



# **“GLOBAL TRENDS IN CORPORATE GOVERNANCE: WHAT ARE THE LESSONS FOR ZAMBIA?”**

**A Presentation to**

**THE ZAMBIA ANNUAL BUSINESS CONFERENCE**

**By**

**Patrick D. Chisanga FCIS; FIODZ  
Dynamic Concepts Limited**

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# What is Corporate Governance?

## Corporate Governance defined:

“The system by which Companies and Organisations are governed, controlled and managed”

**UK CADBURY REPORT 1992**



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# What is Corporate Governance? .../contd.

- **Regulate the exercise of Power, Authority, Direction, Control.**
- **Ensure that the objectives of the Organisation are achieved on a sustainable basis.**
- **The Corporate Governance system ensures that checks and balances are in place.**
- **Defines who does what!**



# What is the purpose of Corporate Governance?

- **To ensure that the Organisation is governed in a way that is consistent with the Principles of good Corporate Governance.**



# What is the purpose of Corporate Governance? .../contd.

## - The Main Principles

1. Integrity
2. Responsibility
3. Accountability
4. Transparency
5. Efficiency
6. Sustainability
7. Reliability



# Ideals of Corporate Governance

- **Attract Investors and Donors** – both local and foreign – and assure them that their investments will be secure and efficiently managed in a transparent and accountable process.



# Ideals of Corporate Governance .../contd.

- Create **competitive and efficient Companies** business enterprises and **Organisations**.
- Enhance the **accountability** and **performance** of those entrusted to manage **Organisations**.
- Guard against **fraud**.



# **Global Trends in Corporate Governance in the last 30 odd years**

**There has been an increased global realisation that GOOD CORPORATE GOVERNANCE is a powerful means to create a business environment which will lead to the following positive developments in any country.**





# **Global Trends in Corporate Governance in the last 30 odd years..../contd.**

- **Enhanced Investor Confidence**
- **Increased Transparency and Accountability**
- **Financial Stability**
- **Increased FDI**
- **Sustainable Economic Growth**



# Government has no Business being in Business

- There has been a global shift from Government control to liberalisation.
- Prior to 1991 the **Zambian economy** was **80%** controlled and held in **Government hands**, and only **20%** in **Private sector hands**.
- Today – **80%** is **Private sector** and **20%** is **Government controlled**.



# Success stories of Government decontrol and commercialisation in Zambia

## Commercialisation of Water Utility Sector

- **During the year 2000 Government passed Legislation to reform the Water Sector**
- **Local Government Authority divested from operating Water and Sanitation Services**



## **Success stories of Government decontrol and commercialisation in Zambia..../contd.**

- **Commercial utility Companies were incorporated with NWASCO as Regulator**
- **Independent Boards of Directors appointed, and trained in Corporate Governance**
- **The result;**
  - **Reinvestment in infrastructure and more efficient water distribution and sanitation services.**



# **Success stories of Government decontrol and commercialisation in Zambia.../contd.**

## **Incorporation of the IDC**

- 1. Government took a landmark decision in 2013 to incorporate the IDC, under the Companies Act as a response to addressing some of the negative impacts of privatisation.**



# **Success stories of Government decontrol and commercialisation in Zambia.../contd.**

## **Incorporation of the IDC**

- 2. GRZ ceased to be a direct shareholder in all SOE's**
- 3. IDC became the new shareholder with its own Board of Directors**



# **Success stories of Government decontrol and commercialisation in Zambia../contd.**

## **Incorporation of the IDC**

- 4. IDC as the Holding Company of all government investments is operating on strong Corporate Government principles and practices.**



# **Success stories of Government decontrol and commercialisation in Zambia../contd.**

## **Incorporation of the IDC**

- 5. IDC held Companies are beginning to operate more efficiently and have started making profits and declaring Dividends.**
- 6. The Chairmanship of the IDC Board however raises Corporate Governors concerns.**





# Global Trends in Board Structure, Appointments and Board Membership Tenure

1. Board members appointed through a **nominating committee** to ensure proper compliance with established nominating procedures and to facilitate and coordinate the **search for a balanced and qualified Board.**



# **Global Trends in Board Structure, Appointments and Board Membership Tenure .../contd.**

- 2. Board members appointed for a minimum period of 3 years**
- 3. Separation of functions and roles between Chairperson and CEO**
- 4. Independent Directors are now a requirement for listed Companies in Asia, Europe and USA**



# Global Trends in Board Structure, Appointments and Board Membership Tenure

5. **GENDER DIVERSITY** is becoming a strong norm in **Japan 30%; UK 25%, Canada 40%, Brazil 40%, France 40%, Europe 40%** .
6. In the **US; Europe; Brazil and Mexico** it is strongly recommended that a formal **Performance Evaluation of the Board, individual Directors and of the CEO'** should be undertaken annually.
7. **Corporate social responsibility**



# Conclusion

- **As business practitioners, you have a duty to remain current on global Corporate Governance trends.**
- **The new Companies Act # 10 of 2017, has raised the bar for Corporate Governance compliance in Zambia, and I would encourage you to study the new Law closely.**



## Conclusion..../contd.

- **Make it your responsibility to determine whether your company or organisation is adhering to best practice locally and globally.**
- **If your Company is not fully abreast, or compliant, determine a road map for change.**



**I THANK YOU!**



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# Questions?

## Dynamic Concepts Limited

- **ADDRESS** : **Plot 11289, Central St.  
Chudleigh, Lusaka.**
- **EMAIL** : **dclzambian@gmail.com**
- **WEBSITE** : **www.dclzambia.com**
- **CELL** : **095 5 775 018**

