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TRANSFORMING THE SYSTEM OF SOEs IN SOUTH AFRICA:

Towards a mission-oriented state holding company

Mariana Mazzucato
Founding Director and Professor in the Economics of Innovation and Public Value | UCL Institute for Innovation and Public Purpose

Simone Gasperin
Research Fellow | UCL Institute for Innovation and Public Purpose

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1. The case for a mission-oriented state holding company

Innovation and economic development are shaped by the interaction between private and public entities (Mazzucato, 2013; Mazzucato, 2022a). Policy makers can influence the direction of growth and the pattern of economic specialisation by embracing ambitious industrial strategies (Mazzucato and Perez, 2023). This is particularly relevant for developing countries pursuing transformational policies to shape their economic specialisation and improve their living standards (Mazzucato 2022b).

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Indeed, if structured in a way that catalyses new public and private investment and fosters collaborative innovation, industrial policies can help direct economic growth towards tackling critical societal challenges, such as those related to health, climate, and digital transitions (Mazzucato and Rodrik, 2023). In doing so, they can stimulate innovation across the entire economy, promoting diversification, enhancing productivity, increasing employment opportunities, and driving structural transformation. In short, industrial policy – if done right – is development policy because it requires investments in both technological change and organisational change, allowing production to move up the value chain and increasing access to markets relevant for directed growth. A key question, therefore, is how to ensure that public sector governance structures, capabilities, tools, and institutions are designed to create this catalytic change, leading to growth that is more inclusive and sustainable.

State-owned enterprises (SOEs) are important institutions for implementing industrial policy. SOEs can be very effective in achieving a broad range of socio-economic objectives, if properly established and run. They represent a unique type of public organisation that can assume different forms and play a direct role in the economy, through their involvement in the production of goods and in the provision of services (Stiglitz, 1989). Due to their intrinsic business-like nature, the policy function of individual SOEs has sector-specific characteristics, but it is not entirely confined by them.

A mission-oriented approach can help leverage the potential of SOEs to contribute to industrial policy goals by coordinating them in a more cross-sectoral way. Missions can translate big societal challenges into clear objectives that can only be achieved through a portfolio of projects and supportive policy interventions by relevant public entities (Mazzucato, 2018). To do so, the scope of missions should be cross-sectoral and with wide societal relevance, but they should also be realistic, targeted, measurable and time-bound (Mazzucato and Dibb, 2019). Missions create new industrial and innovation landscapes that positively affect the expectations of the private sector, which is eventually crowded in (Mazzucato, 2021). A mission-oriented approach to policymaking can create and shape new markets rather than just fixing them, providing investment opportunities by setting clear directions of growth. Therefore, SOEs operating in different sectors can together contribute to the fulfilment of national missions within their remits (Gasperin et al., 2021). Similarly, SOEs can cooperate with other public entities – such as with state-owned financial institutions (Mazzucato and Macfarlane, 2018) – for the same purpose.

South Africa faces the opportunity to elaborate an industrial strategy that addresses national challenges (Andreoni et al., 2021) through the transformation of its national system of state-owned enterprises. By creating a mission-oriented state holding company (SHC), as announced by President Ramaphosa in last year's State of the Nation Address, the South African government can realise the full potential of its SOE portfolio.

2. What is a system of state-owned enterprises and why its configuration matters

A **system of state-owned enterprises** can be described as a portfolio of relevant national companies controlled by the central government under a common governance framework (Gasperin, 2023).

The terms *relevant* and *national* refer to them being among the largest domestically-based companies within their respective sectors. The control characterisation implies that the central government is the key shareholder and has an effective control or considerable influence over the company's governance, thus excluding from this definition minority holdings by sovereign wealth funds[1]. The *common governance framework* implies the existence of a formalised code of conduct that regulates intra-system interactions among SOEs as well as the relationship between the companies and their public shareholder.

1 Sovereign wealth funds (SWFs) are typically state-investment vehicles which take minority non-controlling equity stakes in mostly foreign companies.

Systems of SOEs can be theoretically configured in two opposite ways: the 'state shareholding' and the 'public entrepreneurship' models. In a *state shareholding* system of SOEs, the role of the state is reduced to a passive financial shareholder. In this case, the focus is primarily on the maximisation of financial variables (e.g. profits and stock market value) – companies are risk-adverse and investments are made with a short-term orientation. SOEs operate as separate entities with little or no commercial and technological interactions among them. The state abstains from promoting public policies through its SOEs and does not appoint its representatives on the boards of directors of the controlled companies. The flow of knowledge among SOEs is restricted, with each company considering it as a private asset. SOEs have a market-neutral approach that accommodates exogenous change.

In the opposite model of *public entrepreneurship*, SOEs are appraised for their creation of value added and employment as well as for their capacity to crowd-in capital and R&D expenditure. Their investments are made with a long-term orientation, confronting uncertainty. SOEs interact among themselves to achieve industrial synergies. The public shareholder is active in defining the policy mandate and business strategies of individual SOEs. The system of SOEs welcomes the generation and diffusion of knowledge. SOEs have a market-fixing but also a market-creating function, fostering endogenous change (Mazzucato, 2016).

A state holding company controlling the national portfolio of SOEs can resemble any of the two opposite models – yet a transformational mission-oriented state holding company should lean towards the public entrepreneurship configuration.

3. A paradigmatic example: Italy's systems of state-owned enterprises through history

Italy's historical experience with state ownership is relevant for several reasons. First, the ubiquitous role of Italy's SOEs was key in the post-war economic development of the country (Lutz, 1962; Shonfield, 1965; Posner and Wolf, 1967; Holland et al., 1972). In 1948, Italy was still a semi-industrialised economy with over 40% of its labour force employed in agriculture. By 1991 it had become the 5th largest economy in the world. Over that period, Italy's GDP per capita in purchasing parity terms relative to the US increased from a value of 32.7% to a peak of 72.9%.

Second, Italy was the first nation to experiment with the introduction of a multisectoral state holding company, named IRI. **IRI** was the acronym for ***Istituto per la Ricostruzione Industriale***, a public law body established in 1933 to rescue the ailing banking sector suffering from the consequences of the Great Depression (Gasperin, 2022). Italian banks had previously owned a significant amount of shares in major industrial companies (21.5% over the national total), across a plurality of sectors (steelmaking, shipbuilding, maritime transport, electric energy, mechanical engineering, telephone services, chemical and others). By saving the banking sector from collapse, IRI became the nation's largest owner of industrial assets. But it was only after the end of the war, in the new democratic context, that IRI was relaunched as an integrated state holding company (Saraceno, 1956; Marsan, 1992).

Since its establishment, IRI rationalised its portfolio of assets by creating a three-tier shareholding structure organised along sectoral activities. This was done by introducing an intermediate shareholding level between the parent agency (the Institute) and the single SOEs. These so-called "sectoral holdings" were themselves joint-stock company controlled by IRI, grouping together IRI-owned SOEs with similar technological and sectoral characteristics. For instance, the world's renowned shipbuilding group Fincantieri was created in 1959 from the consolidation of IRI's shipyards and complementary activities. This created a further level of separation between the ultimate public shareholder (i.e. the government) and the operating companies, mediated by the coordinating role of the state holding agency IRI – which had autonomous financing powers through the issuing of state-guaranteed bonds.

IRI assumed real *entrepreneurial* characteristics. It was responsible for restructuring sectors in crisis – notably steelmaking, shipbuilding and mechanical engineering (later even the food industry). But it was also a pioneer in technologically advanced activities, where the private sector was reluctant to invest. IRI created and expanded the aerospace and electronics industries (currently consolidated in Leonardo) and the semiconductor industry (today known as STMicroelectronics). IRI established the national flag carrier Alitalia, bringing it to the top global ranking by the late 1980s. By 1990s, IRI's high-technology activities also included industrial automation processes, high-speed railway technologies, thermal power stations and others. Telecom Italia, which in the mid-1990s became the 5th largest telecommunication company in the world, with subsidiaries in 40 countries and twice as many subscribers than Vodafone in mobile services, was also the long-term outcome of IRI's industrial operations.

Yet IRI was not simply an innovative and entrepreneurial industrial group. It was also a mission-oriented policy instrument that aligned its cross-sectoral programmes with national public policy missions. IRI was particularly active in training technicians and managers, through a nationally diffused system of training centres, open to private employees and to the collaboration with non-IRI employees. IRI also gave a significant contribution to reducing regional economic disparities between the richest North and the less developed South of Italy, by establishing large manufacturing facilities in the Southern regions – thus building industrial ecosystems to crowd-in further investments from private companies – and by building an efficient motorways network that effectively connected the domestic market. Finally, IRI progressively became the most active national player in research and innovation policy, through its open network of research laboratories and university consortia for technology transfer. In 1991 IRI's companies accounted for 26% of total R&D expenditure by the business enterprise sector, up from a 6.8% value in 1963.

IRI was not the only state-owned group in Italy (others such as the electric energy company ENEL and the energy conglomerate ENI were also key national economic players), but it was by far the largest, most diversified and peculiar[2]. Because of its entrepreneurial capacity to transform the economy and its public purpose orientation, IRI could qualify as a quintessential public entrepreneurship system of SOEs.

This stands in stark contrast with the evolution of the Italian system of SOEs into the current configuration. As mentioned, from 1992 onwards Italy began a privatisation phase that lasted until 2005 (with a last-ditch effort in the years 2013-2016). Public corporations and state holding companies were transformed into joint-stock companies. Some of them were listed on the stock exchange and partly privatised (e.g. ENEL and ENI), other SOEs were fully divested (e.g. Telecom Italia, the steelmaking group Ilva, etc.). IRI was first transformed into a liquidation agency, then entirely dismantled. Winding up the state holding company IRI also implied the dissipation of its specialised technostructure, a competent 'army' of over 500 public officials who had a direct knowledge of sectors and technologies as well as a long-term experience in the management of complex industrial organisations.

Despite being the country that privatised most globally in the 1990s[3], the Italian government has preserved its formal control over a significant range of SOEs[4] - Enel, Eni, Leonardo, Fincantieri, are just the most notable among them. However, the governance of the entire system has been completely transformed with respect to the pre-1992 period. **Italy represent the typical case of a public entrepreneurship system of SOEs turned into a state shareholding one** in less than a decade.

Today the system lacks a central coordinating agency – the direct control of national SOEs is dispersed among the Ministry of Finance, the state-owned bank CDP and a state development agency called Invitalia. Secondly, the public shareholder

2 Before the beginning of its privatisation in 1992 (concluded in 2000), IRI was Italy's largest industrial group with 370,000 employees, accounting for 3% of Italy's value added, 5.3% of investments, 5.4% of exports, 15% of R&D and 23.5% of stock market capitalisation. It ranked among the top 10 largest corporations in the Fortune 500 Global list by revenues.

3 The value of assets privatised from 1993 to 2000 amounted to an annual average of 1.15% of Italy's GDP (Ministero del Tesoro, 2001; Mediobanca, 2000). The total value of receipts from Italy's privatisations between 1992 and 2016 amounted to 186.7 billion USD in current values (Privatization Barometer).

4 In a 2020 survey (Forum Disuguaglianze Diversità) it has been estimated that the largest 20 Italian SOEs made €255 billion in revenues and €14.3 billion in (consolidated) net profits. They had half a million employees (of which 354,000 in Italy) and accounted for 17% and 18.4% of total fixed investments and R&D expenditure relative to the business enterprise sector.

plays only a passive role, abstaining from any public policy orientation and reducing its responsibility to the mere appointment of SOEs' executives (without a binding mandate).

Consequently, Italy's system of SOEs resembles a dispersed portfolio of financial assets, rather than a coordinated group of companies pursuing strategic industrial synergies and public policy objectives. The system is to a considerable extent left to the self-rule of the individual companies and their management. Because of that, and of the listed nature of the majority of these companies, the pressure for maximising financial returns prevails over other economic objectives of general public interest (e.g. employment, reduction of regional disparities, development of strategic technologies, etc.)

4. The system of state-owned enterprises in South Africa

State-owned enterprises are critical players in the South African economy. The Department of Public Enterprises (DPE) is responsible for overseeing the programmes and activities of six major national SOEs: the large freight logistic company **Transnet**, the airline **SAA** (now only 49% owned by the government), the defence and aerospace company **Denel**, the forestry company **SAFCOL**, the diamond mining company **Alexkor** and Africa's largest power utility company, the troubled **Eskom**. These companies together employ over 100,000 people.

Other non-financial SOEs wholly-owned by the South African government (outside the direct control of the Department of Public Enterprises) are the oil and gas company **PetroSA**, the **South African Post Office**, the largest water utility in Africa (Rand Water), the state railway operator **Passenger Rail Agency of South Africa** (PRASA), the **South African Broadcasting Corporation** (SABC) and others.

The portfolio of large industrial state-owned enterprises comprises also companies where the South African state owns a controlling stake. Among these are the **Airports Company of South Africa** (94.6% state ownership), the telecommunications company **Telkom SA** (40.5% state ownership), the chemical conglomerate **Sasol** (around 22% state ownership). This heterogenous group of companies accounts for over 90,000 employees.

South Africa's state-owned enterprises have been attributed various forms of wasteful inefficiencies. The accusations seem to found confirmations in their poor financial results. However, profits and losses, important as they are for the ability of companies to preserve their autonomy, are often misguiding indicators of efficiency. These large SOEs, together with the subsidiaries of foreign multinational companies in the manufacturing sector (automotive in particular), constitute the oligopolistic skeleton of the South African industrial economy, as they preside over strategic sectors and fundamental technical capabilities accumulated through decades.

Privatising state-owned enterprises would deprive the South African state – and other private companies in the economy – of a key policy instrument for driving and orienting economic and technological change. Without a patient long-term owner, these companies could eventually disappear or continue to exist under a self-defeating governance that favours the short-term financial interests of the new shareholders over the general public purpose of other stakeholders in the economy. Reform should be the priority, recognising the inherent opportunities of a public entrepreneurship system of SOEs. The establishment of a mission-oriented state holding company would allow the reorganisation of this disperse list of SOEs under a more coherent unitary structure that could supervise their management and coordinate cross-sectoral policy strategies.

5. The rationale of a state holding company

A state holding company is itself a state-owned organisation, with the delegated task of managing a portfolio of SOEs on behalf of their ultimate shareholder – the government (Kumar, 1993). In practice, a state holding company plays a critical managerial function that ministerial departments cannot adequately cover, given the broad sectoral specialisation of the typical SOE portfolio (such as in the case of South Africa). At the same time, if properly designed, a state holding company could be more dynamic and entrepreneurial than a dedicated ministerial department for state-owned enterprises.

A publicly accountable yet autonomous state holding company has the potential of significantly **reducing the bureaucratic approach to state ownership**. First, its intermediate position between the government and the single SOEs create a further decision-making layer that could better insulate the companies from inexpedient political requests. Second, it facilitates a dialectic synthesis between national sectoral policies and the specific needs of the business enterprises. Third, the state holding company is in a better position to attract talented and purpose-driven personnel, which is essential to develop a dynamic and entrepreneurial organisation (Mazzucato et al., 2021), as it was with the Italian case of IRI.

There are also several **economic advantages of the state holding formula**. First, a state holding company can retain financial surpluses generated by profitable SOEs and reinvest them within the system of SOEs – by devoting resources to companies in need of investments to restructure or expand their activities. Second, it can play a coordinating role – seeking to establish commercial and technological synergies among SOEs and facilitating the internal circulation of knowledge and capabilities. Third, a state holding company is better placed to elaborate and coordinate cross-cutting public missions that catalyse the engagement of a plurality of SOEs (and other private players in the economy). In general, a state holding company can better exploit the systemic impact of a diverse portfolio of state-owned enterprises. At the same time, the managerial and financial autonomy of the companies needs to be preserved, in coherence with the decisions and industrial initiatives coordinated by the state holding company.

6. International examples of state holding companies

State holding companies are nothing new in economic history. The Italian IRI was the first and perhaps the most notable example, but it was followed by a long sequence. For instance Chile's *Corporación de Fomento a la Producción* (CORFO) and Spain's *Instituto Nacional de Industria* (INI) were established in 1939 and 1941 respectively. However, it was from the early 1960s that more and more countries started to adopt or to plan the adoption of a state holding company. In the UK, the IRI model influenced the creation of the short-lived Industrial Reorganisation Corporation (IRC) in 1966 and subsequently inspired the introduction of a state holding company, the National Enterprise Board (NEB), in 1975. The IRI formula was also considered as a benchmark for the establishment of Sweden's *Statsföretag* and Austria's ÖIAG in 1970. The Canada Development Corporation (CDC) was similarly instituted in 1971. In 1970, West Germany outlined plans, later abandoned, for an IRI-type state holding company, through the reorganisation of the existing state company VIAG. Finally, several emerging economies (India, Pakistan, Algeria, Egypt, Zambia, etc.) introduced state holding companies, under which most of their SOEs were progressively incorporated (Aharoni, 1986; Kumar, 1993).

With the privatisation era that was inaugurated in the 1980s (World Bank, 1988), the state holding formula was progressively abandoned. The corporatisation of SOEs, induced by the privatisation process, reduced their role as direct instruments for sectoral policies. Paradoxically, the resulting homogenisation of SOEs called for a more centralised governance of the system, with the need for a formalisation of rules and objectives.

The state holding company has gradually reappeared on the scene to address this need (Macfarlane and Gasperin, 2020). In the past 20 years, several countries around the world have introduced a similar holding agency, with a delegated supervisory role on the SOE portfolio. Two of the most interesting cases are the Chinese and the French examples.

A significant part of China's success as a global economic power has to do with the propulsive expansion of its SOEs, but also with the way they operate under a coherent policy framework. China's 98 most important central SOEs are supervised and coordinated by a holding entity which is the direct emanation of the governing State Council – the **State-owned Assets Supervision and Administration Commission** (SASAC). Established in 2003, SASAC is the largest industrial group on the planet, with overall revenues of 39.4 trillion yuan (around 5.7 trillion USD). SASAC controls companies such as ChemChina (owner of Pirelli and Syngenta), Sinopec (the world's largest group in chemical refining), CRRC (the world's largest rolling stock manufacturer), Baowu (the world's largest producer of steel), two of the most important car makers (FAW and Dongfeng), the three main national airlines (China Southern Airline, China Eastern Airlines, Air China), the national electric grid (State Grid Corporation of China), the world's largest civil engineering company (China State Construction Engineering), the world's largest producer of rare earth elements (China Rare Earth Group) and many others.

The SASAC model is interesting because it implies a public orientation of the underlying system of SOEs (SASAC, 2018). SASAC is responsible for the main financial aspects of its controlled SOES, it appoints representatives in the SOEs' board of directors, it evaluates the economic performance of SOEs, it organises and coordinates acquisitions and mergers. But most importantly, it secures that the controlled SOEs align with the policy objectives of the State Council, under the five-year plan elaborated by the National Development and Reform Commission.

Another interesting example, from a different geographical and political context, is the French one. In France, the holding agency ***Agence des participations de l'État*** (APE) – established in 2004 – is in charge of controlling a portfolio of 83 state-owned assets, including the renowned companies EDF, Air France, Engie, Thales, Orange, Renault, Safran, SNCF and Airbus. Together, these companies have consolidated revenues of 423 billion euros (2021 figure). The 20 largest have more than 1.7 million employees in total.

Similar to SASAC, the APE has incorporated a formal 'shareholding doctrine', which sees SOEs not just as financial assets, but also as policy instruments to achieve national policy objectives in energy, technology and military fields as well as to pursue public missions of general interest (Agence des participations de l'État, 2022). APE is structured into four sectoral divisions (industry, energy, transport, services and finance), with officials in charge of supervising the relevant SOEs not just with respect to the financial and administrative elements, but also in relation to the most strategic industrial aspects. APE is responsible for appointing SOEs' members in the boards of directors, including those in representation of the French State. Most of the time, APE's officials are appointed in that role. Finally, APE's chairperson participates to the *Conseil de l'Industrie*, the state body responsible for defining France's industrial strategy.

7. A possible mission-oriented model for South Africa's new state holding company

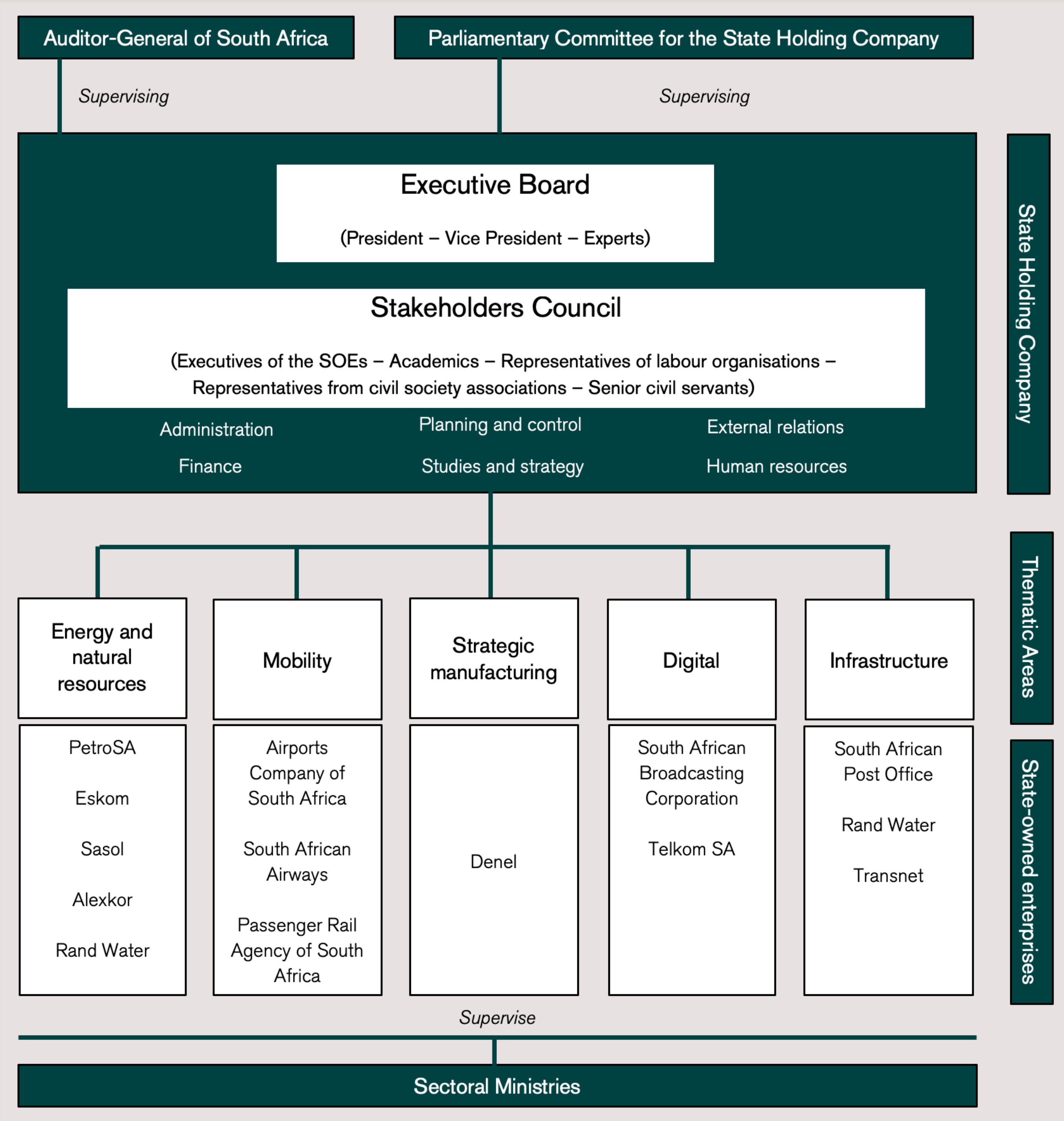
This section recognises the importance of drawing theoretical lessons from the historical and international experience presented above. The policy model outlined below might not be entirely consistent with the design process that the new state holding company is currently undergoing. It could nonetheless stimulate a debate around areas which are still under consideration. A graphical representation of the model for a mission-oriented state holding company, applied to the South African case, is provided below in Figure 1.

In a centralised ownership model (OECD, 2020), a functional arrangement for the system of SOEs would imply the concentration of all major non-financial SOEs – including those currently outside the perimeter of the Department of Public Enterprises in the case of South Africa – under a unitary state holding entity, as recommended also by the *OECD Guidelines on Corporate Governance of SOEs* (OECD, 2015), where it is explicitly suggested that:

> *"the exercise of ownership rights should be centralised in a single ownership entity, or, if this is not possible, carried out by a co-ordinating body".*

The new state holding company (SHC) – a public law body – should have the mandate to rationalise the portfolio of SOEs and to create the conditions for their long-term policy orientation along nationally-defined public **missions**. The SHC can incorporate more than one mission, but ideally not too many, as this would overburden the organisation. Public missions would not be top-down overarching obligations imposed by the government on the controlled companies. They could be elaborated as a result of a dialectical policy-making process between the single SOEs and the state holding company. It is also important to stress that the

Figure 1: Theoretical model for a mission-oriented state holding company with reference to the South African case.



Source: Authors' elaboration

SHC could be a key but not the exclusive tool for implementing national public missions, which would require the collaboration of a multiple set of different public entities (e.g. ministerial departments, public financing institutions, development agencies, etc.) and measures (e.g. public procurement, regulations, grants, etc.).

The SHC could be governed by a two-tier system composed by a management board ('Executive Board') and by a supervisory council ('Stakeholders Council'). The ultimate managerial responsibility of the SHC would be delegated to the **Executive Board**, composed by a chairing President, a vice President and other executives with expertise and delegated responsibilities in the main thematic areas of the SHC. The President and the executives could be appointed for a fixed-term but renewable period. The company's Executive Board would interact directly with the management of the controlled SOEs on issues concerning their long-term financial and industrial strategies. In this role, it would operate as the executive body of the state shareholder.

The **Stakeholders Council** would have an active supervisory role, with the powers to veto the Executive Board on certain matters (such as the definition of public policy missions), as well as to defer the dismissal of its members to the appointing authorities. It would also be able to propose new issues to the attention of the Executive Board. The Stakeholders Council would be composed by SOEs executives, academic and other industry experts, representatives from labour organisations, civil society associations and senior officials from relevant ministerial departments (Finance; Trade, Industry and Competition; Employment and Labour; Mineral Resources and Energy; Higher Education, Science and Technology; others). These would be selected by their respective organisations – except for the academic and industry experts, which could be appointed by the public authorities.

The company's operations should possibly be carried out by a **technical structure** organised as a corporate entity with functional divisions – i.e. administration, finance, planning and control, study and strategies, external relations, human resources, etc. The SHC should be able to hire its employees with the flexibility of an entrepreneurial business organisation, focusing on their technical competences, with a particular emphasis on the knowledge of industries, markets and technologies. The SHC should also be responsible for publishing annual aggregate reports on its controlling SOEs – including individual reporting on its most relevant SOEs – as suggested by the OECD Guidelines on Corporate Governance of SOEs.

SOEs under the SHC could be organised into '**thematic areas**' – e.g. Energy, Mobility, Digital, Strategic Manufacturing, Infrastructure – without the need of creating intermediate shareholding structures. SOEs operating in different sectors but sharing common features would be included within one of the thematic areas, supervised by a representative from the Executive Committee. Each of these areas would constitute an institutional platform for the SOEs and the state holding company to discuss potential joint initiatives and align with the cross-sectoral public missions within their respective remits.

Public authorities should delegate a certain degree of **financial autonomy** to the state holding company, enabling it to dispose of its share of dividends accruing from the profitable SOEs. At a further stage, the SHC could also finance itself through state-backed bond issuing (as it was in the case of Italy's IRI, but also today with the German state development bank KfW). If the state holding company had autonomous financial capacity, it could use that power to shape the internal dynamics of the system, providing extra financing resources for developing new activities or transforming existing ones. A state holding company that is profitable over the long period is less dependent on government transfers and therefore has a higher managerial autonomy. At the same time, it should aim at a long-term financial sustainability rather than getting obsessed with the maximisation of profits with each individual SOE.

In terms of **external controls and supervisions**, there could be a separation of responsibilities for the two different shareholding levels. Single SOEs would continue to be supervised by the line ministries for sector-specific legal and administrative requirements. The SHC would instead be supervised, for its financial conduct, by the Auditor-General of South Africa, and for its general policy orientation by Parliament, possibly through a special parliamentary committee for the state holding company.

The SHC would also be obliged to present its annual reports to Parliament, together with regular updates on the pluriannual plans containing objectives and targets relating to the company's public missions. The state holding company – through a cooperation between the Stakeholders Council and the technical structure – should elaborate **internal evaluation metrics** based on real economic targets (value added, employment, investment, decarbonisation, training and empowerment of workers, etc.), not simply financial indicators (profits, share price, etc.).

How a state holding company is monitored and evaluated also matters. If the aim is to promote structural transformation and public policy objectives, financial metrics may not be sufficient, and may even paint a misleading picture of performance. As a result, new monitoring and evaluation frameworks would be required, to capture the dynamic impact of market-creating policies – such as multiplier effects, sectoral spillovers, the shifting of technology frontiers – but also the fulfilment of the mission-oriented objectives (e.g., decarbonisation, poverty reduction, regional development, etc.).

8. Conclusions

This paper has outlined the case for a mission-oriented state holding company that could play a central role in South Africa's industrial strategy. The historical and international examples illustrated in previous sections suggest that a system of SOEs can assume mission-oriented and entrepreneurial features and play a transformational role if properly designed. The paper provides a theoretical model that public authorities in South Africa could take inspiration from, as they face the challenge of reforming the SOE sector through the establishment of a new state holding company.

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UCL Institute for Innovation and Public Purpose
11 Montague Street, London, WC1B 5BP

@IIPP_UCL
ucl.ac.uk/IIPP