

Organisation for Global Africa  
Cooperation

Together, Shaping  
a Better Africa



**OGAC**  
ORGANISATION FOR  
GLOBAL AFRICA  
COOPERATION

From Compliance to  
Development: Corporate  
Governance for Sustainable  
Growth in Africa

[www.ogac.co.za](http://www.ogac.co.za)

# WHAT IS CORPORATE GOVERNANCE

- **According to OECD:**

- **Corporate governance**

Corporate governance guides how a company is directed and its relationships with its shareholders and stakeholders. With the right structure and systems in place, good corporate governance enables companies to create an environment of trust, transparency and accountability, which promotes long-term capital and supports economic growth and financial stability.

- **According to King IV**

- **Corporate governance**

- Corporate governance is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:
      - Ethical culture
      - Good performance
      - Effective Control; and
      - Legitimacy

# WHY IS CORPORATE GOVERNANCE IMPORTANT?

- Corporate Governance is important because:
  - it lies at the heart of the commercial and economic system. It is the interface between capital markets and companies, between employees and executives, and between society and the corporate sector. It refers to the way in which private and public companies, enterprises, entrepreneurships, and financial institutions are governed.
  - it provides the structure and systems through which a company is directed and its objectives are set, and the means of attaining those objectives and monitoring performance are determined.
  - it maintains investors' confidence, whose support can help to finance further growth. Companies who implement the principles of good corporate governance into working environment life will ensure corporate success and economic growth. They are the basis on which companies can grow.
- For developing economies in Africa– an outcome that has not been explored until very recently – Social outcomes and good corporate citizenship
- Until the 1990s, most African countries did not attach particular importance to corporate governance issues. However, due to pressures of globalisation, states and civil society organisations have become aware of the importance of putting in place a regulatory framework to ensure effective corporate management. Initially, these efforts were limited to the adoption of codes on good corporate governance and measures aimed at ensuring international credibility in accounting and audit practices.
- Indeed, some countries in Africa have taken heed of the call to improve corporate governance within their jurisdictions and this has led to promising developments in corporate governance and related legal reforms. However, not all countries on the continent have adopted codes of corporate governance, and most of those that have, continue to face a plethora of challenges. Currently only 21 of the 55 African states have a Code of Corporate Governance.

# SOURCES OF CORPORATE GOVERNANCE

**COMPANY LAW, REGULATIONS AND NATIONAL ACTS**  
(These are often binding)

**Securities and Exchange Commissions**  
(For listed enterprises. These are always binding on listed entities and may also include Rules and practices are revised from time to time)

**SOURCES OF CORPORATE GOVERNANCE PRACTICES**

**Statutes and regulations in regard to particular areas of corporate practice (e.g., regulations promulgated with respect to banks and other financial institutions, and by other similar regulatory bodies in respect of communications, state-owned enterprises, transportation and other regulated fields).**

**National or Sector Codes of Corporate Governance**  
(These are often non-binding)



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# SUSTAINABLE GROWTH IN THE AFRICAN CONTEXT

- **Why Governance Matters for Sustainable Growth**
- **Governance matters because it builds:**
  - Trust between business, investors, workers, communities and the state.
  - Accountability in decision-making.
  - Transparency in the use of resources.
  - Long-term resilience against shocks.
  - Ethical leadership and responsible business conduct.
  - Investor confidence and access to finance.

**The Case For a Paradigm Shift – Building a Mission and Values-Centered framework for competitiveness and inclusive growth in Africa**





# THE AFRICAN COMMERCIAL ENVIRONMENT

- **The African Commercial Environment**
- **Key characteristics of Africa's commercial environment:**
- Dominated by SMMEs, micro-enterprises and informal businesses.
- Large informal sector with many people outside formal corporate structures.
- Many businesses are family-owned or founder-led.
- High levels of unemployment, especially among youth.
- Limited access to finance for small and growing businesses.
- Concentrated ownership in some sectors.
- Significant role of state-owned enterprises and public procurement.
- Uneven regulatory capacity across countries.
- Strong connection between business, community and local development.
- Growing importance of AfCFTA, regional value chains and cross-border trade.

# The Case For a Paradigm Shift – A framework for competitiveness and inclusive growth in Africa



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# The Case For a Paradigm Shift – Building a framework for competitiveness and inclusive growth in Africa

The development of the African Principles and Guidelines on Corporate Governance aims to take into account best practices in the world while remaining cognisant of the socio-cultural and commercial particularities and environment of the African business community and society at large including the current continental integration agenda - Africa Continental Free Trade Area (AfCFTA).

The Principles adopt a paradigm shift to suit the needs of the continent, in terms of socio-economic goals as engraved on the African Union Agenda 2063 “The Africa We Want” and they:

- i. address the development and empowerment of the dominant sectors- SMMEs, informal sector and family-owned businesses in equal measure as it does large businesses;
- ii. entrench governance practices that promote transparency, accountability, protection of shareholders and creation of funding opportunities for all businesses
- iii. confirm the fundamental role of business to make a positive contribution to development and be involved in improving the livelihoods of local communities; and
- iv. embrace the values of Ubuntu, Uthu.
- v. contribute towards the harmonisation and greater coherence of business practices on the continent, ensuring a better coordinated and application of governance standards by the private sector regardless of the jurisdiction the enterprise operates within the AfCFTA. This is an essential component of the success of the AfCFTA.



# WHY IMPORTED GOVERNANCE MODELS ARE NOT ENOUGH

Traditional governance models often focus on:

- Listed companies.
- Shareholder rights.
- Board structures.
- Financial reporting.
- Investor protection.

But Africa also needs governance that addresses:

- Informal and small businesses.
- Community impact.
- Human dignity and Ubuntu.
- Public value and development outcomes.
- Women and youth inclusion.
- Regional integration.
- Ethical leadership in both public and private institutions.

# Governance Challenge 1

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# Disclosure Quality



## The problem:



Many businesses disclose information late, inconsistently or incompletely.



Smaller businesses may lack systems for financial reporting.



Sustainability reporting is often weak or absent.



Stakeholders may not have enough information to assess performance, risks or governance quality.



Poor disclosure reduces trust and limits access to finance.



## Why it matters:

Disclosure is not only about reporting. It is about trust, credibility and



Disclosure is the language of trust. Investors, banks, regulators, workers and communities all rely on information to make decisions. Where disclosure is weak, trust is weak. Where trust is weak, capital becomes expensive.

# Strategies to Improve Disclosure Quality

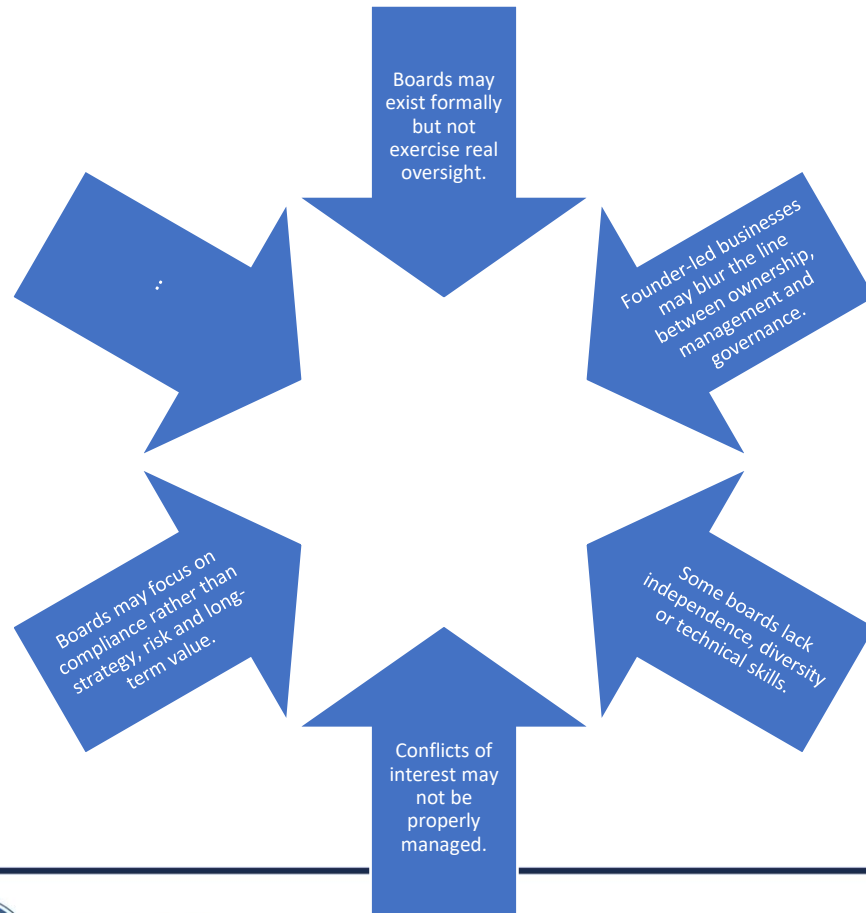
- **Practical strategies:**
- Adopt clear disclosure policies approved by the board.
- Publish timely and accurate financial information.
- Report on governance structures, ownership and decision-making.
- Disclose material risks, including climate, social, digital and operational risks.
- Use simplified reporting templates for SMMEs and informal businesses.
- Strengthen internal controls and record-keeping.
- Establish audit, risk or finance committees where appropriate.
- Use digital tools for reporting, compliance and stakeholder communication.
- Train finance teams, managers and board members on disclosure obligations.
- Link disclosure to access to finance and investor readiness.

# CHALLENGE No. 2

## BOARD ACCOUNTABIL ITY



# Governance Challenge 2 — Board Accountability



- **Practical strategies:**
- Clearly separate the roles of Chairperson and CEO.
- Define the role of the board and management in writing.
- Adopt a board charter and committee terms of reference.
- Establish audit, risk, ethics and governance committees where appropriate.
- Appoint independent and diverse board members.
- Conduct regular board evaluations.
- Maintain a conflict-of-interest and related-party transactions register.
- Ensure board members receive induction and continuous training.
- Require management to report regularly on strategy, risk, finance and sustainability.
- Link board accountability to long-term value creation, not only short-term profit.



# Governance is Everyone's Responsibility

- **Good governance cannot sit only with the board.**
- It must involve:
- Board members.
- Executives and senior management.
- Finance teams.
- Human resources.
- Procurement officers.
- Internal audit and risk teams.
- Legal and compliance officers.
- Operational staff.
- Frontline workers.
- Suppliers and business partners.

# Creating a Governance Culture Across the Organisation



- **To involve all staff members, organisations should:**
- Communicate the organisation's purpose and values clearly.
- Train all employees on ethics, anti-corruption and accountability.
- Create safe channels for reporting misconduct.
- Reward honesty and responsible conduct.
- Include staff in decision-making processes where appropriate.
- Make governance part of performance management.
- Ensure procurement and finance teams understand internal controls.
- Build a culture of respect, dignity and fairness.
- Encourage staff to understand how their work contributes to sustainable growth.
- Hold leaders accountable for modelling ethical behaviour

# Linking African Principles and OECD Principles

- **African Principles contribute:**
  - African values and Ubuntu.
  - Relevance to SMMEs, informal businesses and family businesses.
  - Developmental role of business.
  - Shared purpose and community responsibility.
  - Inclusion, dignity and stakeholder engagement.
  - Africa's regional integration agenda.
- **OECD Principles contribute:**
  - Global benchmark for corporate governance frameworks.
  - Strong focus on disclosure and transparency.
  - Board responsibilities and independent judgement.
  - Shareholder rights and investor confidence.
  - Sustainability, resilience and risk management.
  - Market integrity and access to capital.
  - two frameworks should not be seen as competing. The OECD Principles provide a global governance benchmark. The African Principles provide contextual relevance for Africa. Together, they can help African enterprises become more transparent, accountable, resilient and attractive to investors while remaining rooted in African realities.

# Governance for Sustainable Growth — A Practical Framework

- **Five pillars for African organisations:**
- **Purpose** — define why the organisation exists beyond profit.
- **Transparency** — disclose accurate, timely and useful information.
- **Accountability** — ensure boards and management answer for decisions.
- **Inclusion** — involve workers, communities, women, youth and stakeholders.
- **Resilience** — manage risks, sustainability issues and long-term value.

If we want sustainable growth, governance must move from paperwork to practice. The question is not whether an organisation has policies. The question is whether those policies shape behaviour, decisions and outcomes.

*Africa's sustainable growth will depend not only on capital, trade and industrial policy, but on governance.*

**Good governance enables African businesses to:**

- Build trust.
- Attract finance.
- Grow responsibly.
- Create jobs.
- Strengthen communities.
- Compete regionally and globally.
- Contribute to the Africa we want.

**Closing line:**

Governance for sustainable growth is ultimately about building enterprises that are profitable, ethical, inclusive and accountable to the societies that make their success possible.

