate governance codes can be an issue, it is usually best that they be developed at the top of government departments or ownership units responsible for SOE-SLE oversight.[20] A code of ethics is a guide of principles designed to help professionals conduct business honestly and with integrity. A code of ethics may outline the missions and values of the business or organization, how professionals are supposed to approach problems, the ethical principles based on the organization's core values, and the standards to which professionals are held. For members of an organization, violating the code of ethics can result in sanctions including termination.

Slightly less than half of the companies in the sample have adopted a corporate governance code or shareholder's agreement (Figure 2.4). In comparison, two-thirds of SOE-SLEs covered have a Code of Ethics or Conduct in place (See box 2.4 for an example of SLE with various codes and policies to support governance). These findings indicate that the practice of developing and adopting both governance codes and codes of conduct should be encouraged in African companies operating in the digital sector.

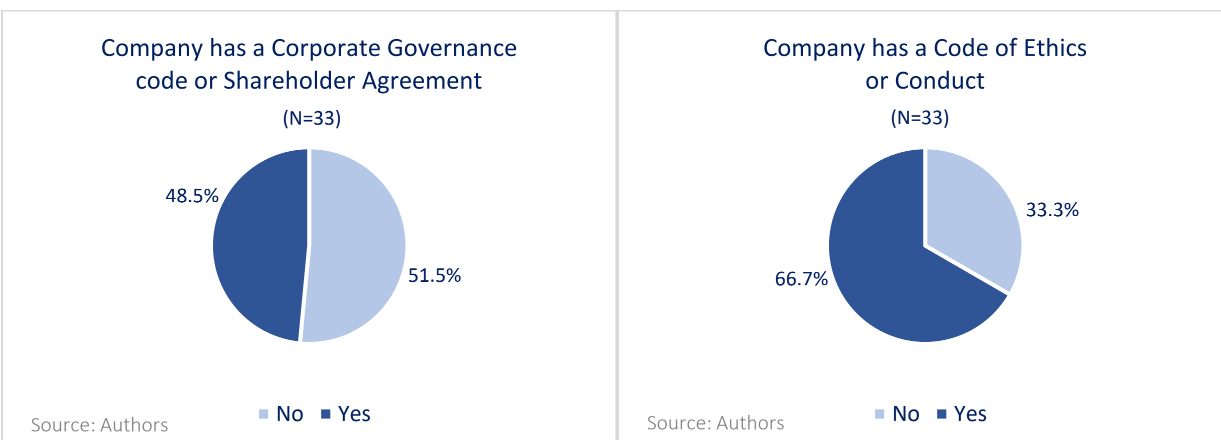


Figure 2.4. Corporate governance related codes
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

[20] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.59-64.

Box 2.4. Corporate Governance-related Codes: Kenya Safaricom PLC

Safaricom PLC is a listed Kenyan mobile network operator. It is the largest telecommunications provider in Kenya. The company offers mobile telephony, mobile money transfer, consumer electronics, e-commerce, cloud computing, data, music streaming, and fiber optic services. It is most renowned as the home of MPESA, a mobile banking SMS-based service. The company's shares are listed on the Nairobi Securities Exchange and the Government of Kenya is a minority shareholder, owing 35% of the shareholding in the company. It is also leading the consortium that won the license for the second operator in Ethiopia.

Safaricom, as a listed company, is required to comply with the provisions of the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the CMA Code). Safaricom has a Governance Charter and a Code of Ethics and Conduct to guide its corporate governance. There are also several governance documents that guide the operations of the company. These are the Board Remuneration policy, the Whistle Blowing policy, and the Corporate Social Responsibility policy and Procurement policy. Safaricom includes a report on governance and risk in its annual reports to shareholders, which indicates the company's approach to governance in that financial year, as well as a director's report on any changes.

2.6. Boards of directors

According to good practice, boards of directors should play a central function in company governance and be responsible for the overall stewardship and performance of companies. Board composition and functioning can have a significant impact on the governance of SOEs and SLEs, and ultimately on their operational and financial performance. For boards to be effective, they must be composed of qualified directors capable of exercising objective and independent judgment. Boards should have appropriate autonomy, authority, and accountability in the exercise of their functions.[21] There are various SOE-SLEs that are aligned with good practices at least in one dimension. However, in many cases, good practice on one dimension could be counteracted with misalignment in others (see box 2.5 for an example in Mauritius).

Appointment

Public disclosure of information on the nomination process of board members and the final appointments can help ensure professionalism and transparency. The selection of board directors through formal and transparent processes can also help with obtaining qualified and competent board members. There is a formal and transparent process to appoint board members in 80 percent of the surveyed companies (Figure 2.5). With one exception, all the enterprises without a transparent appointment process are SOEs (as opposed to SLEs). The 20 percent of companies without a formal process to nominate and appoint board members should work on establishing one.

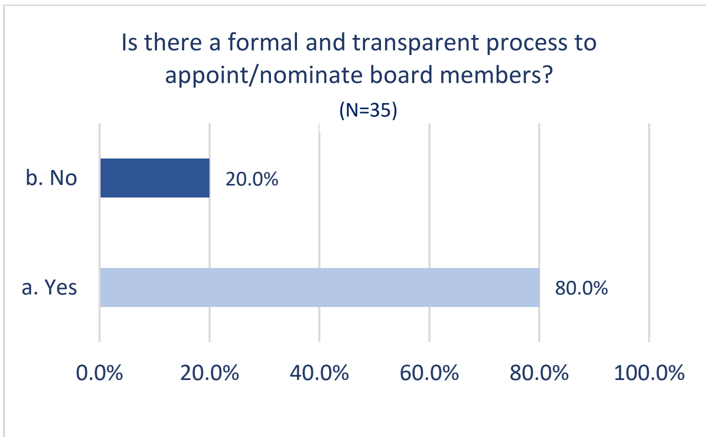


Figure 2.5. Board member appointments
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Good practice requires that board members have relevant financial, legal, and/or sector expertise and experience as they are supposed to act in the best interest of the company.[22] However, there is no clear consensus on what these "minimum qualifications" should be, and this can vary across countries. Very often, the minimum qualifications required can be very low and limited to some basic background checks on fitness, integrity, some academic qualifications, and years of professional experience. Close to 60 percent of the companies surveyed have established minimum qualifications for board members, either by law, regulation, official guidance, or recommended practice (Figure 2.6). In the 40 percent of companies without such selection criteria, there is a risk that boards include directors who are unsuited to exercise the responsibilities of a professional board member. There is not much distinction between SOEs and SLEs in the sample with respect to this practice. Instead, differences tend to occur at the national

[21] OECD (2015). OECD Guidelines on Corporate Governance of State-Owned Enterprises, pp.26-27.
[22] World Bank (2019). Integrated State-Owned Enterprises Framework iSOEF. Guidance Note: Module 4 Corporate Governance and Accountability Mechanism, p.16.

level. There is almost no variation across SOE-SLEs within a country with respect to the existence of minimum criteria for board members.

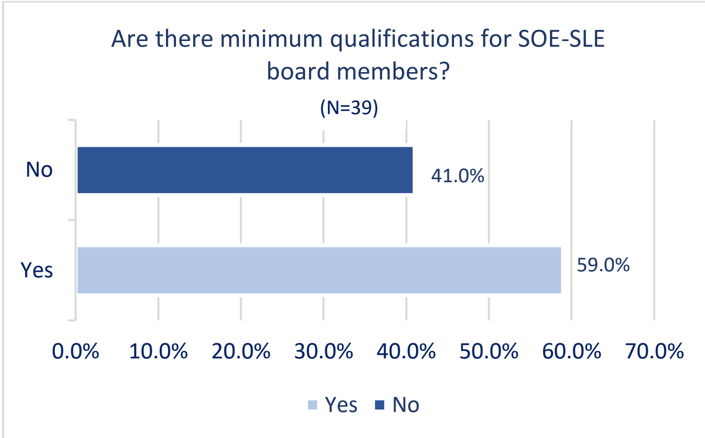


Figure 2.6. Minimum qualifications
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

It is generally recommended to appoint board members for a fixed term, usually one to three years. The practice of having board members rotated or removed for unsubstantiated reasons or politically motivated reasons, or, conversely, to be subject to unlimited renewals or life tenure should be avoided. Clear criteria should guide the process for removing directors.[23] Shareholders generally have the option to seek the removal of board members via general assembly meeting votes or other methods. In SOEs, dismissal standards usually need to be stricter to avoid the risk of arbitrary dismissals for political or other reasons unrelated to performance. Board directors can be removed before the completion of their terms at the sole discretion of the appointing authority in 91 percent of the SOEs in the sample and 82 percent of surveyed SLEs (Figure 2.7).

[23] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.162-171.

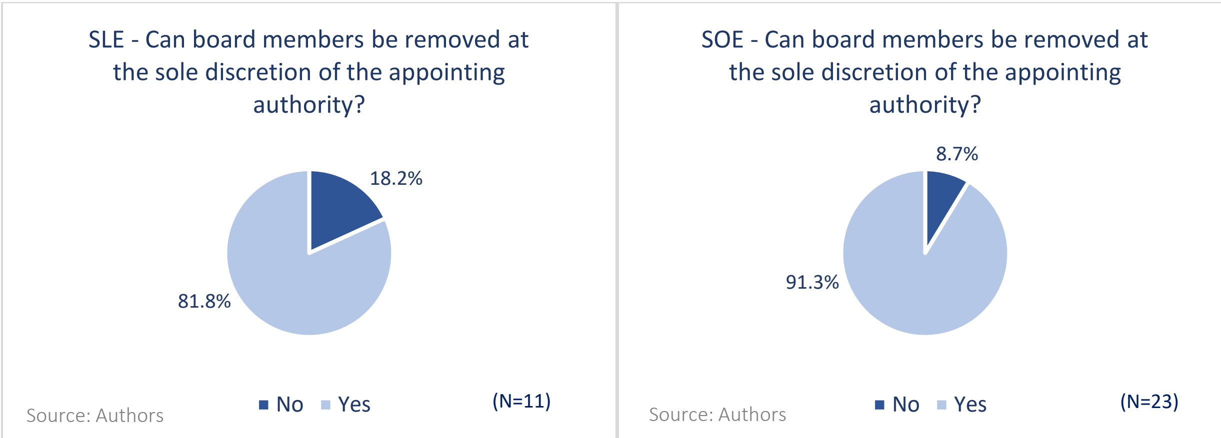


Figure 2.7. Dismissal
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

One solution to improve the professionalization of board composition is to define clear policies or guidelines for nominating and appointing qualified members to SOE-SLE boards. This can contribute to minimizing the risks of politicized appointments, lack of clear selection criteria, appointment delays, ad hoc and diverse practices, and lack of transparency.

Independence

Independent directors are directors with no material relationship to the company in the sense that they do not belong to the company's management, nor do they have any association with the majority owner, i.e., the state in the case of SOEs. Modern good practices suggest that boards should increasingly introduce independent directors from the private sector. The goal of having independent board members is to bring objective viewpoints and better governance skills, attract superior financial and technical knowledge, and expand representation of all stakeholders' interests. Appointing independent directors enables SOE boards to operate at greater arm's length from the government and address issues with a more unbiased judgment for the commercial and financial benefit of the SOE.

However, many SOE boards still primarily comprise executive directors and non-executive directors who are mainly government representatives. These government representatives are often civil servants, who can be from the ownership entity or other ministries. In some cases, ministers and other political appointees may also sit on SOE boards. Boards composed mainly of government representatives tend to lack objectivity and often the necessary business skills. Government representative board members are often appointed to pursue policy goals and, in some cases, because of shortages of appropriately skilled directors from the private sector. Their presence may give them a disproportionate influence on board deliberations and decisions. As a result, they may weaken board autonomy, accountability, and access to relevant industry and specialized skills. This, together with the lack of minimum requirements for board members (Figure 2.6) and limited transparency in board member selection (Figure 2.5), can become even more problematic.

Nearly 80 percent of the companies surveyed have a minister or high-level government official acting as a board member (Figure 2.8). This suggests that policy and/or political considerations might influence board decision-making in most companies covered. These companies should consider taking steps to restrict the appointment of government representatives and, where they are appointed, to ensure that they meet the necessary qualifications and have the same obligations and roles as any other board member.[24] Appointing more balanced boards can be a politically complex process. Qualified independent directors may also be in short supply. The transition should be gradual and tailored to the specific context. The companies without top government individuals as board members are almost evenly split between SOEs and SLEs (3 SLEs and 4 SOEs).

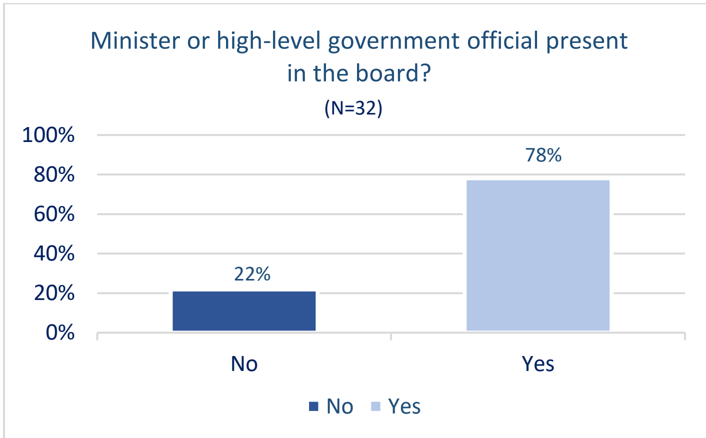


Figure 2.8. Board composition
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Separation of the position of CEO and Board Chair is good practice. When the same person is both CEO and board Chair, the CEO tends to dominate the board, which undermines the ability of the board to oversee the company. Having a separate board Chair increases the accountability of both the CEO and the board. Achieving a true separation of oversight and operational functions means that responsibility for day-to-day management must remain with the CEO. Leading the board is the job of the Chair, who should be a highly qualified, independent board member.[25]

The board Chair and CEO positions are held by different individuals in most companies in the sample (Figure 2.9). The same person acts as Chair and CEO in only three companies (2 SOEs and 1 SLE), two of which operate in Angola. In some countries in the sample, the Chair is a minister or other senior politician; in these cases, the board's objectivity may be reduced. SOE and SLE boards should generally strive to avoid including senior political figures, and the selection of the Chair should follow the same criteria as that of the other board members.

[24] World Bank (2019). Integrated State-Owned Enterprises Framework iSOEF. Guidance Note: Module 4 Corporate Governance and Accountability Mechanism, p.16.
[25] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.189-190.

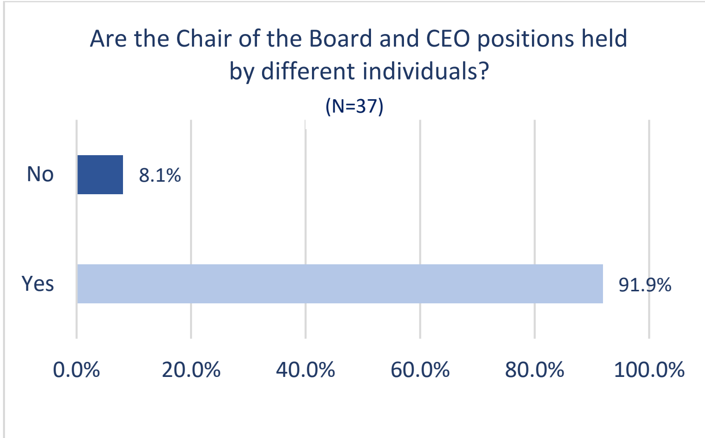


Figure 2.9. Board Chair and CEO positions
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Conflicts of interest arise when a board member's personal interests are contrary to those of the company. Potential conflicts can include business and political conflicts. Board members also face other potential conflicts, such as using information they acquired as a board member in their own interest to the detriment of the company or using it to trade on securities markets. Board members must also be aware of conflicts involving other board members and managers and act objectively in such cases. When a board member faces a conflict of interest, the standard approach to managing that conflict is to declare that conflict to the board, abstain from voting on the matter involved, and, in some cases, even abstain from participating in a board discussion on that matter.

Members of the board of directors are not required to declare conflicts of interest in 23% of the surveyed companies (Figure 2.10). While this figure is relatively low, all companies should demand that board members declare conflicts of interest when they occur. All company boards should ensure that systems aligned with national provisions and institutional background are in place to enforce these provisions in practice and help manage and mitigate such conflicts.

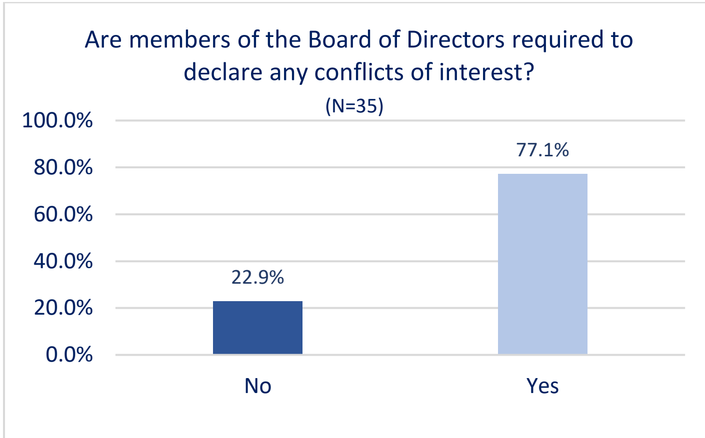


Figure 2.10. Conflicts of interest
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Board committees

Internal committees enable boards to handle complex issues more efficiently, concentrating expertise in areas such as financial reporting, risk management, and internal controls. They provide valuable and independent input to key policy decisions. Good practice indicates that the most common board committees include the audit committee, nomination committee, remuneration committee, and risk management committee. To maximize the objectivity and independence of the committees and the board as a whole, good practice also suggests that most members be independent directors. However, this condition of independence may complicate the appointment of board committees due to the difficulty previously mentioned that independent board members are sometimes challenging to find and appoint. In addition, boards should delegate functions to committees carefully to ensure that the board still decides on the key issues under its responsibility. Formal terms of reference may help define the scope of each committee's work. Committees should meet regularly, between once a quarter and once a month, and its members should be able to devote sufficient time to preparing for and participating in meetings.[26]

More than half of the companies surveyed do not have any requirement to establish board committees (Figure 2.11). In SOEs without board committees, good practice suggests that the priority should be to establish an audit committee because of its importance. Despite the absence of any committee requirement in the majority of the companies in the sample, 53 percent of all companies have nonetheless established a board audit committee. This figure should gradually be brought to 100 percent. The full board should carefully compose and judge the audit committee on its performance and role. The audit committee's core activities usually include oversight of the internal audit function, responsibility for oversight and ensuring the adequacy of the SOE's internal controls, responsibility for ensuring that the SOE complies with financial reporting requirements, and providing advice on the choice of external auditor.

[26] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.192-196.

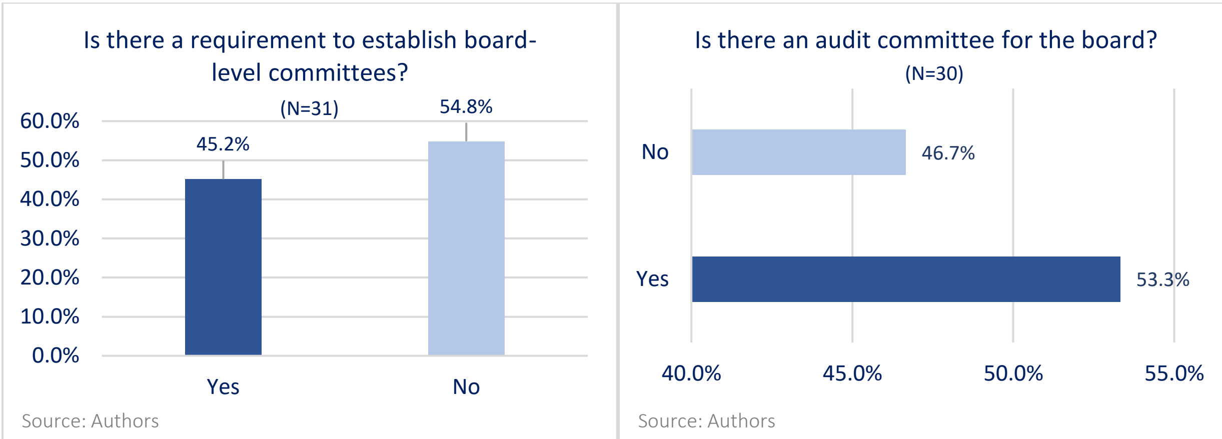


Figure 2.11. Board committees

Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Box 2.5. Good and inappropriate practices in board composition: Mauritius Telecom Ltd

Mauritius Telecom Ltd (MT) was initially incorporated in 1988 as Mauritius Telecommunication Services and, in 1992, after merging with Overseas Telecommunications Services (previously Cable & Wireless), it was renamed Mauritius Telecom. It provides fixed-line, mobile, internet, TV and mobile money services. The company has a customer base of 1.3 million subscribers, ranking it as the leading provider of ICT services and solutions in Mauritius. From a state-owned entity, Mauritius Telecom has successfully undertaken its transition into a private company in the context of the liberalization of the country's telecommunications sector. Today 33.49% of shares are owned by the Government of Mauritius.

Several elements of MT's board composition and functioning count as good practices. MT has a formal and transparent process to nominate and appoint board members. Pursuant to the memorandum and articles of association of MT, directors nominated for appointment are elected each year at the annual general meeting of shareholders. The chairman and directors hold office for one year, are eligible for reappointment, and continue to hold office at the expiry of their office period until a fresh appointment is made. The qualifications to become an MT board member include: be a natural person; there must be at least one woman on the board; there must be at all times at least two independent directors; no director on the board should be under 18 years of age, over 70 years of age, an undischarged bankrupt. Any director may be removed from office by the company in the general meeting before the expiry of their period of office in accordance with section 100 of the Companies Act 1984, now superseded by section 138 of the Companies Act 2001.

MT has established the following committees: remuneration committee, audit and risk management committee, internal audit committee, external audit committee, corporate governance committee. The audit committee and risk committee are merged into one committee to form the audit and risk management committee. The members of the board are required to report any conflicting interests to the board.

However, on the negative side, the Mauritian government is represented in the board of directors via three high level government officials/politically affiliated individuals. The permanent secretary at the Ministry of Blue Economy, Marine Resources, Fisheries and Shipping; the Financial Secretary at the Ministry of Finance, Economic Planning and Development; the Deputy Permanent Secretary at the Ministry of Information Technology, Communication and Innovation are board directors. In addition, the Solicitor-General in the Attorney General's Office also sits in the board.

2.7. External audits

The independent audit of annual financial statements by a professional audit firm is good corporate governance practice. Truly independent external audits strengthen the credibility of companies' financial reporting and provide reasonable assurance to the owner, investors, and the general public that the financial statements correctly represent the company's performance. While it doesn't afford full assurance against fraudulent and erroneous reporting, an independent audit provides additional guarantees to those who rely on the audited information. External audits can also be beneficial to the company's senior management as they can provide useful insights regarding company performance and risks.[27]

Almost all companies surveyed conduct external audits (97 percent). In about two-thirds of the cases (Figure 2.12), the external audits are conducted by private audit firms (64 percent). The remaining third of companies for which information is available is audited by a public auditor, either the Supreme Audit Institution (SAI) or another relevant public body. These findings indicate that the practice of having independent external audits has not been adopted universally yet by digital SOEs and SLEs. In addition, in several countries where the legal framework organizes independent external audits, a lack of capabilities can create delays and undermine the effective auditing of SOE-SLEs. The resulting policy recommendation is to encourage the wider adoption of such practice. SAIs and private audit firms are not mutually exclusive in conducting external audits (box 2.6) and can sometimes be conducted simultaneously or even by delegation of the SAI to a private firm. Although this duality might sometimes lead to duplication, their audits often complement each other as each entity focuses on specific elements of the company's activity, e.g., financial statements audits vs. compliance audits or budget-execution value-for-money audits. In some of the countries covered, implementing independent external audits can be challenging as there may be a shortage of qualified auditors, or companies might be unable (or unwilling) to pay the corresponding fees. For most companies covered in the survey, independent external audits are conducted by one of the 'Big Four' accounting firms.[28]

[27] OECD (2015). OECD Guidelines on Corporate Governance of State-Owned Enterprises, pp.42-43.

[28] The Big Four is the nickname used to refer collectively to the four largest global professional and accounting services firms: Deloitte, Ernst & Young, KPMG, and PwC.

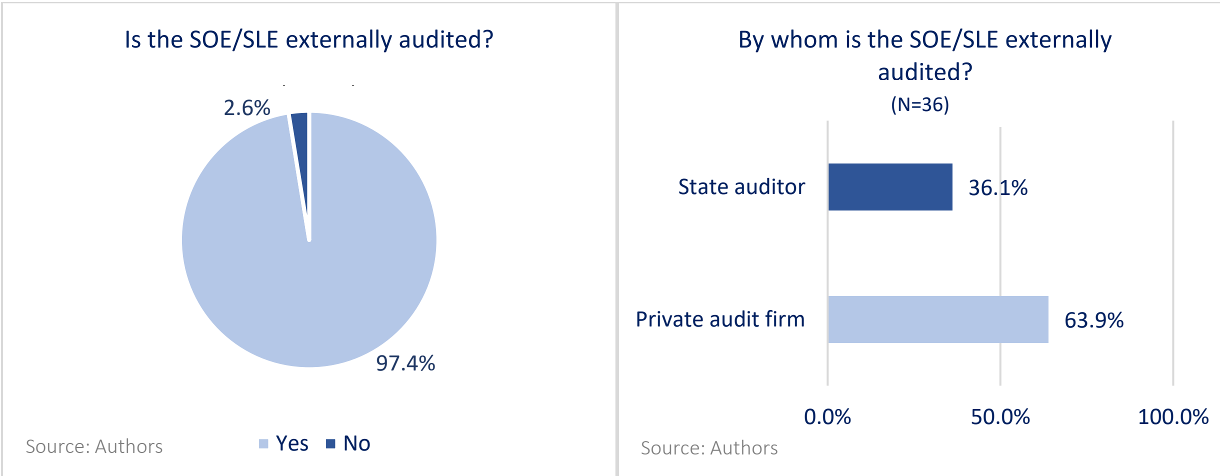


Figure 2.12. External audits
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

Box 2.6. Dual auditing: Egyptian Company for Telecommunication

Egyptian Company for Telecommunication (known as Telecom Egypt) is an Egyptian Joint Stock Company. Telecom Egypt (TE) is Egypt's primary telephone company. It started in 1854 with the first telegraph line in Egypt. The government directly own 80% of the shares of the company. According to Article 2 of Law No. 19 of 1998 transforming the Egyptian Wireless and Wire Communication National Agency into an Egyptian joint stock company, TE is governed by the provisions of the Companies Law No. 159 of 1981 and the Capital Market Law No. 95 of 1992.

Telecom Egypt is externally audited annually by a private audit firm, currently KPMG Egypt. In addition, the State's Central Auditing Organization has the authority to audit any private company owned at least 25% by the State (such as the case of Telecom Egypt), in accordance with Article 3 of the Law No. 144 of 1988 regarding the issuance of the Law of the Central Auditing Organization.

2.8. Anticorruption and integrity

Corruption remains a serious problem in many SOEs and can have a sizable influence on the financial performance of companies. Corruption in SOEs leads to the misallocation of scarce government resources and constrains the economic and financial health and growth of SOEs (and in some cases the growth of the economy as a whole). The state should set clear expectations regarding anticorruption and integrity, communicate those effectively, and incentivize implementation. Better-governed companies with integrity and accountability mechanisms are likely to be less corrupt and more transparent. There are several policies, codes, and tools that SOE-SLEs can adopt to mitigate corruption risks.

One such tool is applying anti-bribery laws to SOE-SLEs' public officials. Strong criminalization of bribery can have significant deterrent effects on the practice. It can also contribute to communicating that companies prohibit all sorts of bribery payments and thereby improving behaviors. In 92 percent of the digital companies in the sample (SOEs and SLEs combined), public officials and employees are subject to antibribery laws (Figure 2.13). The other companies representing 8 percent of the sample are all SLEs with minority government ownership.

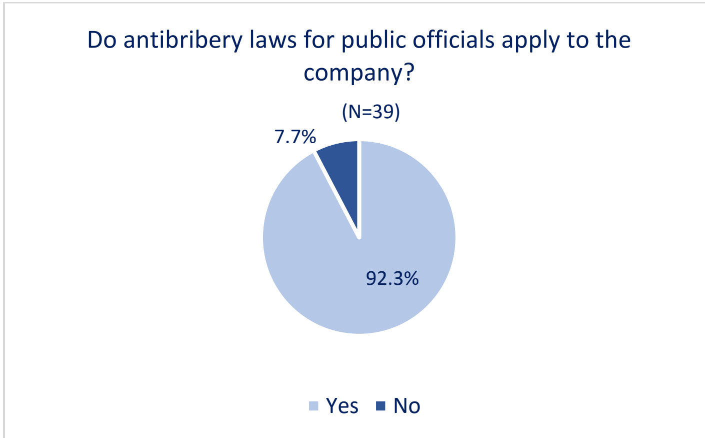


Figure 2.13. Antibribery laws
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

In order to ensure adequate accountability by SOE-SLEs to shareholders, reporting bodies, and the broader public, disclosure policies should be developed. These policies identify what information should be publicly disclosed, the appropriate channels for disclosure, and mechanisms for ensuring the quality of information. SOEs should report material financial and non-financial information regarding the company's activity in line with high-quality, internationally recognized corporate disclosure standards, including areas of significant concern for the state as an owner and the general public. As SOE-SLEs can benefit from various types of financial support from governments, it is recommended as good practice for companies to disclose in a transparent manner all support received from the state. Among the SOEs covered, only 38 percent of companies disclose consistently if they have benefited from government support (Figure 2.14). Therefore, there is significant scope to improve practices in this area as laws and regulations often provide for such disclosure while practices are not always consistent. It is crucial that financial relations with the government be disclosed. This can reduce the likelihood that SOEs will be used as vehicles for off-budget spending and borrowing, political patronage, or corruption.[29] If controls on financial support to SOEs are not effective, SOEs can become not only a source of distortion of the playing field but also an important liability risk. For example, in Comoros, Comores Telecom accounts for 40 percent of national debt, and to some extent, these debts were taken on without full government knowledge.

[29] International Monetary Fund (2020). Fiscal Monitor. Chapter 3: State-owned enterprises: the other government. April 2020.

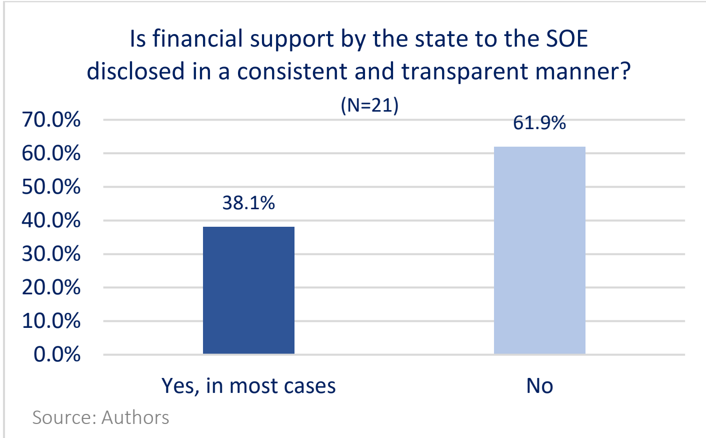


Figure 2.14. State financial support to SOEs
Source: World Bank authors based on responses to the Digital SOE-SLE questionnaire.

2.9. Conclusion on Corporate Governance of Selected Digital SOE and SLE

Several important findings and recommendations to improve corporate governance frameworks come from analyzing companies' questionnaires. Most companies in the sample operate both under the company law and a general public enterprise law (or SOE law). The majority of SOE-SLEs covered are also subject to many other public sector laws and regulations. Working on equally applying all laws and regulations for SOE-SLEs and the private sector is necessary to level the playing field and improve market competition.

In more than half of the companies covered, the line ministry executes the ownership rights over the SOE-SLE. For these companies, a more precise legal separation between policymaking and ownership could be established depending on the national context so that the only influence of ministers and high-level government officials on a sector is transparent and fair regulation can be assured.

Around 40 percent of the companies studied lack clear mandates and objectives. The corresponding governments should strive to clarify the mandates of SOE-SLEs. This will allow to design the company strategy over the short and near term, which will in turn enable to draft performance agreements and define measurable KPIs.

Several issues were identified concerning boards' composition, autonomy, and functioning. Not all boards of the companies studied have a balanced composition with limited government representation and the presence of independent directors. Board efficiency and effectiveness could be improved in several companies by introducing specialized board committees and better rules to manage conflicts of interest. Importantly, practices should comply with existing or newly adopted rules.

In many countries studied, there was limited access to information or publication of information relating to SOEs and SLEs. The financial and operational performance of companies with state participation should always be disclosed. Transparency and disclosure have several benefits, including greater accountability, better oversight and stewardship, and lower risks for political patronage or corruption.

3. Online transparency and disclosure

This section deals with the online transparency and disclosure of digital SOE-SLEs as a proxy for accountability mechanisms to support better governance. This section first presents the data collection process and methodological approach. Descriptive empirical findings are then discussed. Next, regression analysis linking institutional quality and market characteristics with company transparency outcomes is presented. The last part summarizes the main findings and concludes.

3.1. Data and methodology

Primary data was collected via desk research with the objective of creating a dataset capturing the amount of information African digital SOE-SLEs make publicly available online. The geographic focus was on the whole African continent, including North Africa. Data collection took place between October and November 2020.

The units of analysis are SOEs and SLEs operating in the digital sector. SOEs and SLEs are defined as corporate entities recognized by national law as enterprises and in which the national or subnational government exercises ownership, including joint stock companies, limited liability companies, and partnerships limited by shares. SOEs are companies where the state holds a majority shareholding. SLEs are companies where the state holds a minority shareholding but does not hold, directly or indirectly through another company, the largest single share of the company's equity capital. Statutory corporations, with their legal personality established through specific legislation, are considered SOEs if their purpose and activities are of a largely economic nature (i.e., the entity operates in a market for goods or services that could, in theory, be provided by a private company). SOEs-SLEs also include government entities not organized as companies but operating in business or market activities. Private digital companies were not considered during the desk research data collection activity (e.g., Medasys in Morocco, SNS Mobility in Cameroon). Universities and research institutions were not considered either.

The relevant SOE-SLEs operating in the digital sector in African countries were identified by searching various international databases focusing on large enterprises. These include Telegeography complemented with information in EMIS, Factiva, and Orbis. In addition to Telegeography which focuses on telecommunications companies, the other sources of information were used to identify additional SOE-SLEs, which were filtered using industry classification codes. Broadcasting companies were excluded from the analysis. The list of companies was then reviewed and validated via desk research.

The effectiveness of financial and non-financial reporting can be measured across several different dimensions, including completeness, accuracy, timeliness, and relevance. Here, the analysis focuses mainly on completeness and relevance.

A questionnaire focused on transparency and disclosure was applied to all SOE-SLEs identified. The questionnaire was developed using the Transparency section of the Integrated State-Owned Enterprises Framework (iSOEF) Guidance Note on Corporate Governance and Accountability Mechanisms (Module 4).[30] Table 3. 1 lists the corporate governance information that was recorded as being publicly available or not. To collect the data, research was conducted on the websites of the SOEs and SLEs. The company websites were thoroughly scanned to assess what pertinent information was provided. Additionally, information on corporate governance items was counted as publicly available if reported in annual reports

[30] World Bank (2019). Integrated State-Owned Enterprises Framework iSOEF, Washington DC.

published online by the companies on their websites. Only the information publicly provided on official websites or in official annual reports (if available online) was considered. Material mentioned on other websites was not considered.[31] This approach was chosen to guarantee consistent data across companies. In most cases, It would have been impossible to verify the validity of the information posted on third-party websites. In addition, some non-official websites with valid information could have been missed during the desk research exercise.

Is information on these 14 corporate governance and performance items available online?	
Governance and policy related	**Financial and performance related**
Commercial objectives	Key performance indicators, targets, results
Social objectives	Major transactions and/or material events
Information about management team	Performance Contracts
Information about Board members	Remuneration of members of the Board
Information about shareholders	Remuneration of key executives
Governance structures and policies	Related party transactions
Sustainability, environment, social policies	Foreseeable risk factors

Table 3. 1. Areas covered by the corporate governance questionnaire
Source: World Bank authors.

The questionnaire also asked if standard company documents and reports were published online. Table 3.2 below lists the documents that were considered and for which the availability was checked. The specific questionnaire applied to all SOE-SLEs is available in Appendix 2.1. More detailed information on the data collection methodology can be found in Appendix 2.2.

Are these documents published online?	
Annual report	Company's statutes or charter
Financial statements	Code of conduct/ethics
Corporate governance report	Anticorruption policy

Table 3.2. Standard company documents considered
Source: World Bank authors.

[31] In some countries such as Angola, annual reports and additional information on SOEs can be found on government websites (usually Ministry of Finance or SOE public agency).

3.2. Online presence

A total of 162 companies were covered by the desk research exercise, with 79 SOEs and 83 SLEs. Identifying digital SOE-SLEs reveals that their numbers vary significantly by country (Figure 3.1). Larger countries, in terms of population, tend to have more digital SOE-SLEs in operation. There is a fair amount of spatial variation across the continent too. Countries in Southern Africa tend to have more digital companies in operation. With 11 identified companies, South Africa has the highest number of active digital SOE-SLEs. Interestingly, there is also a relatively high number of players active in Libya.

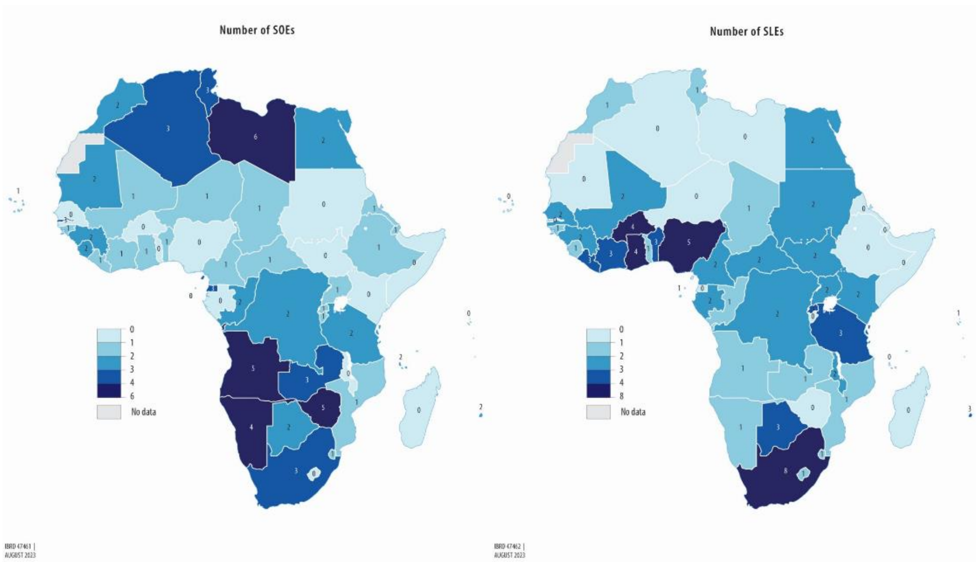


Figure 3.1. Digital SOE-SLEs in Africa
Source: World Bank authors based on corporate websites of SOE-SLEs.

The vast majority of African digital SOE-SLEs have a website. Only 27 out of 162 companies examined (i.e., 17 percent) were found to have no websites or broken URL addresses. SOEs have a slightly higher probability of having a website than SLEs (87 percent compared to 80 percent for SLEs), but that difference is not statistically significant. The companies with no online presence are scattered throughout the continent.

3.3. Corporate governance and performance information disclosed online

While the majority of companies have functioning websites, most SOE-SLEs do not disclose much information to the public on those (such as commercial objectives, remuneration of key executives, or information on Board members). Figure 3.2 (left panel) plots the distribution of the number of corporate governance and performance information items made publicly available by the 162 companies. The distribution is clearly skewed to the right. Approximately 70 percent of companies provide information on three or fewer categories among the 14 categories considered (right panel). About 11 percent of companies provide information on ten or more items, and only three companies disclose data on all 14 items covered. The mean and median values of the items available are respectively 3.3 and 2 (relatively low figures given that the maximum possible is 14). On average, SOEs and SLEs respectively provide information on 3.6 and 3.0 corporate governance and performance categories, and the difference in means is not statistically significant across the two groups. More details on two out of three companies that provide information on all 14 corporate governance aspects considered are provided in box 3.1.

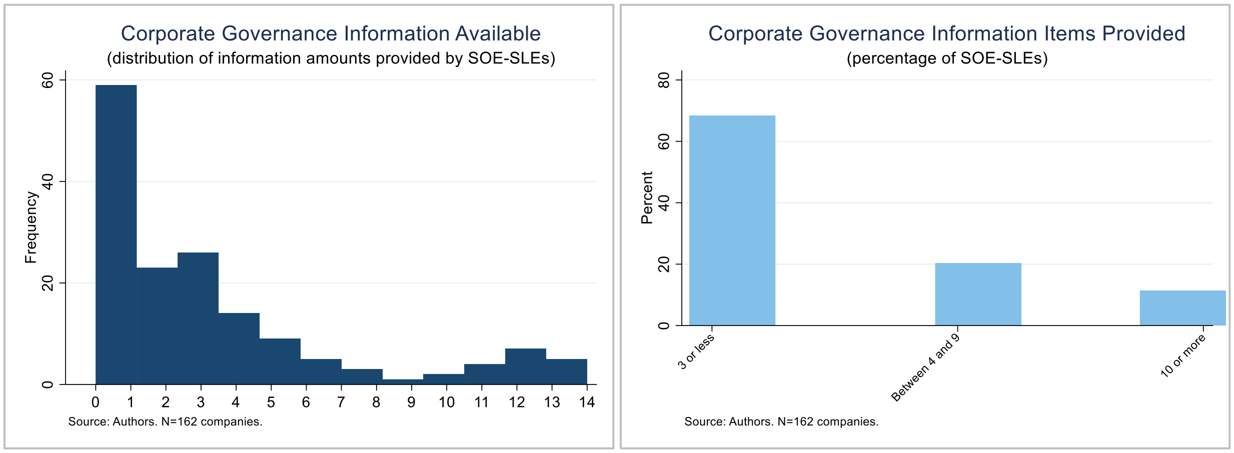


Figure 3.2. Amount of corporate governance information provided by digital SOE-SLEs
Source: World Bank authors based on corporate websites of SOE-SLEs.

Box 3.1. Full disclosure on financial and non-financial corporate governance: Mauritius Telecom and Sentech South Africa

Mauritius Telecom (MT) and Sentech South Africa, provide details on their websites on all the 14 financial and non-financial corporate governance categories considered.

MT is a *minority* state-owned company (SLE) with the government holding a 33.5% share of the company's stocks. MT provides fixed-line, mobile, internet, TV and mobile money services. A substantial amount of information regarding the company can be found on its website's different tabs. In addition, more detailed and specific information is available in the company's annual reports, which can be found online for the years 2006-2019.

Sentech is a *wholly* state-owned company (SOE) providing electronic communications network services to the South African broadcasting and communications industry (public and commercial radio and television stations). It also provides connectivity and infrastructure services to the retail, telecommunications and the public sector. Company annual reports can be found online for the years 2015-2020. In addition, for the year 2020 Sentech also provides an integrated report. Integrated reports aim to bring together a discussion of an enterprise's financial performance with other aspects of its operations and to take explicit account of the broader social, environmental, and economic context within which the company operates.

The most common information SOEs and SLEs disclose is their commercial and social objectives (Figure 3.3). About 83 percent of SOEs and 56 percent of SLEs explain their commercial objectives on their websites. Given that SOEs are majority-owned by the state and ultimately citizens, they may be more accountable to describe their business objectives to the population, firms, and investors. It might also be more evident that companies that are majority-owned by private investors are profit-driven and, therefore, face less of a need to report their commercial objectives. As expected, the share of SOEs reporting social objectives is higher than that of SLEs. Non-commercial objectives often form an essential part of the rationale for the existence of SOEs. When SOEs have non-commercial objectives, they should be well defined and explicitly presented to the public as they may have significant repercussions for SOE performance and, in some cases, for the longer-term fiscal position of the government.[32]

Information about senior management and board members is the next most commonly reported item. These are found online for about one-third of companies (SOEs and SLEs combined). On the other hand, major transactions, performance contracts, and foreseeable risk factors are the least frequently reported items. Remuneration of board members and senior executives is provided by only 11 percent of digital SOE-SLEs. Disclosure of these categories could be improved, as good practice for SOE-SLEs includes disclosure of aggregate and individual pay to board members and the CEO, as well as the policy on which these payments are based. Board members' backgrounds, current employment, and other directorships should also be disclosed. Which board members are serving as government officials should also be made clear.[33]

Interestingly, Figure 3.3 reveals that SOEs and SLEs tend to disclose the same type of information to the public, with SOEs usually being slightly more transparent. One important exception concerns sustainability and environmental policies. The share of SLEs providing details on those is almost twice as high as that of SOEs (43% and 22%, respectively). Because private shareholders own a larger fraction of the company capital, they might demand better environmental and social practices.

[32] International Monetary Fund (2020). Fiscal Monitor. Chapter 3: State-owned enterprises: the other government. April 2020.
[33] World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit, pp.162-171.

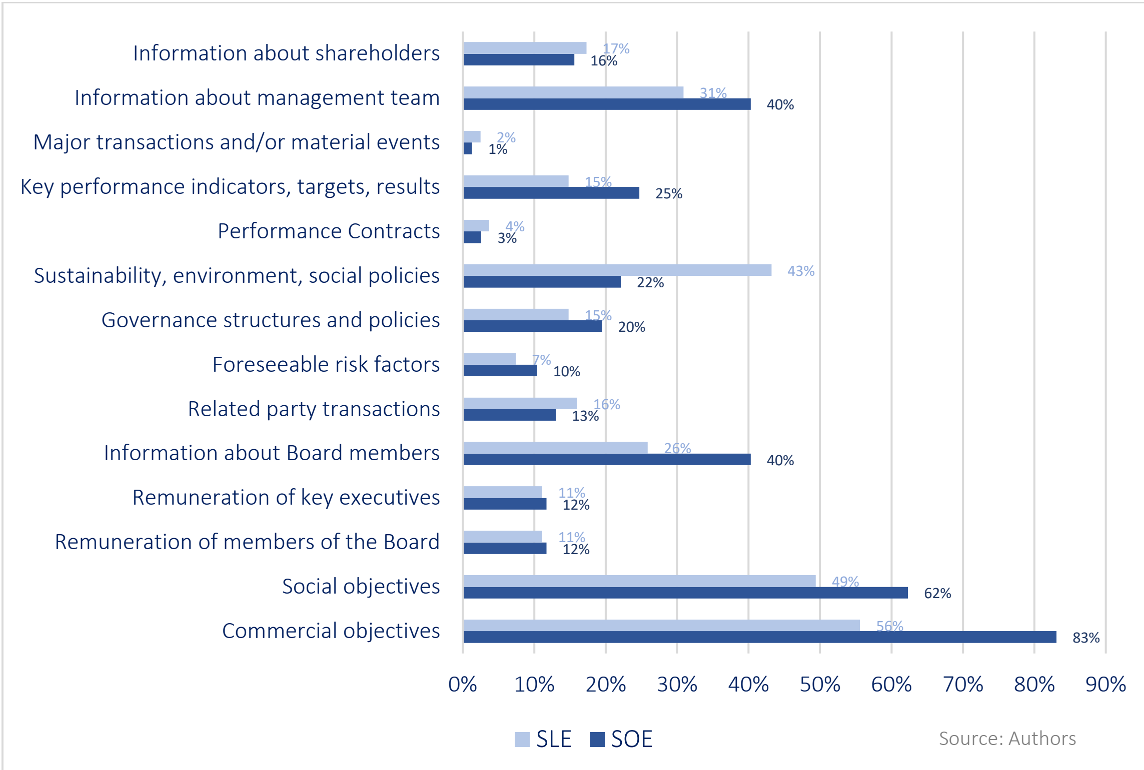


Figure 3.3. Corporate governance and performance information disclosed (percentage of SOEs and SLEs)
Source: World Bank authors based on corporate websites of SOE-SLEs.

Looking at the average country transparency of SOEs and SLEs,[34] one can see that in East and Southern African countries SOE-SLEs tend to be more transparent (Figure 3.4).[35] SOE-SLEs are the most transparent in Kenya, followed by Egypt, Cabo Verde, Senegal, Sudan, and South Africa. In Kenya for example, SOE-SLEs provide information on 54% of the corporate governance items tracked on average. In contrast, the Central Africa region does not perform very well in terms of transparency overall.

[34] The country average is calculated by taking the average number of corporate governance categories made available by SOE-SLEs per country and dividing it by 14 (the total number of categories). The average is then expressed in percentage to ease interpretation.
[35] No digital company covered in Madagascar and Somalia.

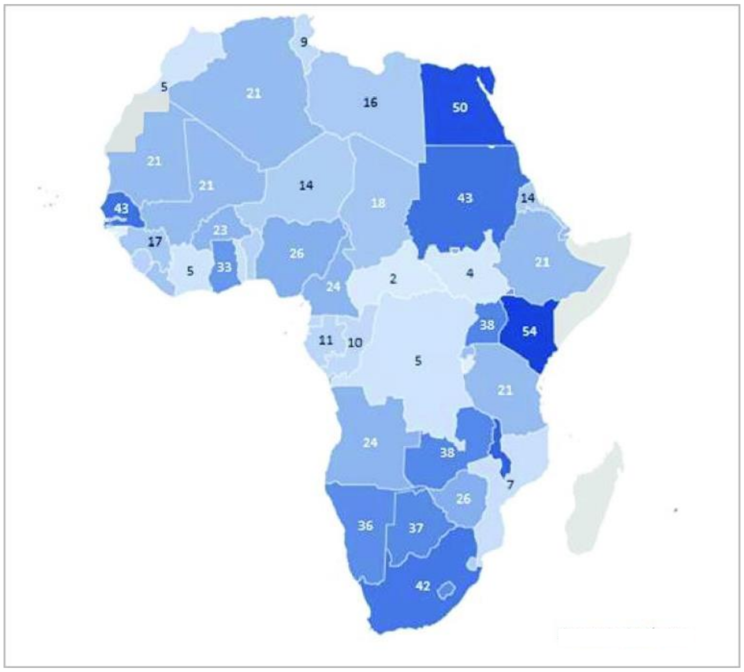


Figure 3.4. Country average SOE-SLE transparency (% of 14 corporate governance and performance items covered)

Source: World Bank authors based on corporate websites of SOE-SLEs.

3.4. Key corporate governance documents published online

The documents most companies publish online are their codes of conduct/ethics,[36] followed by financial statements and annual reports (Figure 3.5). Timely, accurate, and appropriately audited financial statements are one of the most critical tools for holding a company's management accountable for its administration of the company.[37] SOE-SLEs' financial statements and reports should be widely publicly available. While annual reports contain essential company information, less than 17 percent of SOE-SLEs make those documents accessible to the public via their websites. Financial statements tend to be included in annual reports.

The least available documents are companies' statutes or charters. Anticorruption policies are sometimes briefly mentioned on company websites or reports, but SOEs rarely provide access to these documents. With the exception of statutes/charters, SOEs are slightly more likely to publish online reports and documents than SLEs. The differences are not statistically significant, however.

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[36] Codes of conduct/ethics are counted as available online if access to the code is provided on the company website or if companies provide detailed statements about the values and expected conduct of their employees.

[37] World Bank. 2014. Corporate Governance of State-Owned Enterprises: A Toolkit. DOI: 10.1596/978-1-4648-0222-5. Washington, DC: World Bank. License: Creative Commons Attribution CC BY 3.0 IGO.

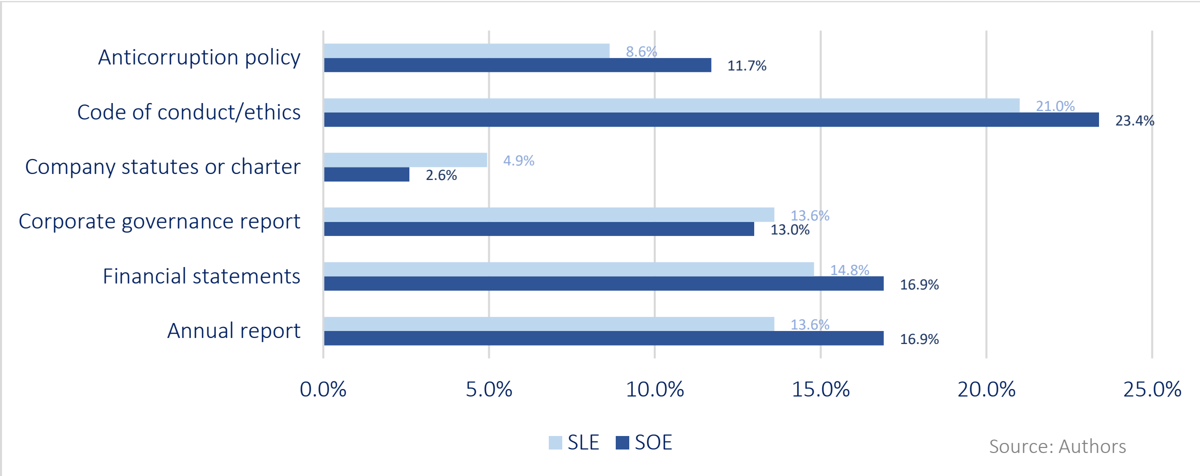

Figure 3.5. Corporate governance documents published online
Source: World Bank authors based on corporate websites of SOE-SLEs.

3.5. Regional differences

Comparing transparency and disclosure outcomes across African regions reveals interesting patterns. Southern Africa is the best-performing region overall, followed by East Africa (Figure 3.6). Central Africa underperforms all the other regions in every category. In North Africa, more than 90% of SOE-SLEs have a functioning website. In East, Southern, and West Africa, that percentage is above 80%. In Central Africa, however, only 63% of companies have a website. Corporate governance and performance information is most accessible in Southern Africa, with information on 33% of categories being available to the public on average. In the other four regions, between 15 percent and 24 percent of the corporate governance items tracked are disclosed. Finally, annual reports and financial statements are seldom shared with the public. Only 5% of Central Africa SOE-SLEs publish those on their websites. Fewer than 30% of Southern African companies do so, though this is the highest regional figure for the continent.

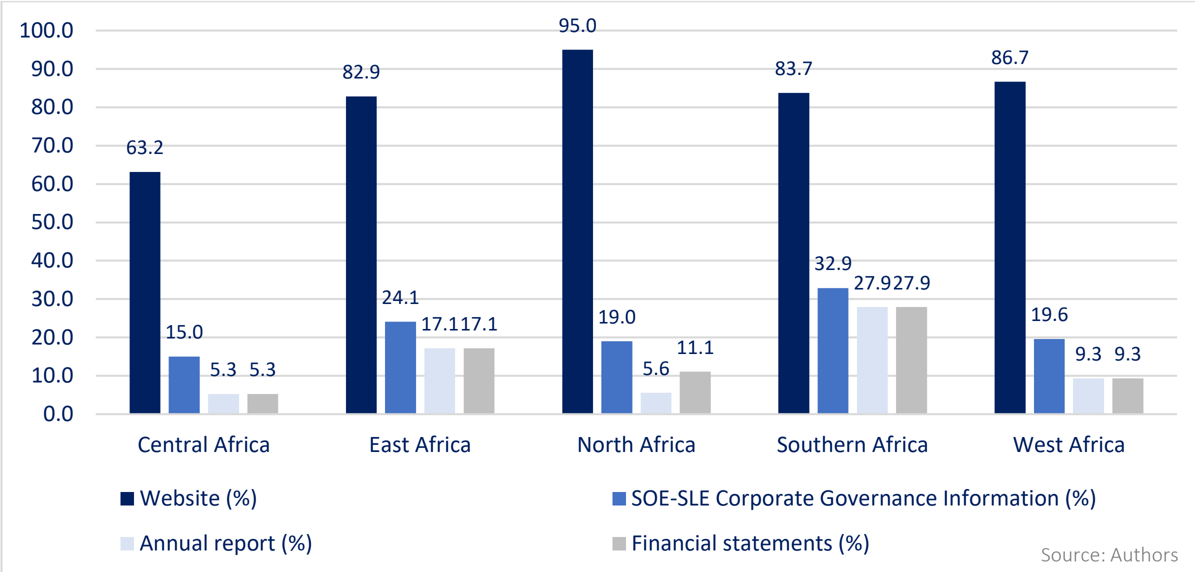

Figure 3.6. Heterogeneity across African regions
Source: World Bank authors based on corporate websites of SOE-SLEs.

3.6. Institutions and transparency

Examining the relationship between the amount of information SOE-SLEs make public and national governance institutions reveals interesting patterns. SOE-SLE transparency is positively correlated with regulatory quality, defined as the ability of governments to formulate and implement sound policies and regulations that permit and promote private sector development. Table 3.3 below presents the results of linear ordinary least squares (OLS) multivariate regression estimates linking the amount of corporate governance information a digital SOE-SLE discloses and national regulatory quality. The regression model includes as explanatory variables regulatory quality[38], concentration in mobile services markets (Herfindahl index - HHI), GDP per capita in constant PPP US dollars, and population (in log). The data comes from our desk research, the Worldwide Governance Indicators (WGI) and the World Development Indicators (WDI). The unit of observation is a digital company, and standards errors are clustered at the country level. In some specifications, the econometric model includes region-fixed effects (FE), capturing unobserved and constant factors that are region-specific and influence company transparency outcomes.

The results in Table 3.3 indicate that regulatory quality is positively and statistically significantly correlated with SOE-SLE transparency. The relevant coefficient in the first column based on the entire sample suggests that everything else equal, increasing regulatory quality by one standard deviation is associated with an increase in company transparency by 7.8 percentage points. The coefficient remains positive but

[38] The Regulatory quality measure comes from the Worldwide Governance Indicators. It captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. It is an aggregate measure constructed by averaging together data from several underlying sources, such as the Economist Intelligence Unit, Institutional Profiles Database, and Political Risk Services. The WGI aggregate indicators and underlying source data are available at www.govindicators.org.

becomes insignificant in column 2 when region FE[39] is introduced. In columns 3 and 4, the sample is restricted to SOEs. The estimates in those columns imply that higher-quality regulations are positively associated with SOE transparency. The statistical significance of the results is not robust to the inclusion of region FE. In the last two columns, where the sample covers only SLEs, the correlation between regulation quality and transparency remains positive but becomes insignificant. These results imply that better regulatory environments tend to be associated with more transparent SOEs but not more transparent SLEs. Lastly, the covariates' coefficients reveal that more populous countries tend to have more transparent SLEs, while countries with higher GDP per capita tend to have more transparent SOEs. Market concentration for mobile services is not statistically correlated with transparency, indicating that the level of transparency is not correlated with market structure.

	(1)	(2)	(3)	(4)	(5)	(6)
	Dependent variable: SOE-SLE Corporate Governance Information Disclosed (%)					
Regulatory Quality Estimate	8.688***	4.277	13.31***	6.362	7.641	5.456
	(2.045)	(3.394)	(3.963)	(4.086)	(6.246)	(8.093)
HHI concentration mobile services (log)	7.331	1.030	3.604	-11.73	8.536	11.28
	(5.221)	(6.122)	(7.297)	(8.480)	(13.50)	(13.26)
Population (log)	3.259***	2.668**	2.815	0.867	4.213*	5.054**
	(1.149)	(1.307)	(2.296)	(2.518)	(2.185)	(1.925)
GDP per capita (log)	3.972**	5.173*	6.596**	8.414**	1.237	3.367
	(1.668)	(2.616)	(2.997)	(3.666)	(3.016)	(4.841)
Constant	-119.1**	-63.55	-95.62	57.70	-125.8	-184.0
	(55.03)	(71.48)	(71.98)	(99.36)	(146.1)	(136.9)
Observations	153	153	74	74	79	79
R-squared	0.082	0.108	0.199	0.303	0.051	0.074
Sample	Full	Full	SOE	SOE	SLE	SLE
Region FE		Yes		Yes		Yes

Table 3.3. Institutions and Transparency – part 1

Notes. Data sources: Authors' transparency dataset, WDI, WGI. OLS regression estimates. Robust standard errors in parentheses clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

Table 3.4 disaggregates the corporate governance information disclosed (in %) into policy-related information and financial and performance-related information. The regression estimates indicate that higher regulatory quality is positively correlated with more policy and financial information disclosure. However, the correlation coefficient is only statistically significant in Column 2, suggesting that regulatory quality matters more for SOE disclosure of financial information. The regulation estimate in Column 4 based on the sample of SLEs and investigating the determinants of financial information disclosure is positive and borderline statistically significant. No particular pattern emerges from the coefficients of the

[39] The countries in the sample are grouped into 5 regions in: North Africa, West Africa, Central Africa, East Africa, and Southern Africa.

other explanatory variables. Overall, the results in Table 3.4 weakly suggest that better regulatory quality encourages SOEs and SLEs to publish more financial information, but not policy and governance-related information.

	(1)	(2)	(3)	(4)
Dependent variables:	SOE-SLE Policy Information (%)	SOE-SLE Financial Information (%)	SOE-SLE Policy Information (%)	SOE-SLE Financial Information (%)
Regulatory Quality Estimate	6.170	6.554**	3.081	7.830
	(5.645)	(3.217)	(11.56)	(5.294)
HHI concentration mobile services (log)	-10.34	-13.11	23.99	-1.431
	(7.790)	(10.87)	(19.54)	(8.475)
Population (log)	0.225	1.509	6.669**	3.439**
	(2.649)	(2.935)	(2.725)	(1.390)
GDP per capita (log)	11.05**	5.783	3.915	2.818
	(4.587)	(3.956)	(6.864)	(3.193)
Constant	49.00	66.40	-310.1	-57.88
	(95.67)	(121.7)	(204.6)	(86.54)
Observations	74	74	79	79
R-squared	0.256	0.293	0.067	0.093
Sample	SOE	SOE	SLE	SLE
Region FE	Yes	Yes	Yes	Yes

Table 3.4: Institutions and Transparency – part 2

Notes. Data sources: Authors' transparency dataset, WDI, WGI. OLS regression estimates. Robust standard errors in parentheses clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

3.7. Conclusion on the transparency of digital SOEs and SLEs

The data collected and analysis indicate that most African digital SOE-SLEs reveal limited information about their management, policies, and corporate governance arrangements. On average, an African digital company provides on its website information on only 3 out of 14 important corporate governance related information. Less than a fifth of all companies publish their annual reports or financial statements on their websites. These findings clearly indicate that African digital SOE-SLEs have room to improve transparency and access to key company information.

Besides, SOE-SLE transparency is found to be positively associated with higher-quality regulations suggesting that improving governance and public sector regulations might affect company transparency, especially for SOEs.[40] Results suggest that better regulatory quality encourages SOEs and SLEs to publish more financial information, but not policy and governance-related information. More populous countries tend to have more transparent SLEs, while countries with higher GDP per capita tend to have more transparent SOEs. Furthermore, the level of transparency is not correlated with market structure in retail markets.

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[40] Additional quantitative analysis will be conducted to introduce variables that capture market characteristics to understand whether SOE-SLE operating in more concentrated market (less prone to competition) are less transparent.

5. Appendix

Appendix 1.1 – List of digital SOEs and SLEs covered in Section 1

Table 5.1. Company list

Company – Country			
Angola Cables	Angola	Liberia Telecommunications Co	Liberia
Angola Telecom	Angola	Mauritel	Mauritania
Movicel	Angola	CEB Fibernet	Mauritius
Benin ACE GIE	Benin	Mauritius Telecom	Mauritius
Benin Telecoms	Benin	National Computer Board	Mauritius
Comores Telecom	Comoros	Maroc Telecom	Morocco
Comoros Cables	Comoros	Orange	Morocco
Egypt Telecom	Egypt	Mozambique Telecom	Mozambique
Electricity Transmission Company	Egypt	Sierratel	Sierra Leone
Orange	Egypt	Sierra Leone Cable Limited	Sierra Leone
Post and Telecommunications Corporation	Eswatini	Broadband Infraco	South Africa
MTN	Eswatini	Telkom	South Africa
Ethio Telecom	Ethiopia	Gyro Towers	South Africa
SPIN	Gabon	MTN	South Africa
Gabon Telecom	Gabon	SITA	South Africa
National Information Technology Agency	Ghana	Telecommunication Corporation	Tanzania
Airtel Ghana	Ghana	Airtel	Tanzania
Vodafone	Ghana	National ICT broadband backbone	Tanzania
Safaricom	Kenya	Orange	Tunisia
Telkom	Kenya	Topnet	Tunisia
NOFBI (ICT Authority)	Kenya	Tunisie Telecom	Tunisia
Cable Consortium of Liberia	Liberia	Ooredoo	Tunisia

Note: See footnote 1 for an explanation of SOE and SLE definitions. This list includes institutions that perform economic activities in the digital sector (such as fiber backbone transport, data storage in data centers, retail voice and data services) and not only those formally created as state corporations or companies.

Appendix 1.2 – Corporate governance questionnaire for the digital sector

This questionnaire aims to collect information on State-owned enterprises (SOEs)[41] and State-linked enterprises (SLEs)[42] operating in the digital sector in Africa. This information will be used to analyze features of corporate governance that might be affecting SOE/SLE performance. While the majority of questions are specific to each SOE/SLE, some cover national legal and regulatory issues that affect the operation of any SOE/SLE. This questionnaire considers the Integrated State-owned Enterprise Framework (iSOEF)[43] as a basis and includes additional questions that are relevant to the digital sector.

Table of content:

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[41] SOE comprises any corporate entity recognized by national law as an enterprise, and in which the national or subnational government exercises ownership, including joint stock companies, limited liability companies and partnerships limited by shares. Statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities are of a largely economic nature (i.e. the entity operates in a market for goods or services that could, in theory, be provided by a private company). SOEs include also government entities not organized as companies, but operating in business or market activities. Source: World Bank (2019), Integrated SOE Framework; OECD Regulatory Questionnaire 2018.

[42] Companies where the state holds a minority shareholding but does not hold, directly or indirectly through another company, the largest single share of the company's equity capital.

[43] World Bank (2019), Integrated State-Owned Enterprise Framework. Available at https://worldbankgroup.sharepoint.com/sites/gsg/CGFR/Pages/iSOEF-07152019-114541.aspx

Section A: General data [to be completed for each SOE/SLE]		
Question #	**Detailed question**	**Answer, legal reference and additional explanation**
A1	**Name of SLE/SOE**	
A2	**Country of operation**	
A3	**Under which legal form is the SOE/SLE set up?** (select one option that applies) a. Corporatized SOE incorporated under the company's law b. Statutory corporation established by an act of parliament/statute c. Non-corporatized SOE set up as a parastatal or government department d. Corporatized company under the company's law e. Other (please specify)	
A4	**Does the SOE/SLE operate under any or all the following legal frameworks?** (multiple options available for selection) a. Companies law b. General public enterprise law or SOE law c. Other public-sector laws (e.g., public sector employment rules, investment and budgeting regulations, procurement laws, public financial management laws, public audit requirements) d. Capital Markets Law or Listing Rules (for listed SOEs)	
A5	**Main industry/sector (economic activity defined following ISIC rev.3 classification at least 4-digits) of operation of the SOE/SLE** Add description of main economic activity Add respective ISIC rev. 3 code of the main economic activity (at least 2-digits)	
A6	**Services offered by the SOE/SLE** (multiple response)**:** a. Mobile communications retail services: voice, data (Internet), messages b. Mobile communications wholesale services c. Fixed communications retail services: voice, data (Internet) d. Fixed communications wholesale services (e.g. fiber backbone infrastructure, leased lines, metropolitan networks) e. International communications: voice, data f. International gateway/landing station (e.g. for submarine cable, terrestrial cable, satellite)	

	g. Passive infrastructure services (e.g. ducts, towers) h. (Mobile) payment services i. Cloud and hosting services (e.g. website/email, datacenter collocation, cloud storage) j. Other data services (e.g. mobility analytics, cloud computing, IoT solutions) k. Digital services on digital platforms (e.g. e-commerce, ride hailing, e-commerce for farmers) l. Other ICT services (e.g. videoconferencing, contact centers) m. Other non-ICT services (e.g. real estate)	
A7	**% of shares directly owned by the state** Indicate government-related shareholder and specific value of direct state participation (%).	
A8	**% of shares indirectly owned by the state (for example, through other SOEs or holding companies)** Indicate government-related shareholder and specific value of indirect state participation. (e.g. Gov agency X -> % of participation in company Y -> % ownership in SOE of interest.	

Section B: Financial and operational data [to be completed for each SOE/SLE]		
Question #	**Detailed question**	**Answer, legal reference and additional explanation**
B1	**Please provide annual financial statements for the last 3 years** ***If not available, please provide information on (and corresponding fiscal year):*** *- total annual turnover,* *- net profit or loss* *- EBITDA,* *- total assets, fixed assets, non-current assets, current assets,* *- total liabilities, short-term liabilities, long-term liabilities,* *- equity,* *- market capitalization if SOE/SLE is listed.*	
B2	**Number of employees for the last 3 years**	

Section C: Commitment to corporate governance [to be completed for each SOE/SLE]		
Question #	**Detailed question**	**Answer, legal reference and additional explanation**
C1	**Do the founding law/articles of association/performance contract and/or SOE strategy set the following mandates and objectives?** (multiple options available for selection) a. Commercial objectives b. Social or non-commercial objectives c. Regulatory functions d. No clear objectives	
C2	**What ministry, government agency or institution formally owns the SOE/SLE?**	
C3	**What ministry, government agency or institution executes the ownership rights** (e.g. nominates board members, sets the mandate/objectives, monitors performance, etc.)? a. Line ministry b. Treasury/Ministry of Finance c. Specialized agency at arm's length from government (not subject to direct ministerial intervention other than for general guidelines and performance criteria), for example a sovereign wealth fund, holding company d. Other type of specialized agency e. Other (please explain)	
C4	**Does the State or government agency monitor SOE performance through any of the following?** (multiple options available for selection) a. Performance contract, agreement or MOU b. Key performance indicators approved by the board c. Key performance indicators approved by the State/agency d. Annual performance reviews of employees e. No performance indicators	
C5	**What formal corporate governance (CG) documents does the company have (in addition to its Articles of Association) that address overall CG policies and practices of the company, and which cover, at a minimum (i) the rights and treatment of shareholders, (ii) the role of the board of directors, (iii) transparency/disclosure, and/or (iv) business ethics?** (multiple options available for selection) a. CG Code	

	b. Code of Ethics/Conduct c. Shareholder Agreement (for mixed ownership SOE) d. Other (please specify)	
C6	**Key performance indicators (KPIs), if any, are reported upon at what frequency?** a. Monthly b. Quarterly c. Annually d. Other (please specify) e. Not available information	
C7	**Who does the Code of Ethics/Code of Conduct apply to?** (multiple options available for selection) a. Board members b. Senior management c. All employees d. Employees of all companies in the group e. Suppliers, contractors and other partners	
C8	**Does the SOE adhere, mandatorily or not, to a national corporate governance code?** a. Yes, a general corporate governance code b. Yes, an SOE specific code c. No d. Not available information	

Section D: Board structure and functioning [to be completed for each SOE/SLE]		
Question #	**Detailed question**	**Answer, legal reference and additional explanation**
D1	**Is there a formal and transparent process to appoint/nominate board members?** a. Yes b. No c. Not available information	
D2	**Is the government represented on the board through any of the following?** Please specify the number of board members in each category. a. Ministers b. High level government officials (e.g. directors, head of agencies) c. Other civil servants	

	d. Independent representatives (e.g. academia, civil society, private sector) e. Politically affiliated individuals f. Other (please specify)	
D3	**Are the Chairman of the Board and CEO positions held by different individuals?** a. Yes b. No	
D4	**Can the SOE board members of the Board of Directors be removed before the completion of their terms at the sole discretion of the appointing authority?** a. Yes b. No	
D5	**Are members of the Board of Directors required to declare any conflicts of interest?** a. Yes b. No	
D6	**Does the legal and the regulatory framework assign the following functions as an explicit responsibility of the Board of Directors without reference to any higher authority?** (multiple options available for selection) a. Define corporate strategy (setting strategy and vision of the SOE) b. Select/appoint/overseeing/firing of CEO c. Hiring/firing of other members of senior management d. Oversight of internal controls e. Oversight of external audit f. Oversight of risk management g. Approve and implement the strategy and business plan h. Preparation of financial statements i. Approval of major capital expenditures and large value transactions j. Approving human resources policy k. Approving financial statements l. Managing operations of the SOE m. Oversight of internal audit n. Oversight of Related Party Transactions o. Oversight of environment and social issues p. Approve and oversee decisions to raise capital (e.g. debt, equity) q. Decide and implement tariff adjustments r. Other (please specify)	
D7	**Are there minimum qualifications for SOE board members (by law, regulation, official guidance, or recommended practice)?** a. Yes b. No	

D8	**Does the SOE indemnify its board members?** a. Yes b. No	
D9	**Is there a requirement to establish board-level committees (audit, compensation and appointment, risk, investment, etc.)?** a. Yes b. No	
D10	**Is there an audit committee for the board?** a. Yes b. No	

Section E: Control and financial oversight [to be completed for each SOE/SLE]		
Question #	**Detailed question**	**Answer, legal reference and additional explanation**
E1	**Is the SOE/SLE externally audited?** (accounting practices, financial statements) a. Yes b. No	
E2	**By whom is the SOE/SLE <u>externally</u> audited?** a. State auditor b. Private audit firm	
E3	**For SOEs with social or non-commercial objectives, are the cost of achieving those objectives measured and is the SOE compensated accordingly?** (multiple options available for selection) a. Social objectives clearly defined b. Cost of achieving social objectives quantified c. SOE fully compensated for cost of social objectives d. SOE partially compensated for cost of social objectives e. SOE not compensated for cost of social objectives f. SOE cross-subsidizes to compensate for cost of social objectives	

Section F: Shareholders' rights [to be completed for each company: SOE/SLE]		
Question #	**Detailed question**	**Answer, legal reference and additional explanation**
F1	**What type of shareholding does the State (national of subnational government) hold in the SOE/SLE?** a. The State has a majority stake (50% or more) b. The State holds the largest single share of equity c. The State does not have a controlling interest and the stake is below 50%, but is a significant shareholder capable of influencing the SOE/SLE by other means (e.g. golden shares, board nomination, capital decisions, etc) d. The State is not a significant shareholder capable of influencing the SOE/SLE	
F2	**Does the company have regulations in place to protect the rights of minority shareholders?** a. Yes b. No	
F3	**What mechanisms of shareholder rights protection does the company have?** (multiple options available for selection) a. The right to inspect the company's accounts b. The right to request special audit c. The right to call Extraordinary General Meeting d. The right to bring a lawsuit against the company (derivative suits) e. Other (please specify)	

Section G: Anticorruption and integrity [to be completed for each SOE/SLE]		
Question #	**Detailed question**	**Answer, legal reference and additional explanation**
G1	**Do antibribery laws for public officials apply to SOEs?** a. Yes a. b. No b. c. Not available information	
G2	**Is financial support by the state to the SOE disclosed in a consistent and transparent manner?** a. Yes, in most cases b. Yes, for certain type of support c. No d. Not available information	
G3	**Does access to information law apply to SOEs?** a. Yes b. No c. Not available information	

Appendix 1.3 – List of contributors to complete the SOE/SLE questionnaire

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Appendix 2.1 – Transparency and disclosure questionnaire

Transparency and disclosure [to be completed for each SOE/SLE]		
Question #	Detailed question	Answer, legal reference and additional explanation
Q1	Which of the following non-financial information is disclosed by the SOE/SLE to the public, for example on its website or annual reports? (multiple options available for selection) a. Commercial objectives b. Social objectives c. Remuneration of members of the Board d. Remuneration of key executives e. Information about Board members f. Related party transactions g. Foreseeable risk factors h. Governance structures and policies i. Sustainability and environment & social policies and practices j. Performance Contracts k. Key performance indicators (KPIs), targets and results achieved l. Major transactions and/or material events m. Information about the management team n. Information on shareholders (names and shareholder structure)	
Q2	Does the SOE/SLE have a functioning website containing the following documents? (multiple options available for selection) a. Annual report b. Financial statements c. Corporate governance report d. Company's statutes or charter (e.g. articles of incorporation, rules of procedure for Board, rules of procedure for auditing committee) e. Code of conduct/ethics f. Anticorruption policy	

	g. Only summaries of key information h. No website	
Data on the following items is to be collected if available in past assessments/reports.		
Q3	How often does the SOE prepare financial reports (i.e., balance sheet, income statements, etc.)? a. Monthly b. Quarterly c. Biannually d. Annually	
Q4	What accounting standards does the SOE use for its financial statements? a. IFRS/US GAAP b. Local GAAP substantially aligned with IFRS c. Local accounting standards/local GAAP d. Other	
Q5	Have the financial statements of the SOE been restated in the last three years? a. Yes b. No	
Q6	Does the SOE have an information disclosure policy? a. Yes b. No	

Appendix 2.2 – Data collection methodology

A1. Scope of the analysis

- The dataset aims to capture the amount of information African digital SOEs make publicly available. The focus of the dataset is on (lack of) transparency.
- The geographic focus is on the whole African continent, including North Africa.
- SOEs and SLEs are defined as corporate entities recognized by national law as enterprises, and in which the national or subnational government exercises ownership, including joint stock companies, limited liability companies and partnerships limited by shares. Statutory corporations, with their legal personality established through specific legislation, are considered as SOEs if their purpose and activities are of a largely economic nature (i.e. the entity operates in a market for goods or services that could, in theory, be provided by a private company). SOEs-SLEs include also government entities not organized as companies, but operating in business or market activities.
- The units of analysis are SOEs and SLEs operating in the digital sector. Private companies are not considered (e.g. Medasys in Morocco, SNS Mobility in Cameroon). Universities and research institutions are not considered either.
- In gathering the information, research is primarily conducted on the websites of identified SOEs and SLEs. The vast majority of SOE-SLEs have a website. Additionally, the information is collected from annual reports, if available online for the SOE-SLE (from 2015 onwards).
- Only the information publicly mentioned on official websites or in official SOE-SLE annual reports is considered. Information provided on other websites is not taken into account. This approach is taken to guarantee consistent data across observations. It might also not always be possible to verify the validity of the information posted on third websites. In addition, some non-official websites with yet valid information may be missed during the data collection exercise. *For instance, for Maroc Telecom, a website (that bundles information for several companies) - accessed by google research - mentions company management members, but it is not an official website and thus not taken into account.*
- The information mentioned in annual reports is only considered for 2015 and later. As the data was collected in Fall 2020, any information older than for 2015 is considered as obsolete and ignored.

A2. Indicators definition

The following definitions are adopted for the various indicators of the ‘Transparency and Disclosure’ questionnaire.

- *Commercial objective*: explanation for why the company exists and what customers can expect from the SOE; A rather flexible approach has been taken in coding whether SOE-SLEs disclose this information to the public as companies provide in varying degrees of details what their commercial objectives are.
- *Social objective*: statement that details a specific desired outcome of a project that is related to the interaction of the individuals, groups and institutions within a society. The social objective is often related to improving human wellbeing; A rather flexible approach has been taken in coding whether SOE-SLEs disclose this information to the public.
- *Information on Board members*: Board of directors. Member(s) of the governing Board being public.
- *Related party transaction*: a transaction that takes place between two parties who hold a pre-existing connection prior to the transaction.

- *Sustainability/environmental/social policies and practices*: actions that seek to reduce the negative environmental impact caused by activities and processes through changes and improvements in the organization and development of actions.
- *KPI's, targets and results*: a measurable value that demonstrates how effectively a company is achieving key business objectives. Organizations use KPIs at multiple levels to evaluate their success at reaching targets.
- *Major transactions and/or material events*: defined as one which involves more than half the value of the company's assets.
- *Information about Management*: senior staff members in charge of daily business operations and part of the executive Board, responsible for day-to-day operations (e.g. Chief Executive Officer (CEO), managing officer).
- *Performance contracts*: a legal agreement in which the SOE-SLE agrees to pay another when they successfully finish the project or task they were employed to do.
- *Governance structure*: Governance frameworks structure and delineate power and the governing of management roles in an organization. They also set rules, procedures, and other informational guidelines. In addition, governance frameworks define, guide, and provide for enforcement of these processes.
- *Company's statutes or charter*: A company charter is a document that details basic information about a business, including contact information and all business partners. If there is a Board Charter, the coding is *yes, information present*.
- *Code of conduct/ethics*: a set of rules outlining the norms, rules, and responsibilities or proper practices of an individual party or an organization. If the website/annual report only mentions that there is a "code of conduct" without outlining the main principles, this is coded as *No, information missing*.
- *Anticorruption policy*: The purpose of this policy is to outline acceptable and non-acceptable behavior in activities and areas where corruption could take place. If the website/annual report only mentions that there is an "anticorruption policy" without outlining the main principles, this is coded as No, information missing.
- SOEs-SLEs are coded as providing *only summaries of key information* if they disclose three or less information items listed in Q1 (See questionnaire in Appendix 1.2).

A3. Relationship between subsidiary and parent company

A3.1 Preliminary observations

- Only limited separate information is available for SOE-SLE subsidiaries. Subsidiaries often do not have their own website/information publicly available. Subsidiaries do often have only limited information available for the local operation. In some cases, the local website refers to the general group information
    - For instance, Orange, and its subsidiaries in different countries. Although the local subsidiaries have their own website/tab on the website of the holding, no information is included regarding the operation of the local branches. Therefore, the coding is NO for all sections. The holding information (Orange) is included in the consolidated results (and contains mostly YES, as there are reports, financial statements, etc. on group level). Generally, the website of local branches only includes information about Orange Foundation [for the specific country].
- There are exceptions of SOE-SLEs for which detailed information for the local branch is available:
    - MTN Nigeria: Annual report for MTN Nigeria is available.
    - MTN Ghana: Annual report for MTN Ghana is available.

- In contrast to the very limited information available for subsidiary SOE-SLEs, there is often detailed information for the holding company/parent company (with annual reports and financial statements) publicly available. Consolidated results for parent companies have been collected in a separate sheet. The information of the parent company often includes the information of subsidiaries.

A3.2 Methodological choices

- For the dataset, the focus is on local operations. The majority of local subsidiaries has a (local) website with references to some general information (often related to the group).
- Main principle: only the information for the subsidiary/local operator in the specific country is included.
- If the website of the local operator mentions the results at the group level (consolidated annual reports, consolidated financial results):
  - These group results are - as a principle - NOT considered for the coding of the local branch. The consolidated results on the group level are included in a separate sheet.
  - Unless these group results are related to the local activities of the subsidiary or mentioned on the particular domain name (with domain characterized of specific country references, e.g., ma, gn, mu, bf, etc.) with specific references to the local activities.
  - Orange and MTN are a good example to illustrate this methodological application. Orange and MTN have local branches in different countries. These local branches have their own websites, but only limited information is available. No annual report is available for each of the local branches (with a few exceptions). For the coding, the information is retrieved from the local website, and no annual report is considered.
- If the website of the local branch contains links to annual reports of the parent company, the coding does not include information that is retrieved from the documents related to the parent company (unless the annual reports explicitly refer to the local activities). Again, the group information is included in a separate sheet with consolidated results.
- The consolidated results sheet includes the information for the group/holding.
  - The companies with a quite difficult structure between parent company and subsidiary/local branch are: Ooredoo Group, Orange Group, MTN Group, Dimension Data Group (incl. Internet Solutions), Birger Group (incl. ContinuityMauritiusCo), Maroc Telecom Group, Tanger Group (incl. CIRES), Telecom Namibia (incl. Leo and Powercom), Business Connexion and WIOCC.
- For parent companies the information for local subsidiaries is considered as well (top-down approach). This means that the information for the subsidiaries is considered for the coding.

A4. Other methodological aspects

- *Recent acquisitions*: If there is an acquisition of a SOE-SLE, the acquirer is considered. For instance:
  - Ghana Telecommunication Company is acquired by Vodafone. The information includes the information for Vodafone.
  - Tigo (Millicom) in Congo DRC was sold by Millicom to Orange. The information includes the info for Tigo, as mentioned on the website of Orange. As there is no separate website for the Tigo activities, the coding is NO for all indicators.
- Only SOE-SLEs based/having substance in Africa are considered.
  - For instance, Viettel (Tanzania) trades in Tanzania as Halotel. Viettel is owned by Viettel Global JSC (state-owned Investment company from Vietnam). Halotel has a website, but no information is publicly available. Information is available for Viettel, but as this company has its primary establishment in Vietnam, Viettel is not considered in the database.

Further information on the SOEs-SLEs covered or excluded, companies with unclear group structures, defective websites, etc., are available upon request.

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