CORPORATE GOVERNANCE AND BOARD EFFECTIVENESS OF

DEVELOPMENT FINANCE INSTITUTIONS (DFIs) IN THE SOUTHERN AFRICAN

DEVELOPMENT COMMUNITY (SADC) REGION

by

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DISSERTATION

Presented to the Swiss School of Business and Management Geneva

In Partial Fulfillment

Of the Requirements

For the Degree

DOCTOR OF BUSINESS ADMINISTRATION

SWISS SCHOOL OF BUSINESS AND MANAGEMENT GENEVA

October 2025

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Dedication

This research work is dedicated to my quest to understand the human phenomenon and

the title bestowed on me before time.

Acknowledgements

ABSTRACT

CORPORATE GOVERNANCE AND BOARD EFFECTIVENESS OF DEVELOPMENT FINANCE INSTITUTIONS (DFIs) IN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) REGION

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2025

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This study investigates the impact of direct ministerial appointments on the governance and operational effectiveness of boards within Development Finance Institutions (DFIs) across the Southern African Development Community (SADC). While DFIs play a pivotal role in financing sustainable growth in the region, concerns persist over the extent to which politically driven appointments compromise governance quality, director independence, and institutional performance. The study's central objective was to evaluate how ministerial interventions affect board effectiveness, ethical leadership, transparency, accountability, and composition, as well as to identify the challenges faced by directors operating within politically sensitive contexts.

A mixed-methods research design was adopted, combining quantitative data from Likert-scale questionnaires with qualitative insights from open-ended responses. The analysis was framed by Agency Theory, Institutional Theory, Stewardship Theory, Resource Dependence Theory, and Stakeholder Theory. A total of 112 responses across seven research questions were examined. The findings show that although DFIs have formal governance structures in place, direct ministerial appointments weaken board independence, accountability, and the ethical stature of governance processes. Quantitative results revealed lower average scores for director independence (3.56/5) and resistance to political interference (3.42/5) compared with higher scores for ethical leadership (4.44/5) and transparency (4.53/5). Qualitative data corroborated these results, highlighting political interference, inadequate director training, limited board evaluations, and inconsistent selection criteria as major governance weaknesses. Respondents advocated the establishment of transparent and merit-based appointment mechanisms, reappointments linked to performance, and comprehensive capacity-building initiatives.

The study concludes that safeguarding the developmental mandate of DFIs requires insulating governance structures from undue political influence. Transparent appointment mechanisms, meritocratic selection, and governance reforms that strengthen independence and accountability are critical. These findings generate policy-relevant insights for governments, regulators, and development partners within and beyond the SADC region. By providing empirical evidence from an under-explored area of DFI governance in the SADC region, this study contributes to the literature while offering practical guidance for

policymakers and practitioners seeking to reinforce institutional governance frameworks. It further underscores the urgent need for regulatory reforms to align board appointments with the principles of ethical leadership, independence, accountability, and transparency, thereby enhancing overall board effectiveness.

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CHAPTER I:

INTRODUCTION

1.1 Introduction

Development Finance Institutions (DFIs) within the Southern African Development Community (SADC) region are predominantly State-Owned Entities (SOEs). These institutions play a critical role in supporting economic growth and development across the region. According to the [1]SADC–DFRC, its mandate is *"to promote the effective mobilisation of resources by the financial sector, in particular the DFIs, for investment in key areas with the potential to stimulate sustainable and inclusive growth, generate employment and alleviate poverty, in line with the objectives of SADC under the Revised Regional Indicative Strategic Development Plan (RISDP) 2020–2030"* (SADC DFRC, n.d.). For the purposes of this study, the terms DFI and SOE are used interchangeably since DFIs in the SADC region are largely state-owned.

SOEs rank among the world's largest organisations and contribute significantly to national GDP and the provision of essential services such as energy, water, and transportation

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[1] The Southern African Development Community - Development Finance Resource Centre (SADC-DFRC) is a subsidiary institution of SADC established under the SADC Protocol on Finance and Investment (FIP). It is collectively 'owned' by the SADC Development Finance Institutions (DFI) Network, also an FIP organisation, with a current membership of forty-one (41) national DFIs.

(Capobianco & Christiansen, 2011; Ferdiana & Sugiyarto, 2022; Oqubay, 2024; Putniņš, 2015; PWC, 2015; Szarzec et al., 2021a). Consindering this pivotal role, appointing skilled and competent individuals to SOE boards is crucial to ensuring effective leadership (Heo, 2018). Board effectiveness in DFIs is a key enabler for delivering on institutional mandates and positively influencing national economic development. However, despite the recognised importance of SOEs, they are often associated with inefficiencies, low profitability, and weak corporate governance, particularly with respect to board oversight (Ahs & Hafiz, n.d.; Badarai et al., 2023; Gnan et al., 2010; Kaunda & Pelser, 2022). In most DFIs, board appointments are made by the government, represented by the Minister responsible for the institution (De Visser & Waterhouse, 2020; Johnson & Scholes, 2002). These appointments often include the board chairperson, the Chief Executive Officer (CEO), and in some cases, the deputy chairperson. Although private-sector representatives are occasionally included, ministers typically appoint individuals from government departments or their own ministries.

This study examines the board appointment process in DFIs in the SADC region, with particular attention to direct ministerial appointments. It explores their impact on ethical leadership, independence, effectiveness, competence, transparency, and accountability. The study also engages relevant governance theories that inform board effectiveness in DFIs and offers recommendations for improving board appointment processes to enhance governance outcomes in the region.

The motivation for this research stems from my long-standing interest in understanding how direct ministerial appointments of board members influence board effectiveness. Since 2014, I have been privileged to provide corporate governance training to DFIs in the SADC region, which deepened my knowledge of their governance and legal frameworks. Through this work, I observed that, in nearly all cases, the appointment of directors is vested in the relevant Minister, either through legislation or institutional design. Despite the prevalence of this practice, there is limited empirical evidence on its impact on board effectiveness in DFIs across the region.

Accordingly, this study seeks to provide evidence-based recommendations for improving governance practices in DFIs by examining the effects of direct ministerial appointments on board performance.

1.2 Research Problem

The King IV Report (IoDSA, 2016) defines corporate governance as the exercise of ethical and effective leadership by a governing body. Ethical leadership, according to King IV, is characterised by integrity, competence, responsibility, accountability, fairness, transparency, and courage. Effective governance and ethical leadership are indispensable to the success of SOEs, as weak governance structures perpetuate poverty and hinder development (Zondi, 2009). DFIs, in particular, are expected to play a vital role in

stimulating economic growth and alleviating poverty by ensuring that their governance and leadership practices are aligned with sustainable development objectives.

Empirical evidence suggests that board processes are stronger determinants of effectiveness than structural arrangements alone (Jansen, 2021). However, direct appointment of board members by ministers frequently undermines independence, leading to weakened boards and diminished governance quality (Mutize & Tefera, 2020). Research also demonstrates that there is a significant relationship between board effectiveness and financial performance, underscoring the importance of director competence and independence in ensuring accountability and efficiency in SOEs (Vagliasindi, 2008).

Most DFIs rely heavily on government financing to sustain their operations. Such resource dependency creates vulnerabilities, as boards may feel pressured to comply with political directives from their principal resource provider - the state, thereby compromising their independence, accountability, and transparency (Masoud, 2023a). In this context, the government assumes the dual role of principal (shareholder) and resource provider while simultaneously appointing directors (agents), which heightens the risk of compromised objectivity and effectiveness.

Against this backdrop, the study addresses the following overarching question:

How does the direct appointment of directors to the boards of DFIs in the SADC region impact:

- The board appointment process,

- Board effectiveness,

- Ethical leadership,

- Director independence,

- Board composition and structure, and

- Accountability and transparency?

1.3 Purpose of Research

The overarching objective of this research is to examine the relationship between ministerial appointments of directors and board effectiveness within DFIs in the SADC region. Specifically, the study seeks to determine how these appointments influence ethical leadership, accountability, transparency, independence, and overall competence of governing boards. In doing so, the research underscores the critical importance of strengthening board appointment processes as a catalyst for sustainable development.

This study pursues three key objectives:

- To evaluate the impact of direct ministerial appointments on ethical leadership, independence, effectiveness, competence, transparency, and accountability.

- To identify the challenges encountered by directors serving on the boards of DFIs in the SADC region; and

- To propose practical recommendations for strengthening appointment processes in order to enhance board effectiveness.

By addressing these objectives, the study contributes to advancing knowledge on corporate governance in DFIs. It highlights the need for reforms that ensure merit-based appointments, minimise political interference, and promote transparency and accountability. Enhancing board effectiveness may therefore require comprehensive governance reforms that include:

- Depoliticising the board appointment process.
- Ensuring merit-based selection of competent directors.
- Strengthening board independence.
- Promoting a culture of transparency and accountability; and
- Reinforcing legal and regulatory frameworks governing director appointments.

Ultimately, the purpose of this research is to provide evidence-based insights that can inform policy and practice, ensuring DFIs fulfil their developmental mandates while safeguarding governance integrity.

1.4 Significance of the Study

Empirical research demonstrates that politically affiliated directors often have a negative impact on the performance of SOEs (Kaunda & Pelser, 2023; Mahadeo & Soobaroyen, 2012; Sithomola, 2019). Weak performance in SOEs has repeatedly been linked to poor leadership and ineffective governance structures (Badarai et al., 2023). To mitigate these challenges, a transparent, merit-based nomination and appointment process is essential. Such a process ensures that only skilled and competent directors are appointed, thereby strengthening ethical leadership, sound governance, and accountability within SOEs (Mader & Oglesbee, 2020; Phiri et al., 2024).

The findings of this study are particularly relevant to policymakers, regulators, and practitioners seeking to enhance governance effectiveness in DFIs in the SADC region. The research contributes to the literature on corporate governance in developing countries, with specific emphasis on SOEs in Southern Africa. Its anticipated contributions include:

- Exploring the board appointment process in DFIs and identifying governance gaps;
- Providing empirical evidence on the relationship between ministerial appointments and board effectiveness;
- Offering policy and regulatory recommendations for strengthening board independence and accountability;

- Proposing best practices for transparent and merit-based appointments; and

- Bridging the existing research gap on SOE governance in the SADC region.

Through these contributions, the study provides both academic and practical insights into how DFIs can achieve effective governance, safeguard institutional legitimacy, and fulfil their developmental mandates.

1.5 Research Purpose and Questions

One of the most significant investments an organisation can make is ensuring a robust director selection process that identifies competent and suitably qualified individuals. Board effectiveness begins with sound director appointments (Levrau & Van den Berghe, 2007; Mader & Oglesbee, 2020). In the SADC region, as in many other jurisdictions, legislation frequently entrusts the authority to appoint directors of SOEs to the relevant minister (De Visser & Waterhouse, 2020). Although SOEs are often criticised for poor governance and performance, some research demonstrates that they can deliver substantial public value when effectively governed (Lim, 2021). Nonetheless, concentrated state ownership frequently results in inefficiencies, cronyism, and a lack of accountability, as governments exercise control over appointments and dismissals of directors and executives for political or preferential reasons (de Andres et al., 2022; Lim, 2021).

A critical enabler of board effectiveness is the depoliticisation of board appointments (Kaunda & Pelser, 2023). Studies from China and India show that the presence of independent directors enhances SOE value by providing effective monitoring and safeguarding shareholder interests (Thenmozhi & Aghila, 2020). Conversely, direct ministerial appointments may create conflicts of interest that undermine directors' ability to exercise independent judgment and fulfil their fiduciary duties (OECD, 2015). The Institute of Directors in South Africa (IoDSA, n.d.-a) similarly emphasises that each director should be capable and be perceived as capable of acting independently, free from the influence of appointing authorities.

To achieve this, merit-based selection processes are necessary. Politically connected appointments tend to weaken governance structures and impair organisational performance (Kaunda & Pelser, 2023). The optimal approach is to ensure directors are appointed transparently, based on competence and merit, and that high-performing individuals are retained through formal, transparent nomination processes (Frederick, 2011; The Financial Reporting Council, 2024).

Against this background, the research seeks to answer the following key question:

- How does the direct appointment of directors to the boards of DFIs in the SADC region impact:

- The board appointment process,

- Board effectiveness,

- Ethical leadership,

- Director independence,

- Board composition and structure, and

- Accountability and transparency?

CHAPTER II:

REVIEW OF LITERATURE

2.1 Theoretical Framework

This section reviews the theoretical foundations underpinning the study, with a particular focus on how direct ministerial appointments of directors affect governance outcomes in SOEs and DFIs. The framework examines the influence of such appointments on board effectiveness, ethical leadership, independence, composition, accountability, and transparency. It also considers the relevance of established governance theories in understanding these dynamics.

The adage "the fish rots from the head" (Garratt, 2010) underscores the importance of effective leadership in shaping organisational performance, particularly in SOEs and DFIs. While most corporate governance research has centred on private, listed companies (Heo, 2018), there is limited empirical evidence on governance codes and practices in SOEs in developing economies, including those in Africa (Kaunda & Pelser, 2023). Yet, if SOEs adhered to sound governance principles, they could make a substantial contribution to sustainable socio-economic development (Ackers & Adebayo, 2022).

However, state ownership often introduces governance risks, most notably political interference in board appointments, which undermines independence, professional competence, and performance (Hartwell & Devinney, 2021; Masoud, 2023b). Such interference frequently results in boards that pursue political objectives rather than their developmental mandates, thereby creating inefficiencies and eroding public trust (Coelho et al., 2024). Empirical evidence suggests that board processes are a stronger determinant of effectiveness than formal structures alone (Jansen, 2021). Ministerial appointments, in particular, have been shown to compromise governance effectiveness (Mutize & Tefera, 2020). Similarly, appointing civil servants and ex officio members to SOE boards risks reducing them to extensions of government departments rather than independent governing bodies (Kaunda & Pelser, 2022).

Boards of SOEs are too often composed of politically connected individuals lacking in technical expertise (Nethononda & Chakauya, 2024). This undermines both independence and effectiveness. Research consistently highlights a strong correlation between board independence, effective governance, and organisational performance (Vagliasindi, 2016). For example, the collapse of South African Airways (SAA) has been attributed to irregular board appointments, political interference, and corruption (Motswaledi & Maseng, 2024). More broadly, leadership failures in SOEs have derailed their role as engines of development and public value creation (Sithomola, 2019).

Given that SOEs have dual accountability; to the state and to the public, effective governance reporting and oversight are vital for ensuring alignment with national development goals (Phiri et al., 2024). Reforming director appointment processes to ensure transparency, independence, and competence is therefore critical (Mthombeni et al., 2024). Qualified, independent, and ethically grounded directors strengthen oversight, enhance accountability, and improve performance (Kaunda & Pelser, 2022; Phiri et al., 2024). Conversely, failures in appointment processes often stem from political interference, inadequate regulatory frameworks, and weak enforcement, leading to inefficiency and poor service delivery (Mlambo et al., 2022).

While ownership patterns influence governance practices (Gnan et al., 2010), the effectiveness of SOEs ultimately depends on insulating boards from political interference, professionalising director appointments, and ensuring compliance with governance codes. For DFIs, whose mandates are particularly developmental, the stakes are even higher: their boards must balance resource dependency on the state with independent oversight to deliver sustainable socio-economic outcomes.

2.2 Corporate Governance

Although widely used, the concept of *corporate governance* is multidimensional and can be defined in various ways (Atuahene & Xusheng, 2024; De Villiers & Dimes, 2020; Munisi & Randøy, 2013; Nordberg, 2011; Tricker, 2005). Tricker (2012) defines corporate

governance as the exercise of power over corporate entities, while others describe it as the customs, processes, policies, and laws that guide institutions in achieving organisational objectives (Gregory & Simms, 1999; Khan, 2011; Okeahalam & Akinboade, 2003). Coyle (2014) defines governance as the means by which companies are directed, including practices and procedures designed to achieve strategic objectives. The OECD (2023a) similarly defines it as the set of relationships between management, the board, shareholders, and stakeholders, supported by systems through which corporate objectives are determined, achieved, and monitored.

Corporate governance ensures accountability in decision-making and management performance, particularly through board oversight of strategy and policy. According to the King IV Report, governance entails *"the exercise of ethical and effective leadership by the governing body to achieve an ethical culture, good performance, effective control, and legitimacy"* (IoDSA, 2016).

In the public sector, corporate governance focuses on decision-making structures that enforce accountability and control, ensuring resources are efficiently used and objectives aligned with national priorities (Barrett, 2000; Maroun & Cerbone, 2024). SOEs in particular face governance challenges arising from state ownership and political interference. Despite this, effective governance is essential to their competitiveness, efficiency, and sustainability (Scrimgeour & Duppati, 2014a).

Within the SADC region, SOEs often rely on government bailouts when financial performance deteriorates. For example, South African Airways has repeatedly required state support to remain operational (Tleane & Tleane, 2020). In Zimbabwe, governance reforms have not improved the efficiency of public entities, which remain characterised by political interference and weak rule of law (Chigudu, 2020). More broadly, poor corporate governance has been linked to the persistent underperformance of SOEs (Wong, 2004a). SOEs frequently face conflicting objectives imposed by governments, which undermine their efficiency and effectiveness (Adebayo & Ackers, 2022b). A PwC report (2015) also attributes SOE failures to government interference, ineffective boards, and poor operational and financial performance. Despite the existence of multiple governance frameworks, these are often disregarded in practice (Adebayo & Ackers, 2022b), eroding public trust and investor confidence.

Nevertheless, robust governance frameworks can enhance transparency, accountability, and ethical leadership, thereby strengthening institutional performance (Aguilera & Ruiz, 2025). One approach suggested for SOEs is the adoption of governance laws similar to those applicable to private firms, which may serve as a credible mechanism to raise standards and minimise political interference (Pargendler, 2012).

2.3 Multi-Theory Framework Approach

The theoretical framework forms the foundation for the conceptual and empirical dimensions of this study. Given the complex, politically influenced governance environments of SOEs in the SADC region, no single theory can adequately explain the dynamics of board effectiveness (Mbo & Adjasi, 2017). Accordingly, this research adopts a multi-theoretical approach, drawing on five perspectives: Agency Theory, Stewardship Theory, Resource Dependence Theory, Institutional Theory, and Stakeholder Theory.

This integrated approach provides a multidimensional understanding of board governance. Agency Theory highlights principal–agent conflicts, particularly where governments (principals) appoint directors (agents) who may prioritise political interests over fiduciary duties. Stewardship Theory contrasts with this by assuming directors act as responsible stewards, guided by trust and pro-social motivation. Resource Dependence Theory situates boards within broader political and economic contexts, emphasising how reliance on state resources shapes governance outcomes. Institutional Theory explains how political norms, coercive pressures, and cultural expectations influence board behaviour and appointment practices, often privileging legitimacy over effectiveness. Finally, Stakeholder Theory underscores the importance of balancing the interests of multiple constituencies; citizens, employees, regulators, and communities while maintaining transparency and accountability.

The adoption of a multi-theory framework strengthens the analytical lens for this study. It allows examination of governance at structural, behavioural, ethical, and institutional levels, providing a richer understanding of how ministerial appointments affect board independence, competence, and effectiveness in DFIs. Integrating these perspectives captures the interplay between external political pressures, internal governance processes, and stakeholder accountability, offering a robust theoretical basis for the study's analysis and recommendations.

2.3.1 Agency Theory

Agency theory finds its roots in the theory of the firm (Jensen & Meckling, 1976). It is defined as a contractual relationship between the principal and the agent (Kaunda & Pelser, 2022). At its core, agency theory assumes that humans are inherently self-interested and inclined to act in pursuit of their own personal gain. Research highlights that agency theory is based on the premise of an inherent conflict of interest between shareholders and management. The management (agents) are often perceived as acting opportunistically and in a self-serving manner, motivated by personal gain. Consequently, agency theory views corporate governance as a mechanism through which a board is appointed to mitigate principal–agent problems (Madhani, 2017). However, directors of state-owned enterprises (SOEs) cannot always be expected to safeguard the interests of the enterprise as diligently as they would their own, and ministers (as shareholder representatives) may also lack the necessary vigilance (Thabane & Snyman Van Deventer, 2018).

In line with agency theory, the purpose of the board is to monitor executive management while also providing expertise and guidance to the organisation (Mbanyele, 2020). The theory suggests that independent directors primarily undertake advisory and monitoring roles, as they are not involved in the day-to-day operations of the business (Rashid, 2015). Independent directors, drawing on their experience, expertise, monitoring abilities, and extensive networks, strengthen the positive relationship between ownership structures and business performance (Abedin et al., 2022). Hence, board composition directly influences corporate governance practices and the effectiveness of monitoring mechanisms. A greater number of independent directors enhances objectivity in decision-making and reduces opportunism and agency costs, thereby improving monitoring potential (Fama & Jensen, 1983). A fundamental challenge confronting SOEs is the principal–agent problem. Unlike privately owned enterprises, where ownership and management may sometimes align, SOEs are owned by citizens but managed by government-appointed officials (Adebayo, 2025a).

Agency theory is particularly relevant to this study as it explains the relationship between principals (the state/government) and agents (board members). It is useful for analysing how direct ministerial appointments may create conflicts of interest and undermine board independence and effectiveness. In SOEs, the agency problem is compounded by the fact that neither executive management nor directors have ownership in the organisation (Bendickson et al., 2016). This challenge is further exacerbated because ministers, acting as shareholder representatives, similarly do not own the SOEs. Agency problems also arise

when politicians and managers, as agents, prioritise personal or factional interests over their fiduciary duties to the public, who are the ultimate principals (Kankaanpää et al., 2014). The real owners of SOEs are the citizens, who generally lack the means, knowledge, institutional capacity, or incentive to monitor and evaluate the performance of ministers (Thabane & Snyman Van Deventer, 2018). Consequently, SOEs face unique governance challenges, as agency conflicts are often intensified under state ownership (Coelho et al., 2024). The conflicts between executive management, boards of directors, politicians, and citizens are referred to as a "double agency" problem (Menozzi & Vannoni, 2014). In this phenomenon, neither executive management, directors, nor ministers can be expected to act in the SOE's best interests with the same commitment as they would in privately owned enterprises. The political influence on SOEs is also visible when a new government is formed, with board compositions undergoing significant changes, an example of state capture by politicians (Szarzec et al., 2022).

To address agency costs arising from political interference, Scrimgeour & Duppati (2014b) suggest that the authority to appoint independent directors to SOE boards should rest solely with an independent public institution. Such a body should have powers comparable to a constitutional entity, such as the Appointments Committee of the Cabinet (ACC), with its decisions on independent director appointments being final and binding (Muntingh, 2020). Furthermore, to safeguard against conflicts of interest, the relevant administrative ministry should be excluded from the selection committee tasked with identifying potential director candidates (Motsoeneng & Kahn, 2013).

2.3.2 Stewardship Theory

Stewardship Theory is highly relevant to the governance of SOEs as it provides a contrasting perspective to Agency Theory (Schillemans & Bjurstrøm, 2020). It assumes that directors and executives act as responsible stewards, prioritising the interests of the organisation and the public over personal or political gain (Keay, 2017; Subramanian, 2018). The theory posits that directors, executives, and public managers are inherently motivated by pro-social goals such as loyalty, duty, and a commitment to organisational success (Kolawole et al., 2025; Nordberg, 2011). According to Stewardship Theory, a monitoring mechanism is not necessary for the board to ensure sound corporate governance, as the relationship between shareholders and management is underpinned by mutual trust (Madhani, 2017). Furthermore, the theory argues that inside directors, as opposed to independent directors, are more likely to enhance organisational performance because they possess in-depth knowledge of the enterprise and access to organisation-specific information (Seun Kolawole et al., 2025). However, a critical question arises: what happens when management, entrusted as 'stewards,' fails to act in the best interests of the organisation?

In the context of SOEs, the fundamental assumption is that shareholders appoint directors to serve as stewards of the organisation, thereby expecting them to demonstrate intrinsic motivation and ethical responsibility (Keay, 2017). Stewardship is grounded in the fiduciary duties of directors, including the duty to exercise care, skill, and diligence

(Thabane & Snyman Van Deventer, 2018). This approach allows for governance structures based on trust, particularly within resource-constrained public sectors. Therefore, under the lens of Stewardship Theory, it is inferred that the method of appointment is less significant, as directors are expected to act ethically and consistently in the best interests of the organisation.

Thus, while Stewardship Theory provides a valuable lens for highlighting the ethical and fiduciary responsibilities of directors, its assumptions may be undermined in highly politicised contexts. In the governance of DFIs, the effectiveness of stewardship depends largely on whether appointees genuinely act as guardians of organisational purpose or as agents of political interests.

2.3.3 Resource Dependence Theory

Resource Dependence Theory postulates that the functioning of an organisation is shaped by external factors (Fadare, 2013; Revue et al., 2008). In the context of SOEs, these enterprises are highly dependent on external resources primarily those provided by government and must manage this dependency in order to survive and thrive. The corporate governance of SOEs is, among other factors, influenced by government objectives, since the state is not only a regulator but also a key financial resource provider. According to Lopes Júnior et al. (2024), governments often leverage their influence over SOEs to build or strengthen political coalitions that advance their policy agenda. Resource Dependence

Theory therefore posits that substantial state ownership creates a situation in which SOEs rely heavily on government for vital resources (Huang et al., 2017). While such reliance may provide benefits in the form of financial support and strengthened domestic market position, it also exposes SOEs to greater vulnerability from political intervention (Huang et al., 2017).

This dependency has significant implications for organisational governance structures, strategic decision-making, and board composition, which are often aligned with political demands rather than purely operational considerations. Boards in SOEs may face challenges in balancing government expectations with organisational performance. A lack of resources has been cited as a major contributing factor to the failures of some SOEs in South Africa (Sithomola, 2019). As a result, many SOEs continue to rely on government bailouts, which compromises both board independence and directors' motivation to act solely in the best interests of the organisation.

Research by Mpete & Maier (2024) further demonstrates that political dynamics, inappropriate board practices, inefficient operations, leadership instability, legislation, and weak corporate governance hinder the execution of turnaround strategies in SOEs. These findings align with public choice, agency, and resource dependence theories. Similarly, Apriliyanti & Randøy (2019), in a study of 22 Indonesian SOEs, found that in several cases board members were effectively powerless decision-makers, with strategic decisions being controlled by government and politicians external to the boardroom. Excessive government

control can result in SOEs being "captured" and repurposed for political patronage, rather than operating on commercial principles (Borisova et al., 2012). While alignment with state resources can bring advantages, overdependence on political actors undermines autonomy and often results in inefficiencies due to political pressures (Shleifer & Vishny, 1994). Moreover, when SOEs diverge from the interests of the ruling political authority, resource allocation may be deliberately withheld or manipulated as a coercive tool, forcing alignment with politically driven objectives (Lioukas et al., 1993).

Like Agency Theory, Resource Dependence Theory regards the board as a critical governance mechanism. However, it emphasises a service function rather than a purely control function, enabling organisations to benefit from and align with their external environment (Mair et al., 2020). This theory is particularly relevant to understanding the governance of SOEs, as it explains how external political and economic pressures shape internal structures and behaviour. It underscores the importance of managing dependencies in order to strike a balance between resource acquisition and operational autonomy. For boards to fulfil their role effectively and efficiently, directors must be resourceful, knowledgeable, and skilled, acting in the best interests of the SOE rather than prioritising the interests of the resource provider.

2.3.4 Institutional Theory

Closely related to Resource Dependence Theory is Institutional Theory, which explains how organisational behaviour is shaped by institutional norms, rules, and expectations set by the broader political, social, and regulatory environment (Ciolomic et al., 2023). Institutional Theory argues that organisations must comply with external or social norms, rules, and requirements in order to gain legitimacy and support. In the case of SOEs, governments hold the power to determine organisational, political, and social objectives (Aguilera et al., 2021). This theory is particularly relevant to examining how ministerial appointments are often made to align with political goals rather than with corporate governance best practices. Such practices reflect coercive isomorphism, whereby organisations conform to external political pressures to gain legitimacy, even when this does not enhance effectiveness (Fadare, 2013; Tiron-Tudor & Ciolomic, 2022).

Institutional Theory highlights the extent to which political norms and government expectations shape board composition (Meyer & Rowan, 1977; Nguyen et al., 2017). Ministerial appointments frequently reflect institutional isomorphism, whereby SOEs conform to political agendas in pursuit of legitimacy rather than performance improvement (DiMaggio & Powell, 2004). This dynamic undermines the perceived independence of directors, who may be appointed under political pressure, leading to tokenism and symbolic compliance with governance requirements (Matsiliza, 2017). Although SOEs may formally adopt accountability mechanisms to satisfy legitimacy demands, their actual

practices often fall short of transparency due to entrenched political norms and institutional culture (Balbuena, 2014).

Ethical conduct in public sector governance is also strongly influenced by institutionalised practices such as patronage, bureaucratic control, and state intervention. The institutional environment thus plays a defining role in shaping the functions of SOE boards, emphasising adherence to state expectations rather than fostering independent oversight. This dynamic ultimately constrains board effectiveness (Mbo & Adjasi, 2017; Scott, 2008).

In relation to this study, Institutional Theory provides critical insights into how direct ministerial appointments to SOE boards are shaped by political norms and expectations. It explains why such appointments often prioritise political legitimacy over governance effectiveness, thereby weakening director independence, transparency, and accountability. This perspective is therefore highly relevant to understanding the systemic governance challenges faced by SOEs in the SADC region.

2.3.5 Stakeholder Theory

SOEs serve multiple stakeholders; not only the state, but also citizens, regulators, employees, and communities. According to Stakeholder Theory, a stakeholder is defined as *"any entity (e.g., individual or group) who can influence or is influenced by mission-driven organisations"* (Freeman, 2010). The theory helps assess how board effectiveness

aligns with broader accountability and ethical leadership in public service delivery. As KPMG (2011) notes, *"good corporate governance and their practices require an acknowledgement that an organisation does not operate in a vacuum, but it is an integral part of society and therefore has accountability towards current and future stakeholders, and therefore corporate citizenship is critical."*

Organisations have a moral obligation to consider the interests of all stakeholders, as effective stakeholder management contributes to long-term sustainability and, in some cases, profitability (Mahajan et al., 2023; Sternberg, 2023). Applying the principles of Stakeholder Theory can therefore enhance the effectiveness of SOEs by promoting inclusive governance, broader accountability, and greater transparency. It requires SOEs to balance their commercial objectives with the expectations of multiple stakeholders, including government, employees, communities, and customers. This balance can foster legitimacy, trust, and long-term sustainability (Freeman, 2010; Gutterman, 2023).

However, the application of Stakeholder Theory also introduces governance challenges, including strategic complexity, conflicting mandates, and the risk of diluted accountability since organisations cannot meet the demands of every stakeholder simultaneously (Sternberg, 2023). Boards must therefore ensure that while stakeholder interests are considered, the needs of shareholders or the state as principal owners remain central (Bojnec et al., 2012).

In conclusion, effective implementation of Stakeholder Theory requires robust governance frameworks and stakeholder engagement mechanisms (Farnham, 2024). For SOEs, this entails governance that carefully balances the often competing needs of diverse stakeholders in an ethical and objective manner, without undermining the organisation's strategic direction or accountability.

For DFIs in the SADC region, the application of Stakeholder Theory underscores the need for robust governance frameworks that ensure boards act transparently, represent stakeholder interests ethically, and maintain accountability. Institutionalising mechanisms for stakeholder engagement, such as regular consultations and transparent reporting, can help boards navigate competing interests while reinforcing their developmental mandate.

2.4 Role of the Board

The UK Corporate Governance Code (The Financial Reporting Council, 2024) defines the board's role as *"providing effective and entrepreneurial leadership that promotes long-term sustainable value creation for the organisation while generating value for shareholders and contributing to the broader society."* The board of directors forms the backbone of corporate governance, bearing responsibility for strategy formulation and oversight of its implementation, while monitoring management on behalf of shareholders. In addition, boards provide valuable resources such as advice, expertise, and legitimacy (Madhani, 2017). Nicholson & Newton (2010) further emphasise that boards are expected

to oversee risk and compliance, formulate and monitor strategy, manage stakeholder relationships, and develop the CEO and senior management. Similarly, Aguilera & Ruiz (2025) argue that the fundamental duties of corporate boards have remained largely consistent over time: steering strategic direction, identifying opportunities, assessing and mitigating risks, selecting and motivating leadership, ensuring organisational performance, and sustaining relationships with both shareholders and stakeholders. Collectively, these functions constitute the anchor of effective governance.

According to the King IV Report on Corporate Governance (IoDSA, 2016), the board is the custodian of corporate governance and is primarily responsible for setting the strategic direction of the organisation. This includes approving policies that give effect to strategy, and monitoring management's execution to ensure that governance outcomes; an ethical culture, effective control, and sustainable performance are achieved.

The role of the board can often be difficult to observe in day-to-day operations, which has led some to question its impact. However, boards invariably become the focus of scrutiny when organisational failures occur, as demonstrated by high-profile corporate collapses such as Enron, Parmalat, and WorldCom (R. Adams et al., 2008). Ultimately, boards bear the responsibility for both stewardship and organisational performance (World Bank, n.d.). As such, the composition and functioning of the board significantly influence the financial and operational performance of SOEs (World Bank, 2014). Directors, both individually

and collectively, are mandated to act in the best interests of the organisation, consistent with their fiduciary and statutory obligations.

The strategic leadership role of directors requires continuous environmental scanning across political, economic, social, technological, and environmental factors, in order to allocate resources effectively and align with the organisation's objectives (FRC, 2018). Consequently, the appointment of directors is a critical determinant of board effectiveness, as the board is expected to fulfil its overarching responsibility of ensuring long-term value creation and sustainable governance.

2.5 Ministerial Appointment of Board Members

One of the most significant investments an organisation can make is ensuring that the selection process for new directors is robust, transparent, and effectively used to identify competent individuals (J. Chang, 2023). Board effectiveness begins with sound director selection (Levrau & Van den Berghe, 2007; Mader & Oglesbee, 2020). A key enabling condition for board effectiveness is the depoliticisation of board appointments (Kaunda & Pelser, 2023). Empirical studies demonstrate that board independence enhances the value of SOEs, with independent directors acting as more effective monitors to safeguard shareholder interests, as shown in China and India (Thenmozhi & Aghila, 2020). In South Africa, however, legislation frequently entrusts the authority to appoint board members to the relevant minister (De Visser & Waterhouse, 2020). Ideally, appointments should ensure

that leadership positions are vested in individuals with the requisite expertise and experience. In practice, appointments are generally made by government or designated ministries, balancing political considerations with professional qualifications. Depending on the governance framework, SOE boards may include government representatives, independent experts, and sometimes stakeholder representatives such as labour unions (Akinsola et al., 2025).

However, direct ministerial involvement in the appointment of directors and CEOs often results in inherent conflicts of interest. Decisions may be influenced by political or factional considerations rather than being guided by the principles of good faith, due diligence, and the best interests of the organisation (Adebayo, 2025a; OECD, 2015). Political interference commonly manifests through the appointment of party loyalists and the manipulation of business decisions to serve political objectives, undermining sound governance practices (Collins et al., 2013). Directors' reliance on state financial resources increases their vulnerability to political influence, with board positions sometimes retained through compliance with political expectations (Lioukas et al., 1993).

In Zimbabwe, Mazikana & Mabenge (2023) found that SOE board appointments are strongly linked to ruling party interests, often diverging from corporate governance principles in favour of political manifestos. Ministers' control over board and executive appointments further erodes board autonomy (Howard & Seth-Purdie, 2005). Such powers allow ministers to appoint familiar individuals, consolidating political influence over

SOEs. Public authorities may also exercise dominant influence through financial participation or regulatory control (World Bank, 2014). This dominance is reinforced when governments, as majority shareholders, appoint board members and managers, overturn board decisions, or restrict board authority (Grossi et al., 2015; Lim, 2021).

By contrast, governance standards emphasise that each director should be capable of exercising independent judgment free from shareholder or political influence (IoDSA, n.d.-a). Appointing politically connected individuals undermines independence and contributes to poor SOE performance (Adebayo, 2025a; Kaunda & Pelser, 2023). Best practice requires appointments based on merit, supported by transparent nomination processes and the retention of high-performing individuals (The Financial Reporting Council, 2024; Frederick, 2011). The government must therefore ensure that appointments are merit-based and free from politicisation, whether for ideological or patronage purposes (Corrigan, 2014). Selection should be guided by clear, consistent, and predetermined criteria, including merit, integrity, qualifications, business acumen, experience, diversity, and thorough background checks (OECD, 2023b). Appointees should also be reminded that their fiduciary duty is to the SOE and not to the appointing authority. To this end, well-structured, transparent, and merit-based nomination processes are essential (OECD, 2025).

Moreover, all board members must carry equivalent legal responsibilities and should not be shielded from individual accountability (OECD, 2024a). Overt or covert politicisation of appointments compromises the tenets of good governance (Corrigan, 2014). Using board

positions as political patronage is common in many jurisdictions. For instance, in Indonesia, politicians frequently use SOE board appointments to consolidate power, with appointees serving the political party rather than enterprise interests (Apriliyanti, 2023). Similarly, Menozzi & Vannoni (2014) argue that cronyism in SOE board appointments is widespread, with political loyalty often being the yardstick for selection. In South Africa, politically appointed boards are frequently associated with incompetence, misconduct, and governance failures (Hlobo et al., 2022). Thabane & Snyman Van Deventer (2018) further conclude that government interference, combined with ineffective boards, is at the core of many SOE challenges. They advocate for an "arm's length" approach to SOE governance to shield boards from political pressures. In Korea, Heo (2018) found that political appointees were negatively correlated with SOE performance, reinforcing these concerns.

High concentrations of government representatives on SOE boards can distort governance priorities, leading to boards advancing political interests rather than organisational objectives (OECD, 2023b). Government-linked board changes also tend to follow electoral cycles, undermining continuity, eroding institutional memory, and reducing board effectiveness (OECD, 2023b). Zvitambo & Mhizha (2019) suggest that parliamentary oversight rather than direct ministerial control should guide SOE governance in Zimbabwe.

Notably, there is some evidence to the contrary. In China, Hu & Leung (2008) found that politically connected directors could enhance SOE performance, as their administrative power and regulatory expertise sometimes improved alignment with government

objectives. However, such benefits remain highly context-dependent and do not negate the broader governance risks of politicisation.

In conclusion, ministerial appointments often compromise the principles of merit, transparency, and independence that underpin good governance. To enhance the effectiveness of DFI boards in the SADC region, appointment processes must be depoliticised and aligned with international best practice, ensuring that directors are selected on the basis of competence, integrity, and commitment to fiduciary duties.

2.6 Ethical Leadership

According to King IV (2016), *Principle 1* states that *"the governing body should lead ethically and effectively."* Ethical leadership refers to the demonstration of integrity, competence, responsibility, accountability, fairness, transparency, and courage by those in leadership positions, particularly board members and executives, in pursuing the SOE's mandate. It is underpinned by ethical principles and emphasises responsible decision-making in the best interests of the organisation, while also considering the broader public interest. A critical issue in the SOE context is the influence of the controlling shareholder (government) on directors' responsibilities, particularly their obligation to act in the best interests of the organisation. Given that the controlling shareholder possesses the authority to appoint and dismiss directors, it is unlikely that directors will disregard its preferences

(Lim, 2021). This reality makes ministerial appointments a challenge to directors' ability to consistently act ethically and independently.

Individually and collectively, directors have a moral obligation to act ethically, to declare conflicts of interest, and to actively avoid them (Rossouw, 2023). Business ethics are essentially the morality of business, and for the public sector to thrive, SOE boards must be guided by ethical principles that reflect both public interest and corporate responsibility (Nevondwe et al., 2014). Notably, most business scandals reported in the press are linked to unethical behaviour at board or management level. Although corporate governance reforms have been introduced across Africa, corporate misconduct, political interference, weak regulatory enforcement, and corruption remain persistent challenges (Idowu, 2025).

Applying high ethical standards not only aligns with good governance but also serves the SOE's long-term interests by enhancing credibility, trustworthiness, and legitimacy (OECD, 2023a). Ethical leadership is therefore a cornerstone of effective governance. It is not an optional attribute but a prerequisite for SOEs to deliver on their mandates effectively and efficiently (Irene, 2024). The board plays a pivotal role in setting the ethical tone of the organisation, not only through its own behaviour but also through its oversight of executive management and, by extension, the wider organisation.

In the context of this study, ethical leadership is particularly significant because ministerial appointments may undermine directors' independence and constrain their ability to act with

integrity and fairness. When political considerations override governance principles, ethical leadership is weakened, resulting in compromised accountability, reduced transparency, and diminished public trust in SOEs. This highlights the central research concern that politically driven board appointments threaten not only board effectiveness but also the ethical foundations of governance in the SADC region.

In summary, ethical leadership is a cornerstone of good governance. Its consistent application in DFIs within the SADC region is essential for strengthening accountability, maintaining public trust, and achieving sustainable developmental impact.

2.7 Board Effectiveness

Board effectiveness is critical to the long-term performance and sustainability of an organisation. In the case of SOEs, boards play a pivotal role in providing strategic oversight and ensuring that decisions are made in the best interests of both the organisation and its shareholders (Vagliasindi, 2008). To fulfil this role, SOE boards must operate free from undue influence and be supported by strong corporate governance frameworks (OECD, 2024c). Public service provision can only be realised effectively when SOEs are equipped with robust governance and management mechanisms. Evidence shows that sound governance practices and effective governance structures contribute directly to improved SOE performance (Grossi et al., 2015).

An effective board provides oversight, direction, and support, manages and mitigates risk, and helps the organisation achieve its strategic objectives without compromising values such as integrity and ethics (Farnham, 2024). Effectiveness relies on the right balance of skills, knowledge, industry expertise, and independence of mind, enabling directors to bring diverse perspectives and challenge underlying assumptions (Gnan et al., 2010). Trust among board members and a culture of constructive debate are equally essential for sound decision-making (Farnham, 2024). An effective board also functions within a psychologically safe environment that encourages members to speak candidly without fear of reprisal (Edmondson, 2019; Sadek, 2024).

However, the institutional environment in which SOEs operate heavily shapes board functioning. Where appointments are dominated by shareholder control, boards may prioritise compliance with government expectations rather than exercising independent oversight, thereby undermining board effectiveness (Scott, 2008). This dynamic is particularly pronounced in SOEs, where the government, as controlling shareholder, has the authority to appoint and to dismiss directors. Such practices often result in boards that are weak, conflicted, and politically compromised (Corrigan, 2014). Increased state ownership has been found to negatively affect board effectiveness, largely due to the politicisation of appointment processes for both directors and executives. The OECD (2015) acknowledges that governments, due to their ownership stake, often feel compelled to intervene in the appointment of board members, making it nearly impossible to fully insulate SOE boards from political interference.

A successful and effective board requires the consistent implementation of key governance imperatives, including strong board leadership, a well-structured composition, and efficient operational and deliberative processes (Alsop, 2023). Corporate governance also depends on a reliable legal, regulatory, and institutional framework that ensures transparency, fairness, and trust among market participants which is an essential condition for broader economic stability and growth (OECD, 2023a). The role of government should therefore be to create a conducive environment for the development of effective boards by promoting independence, strengthening transparency, ensuring robust risk management, enhancing stakeholder engagement, and reducing political interference. Additionally, research suggests that reducing state ownership for instance, through partial listing can improve board quality and independence (Kaunda & Pelser, 2022).

In relation to this study, board effectiveness is central because ministerial appointments often undermine the independence, competence, and diversity necessary for effective oversight. When political considerations dominate the selection process, boards risk becoming conflicted, weak, and unable to challenge management or act in the long-term interests of the SOE and its stakeholders. This study therefore investigates how direct ministerial involvement in appointments impacts the effectiveness of boards within SOEs in the SADC region.

2.8 Board Independence

Board independence refers to the extent to which board members can make impartial and objective decisions in the best interests of the organisation and its stakeholders (Tricker, 2012). Despite existing legal mandates, firms have long been advised to strengthen the independence of their boards. Linck et al. (2007) found that firms are more likely to appoint independent directors when insiders are able to extract private benefits or when CEOs hold significant influence over the board. According to Gnan et al. (2010), independent boards are most effective at monitoring management precisely because they are not compromised by dependence on the organisation.

Corporate governance codes globally advocate board independence as a fundamental best practice, as independent directors bring both expertise and valuable external networks (Pascual-Fuster & Crespí-Cladera, 2022). Fama & Jensen (1983) argue that a higher proportion of independent directors should improve performance by reducing conflicts of interest between shareholders and management while strengthening managerial accountability through effective monitoring. Similarly, Liu et al. (2015) found that independent boards reduce agency problems including those linked to dominant shareholders and that the appointment of independent directors positively influences company performance. In line with this, *Principle 7* of the King IV Report on Corporate Governance (IoDSA, 2016) requires board members to act independently and with unfettered discretion. Independence entails applying one's mind honestly and objectively

to decisions in the best interests of the organisation, irrespective of the shareholder or appointing authority (IoDSA, 2017). King IV further emphasises that independence should be assessed holistically, considering directors' experience, diversity, and contributions to board optimisation.

Nonetheless, the independence of SOE directors is often compromised. Lu & Zhu (2020) note that relatively low incentives for SOE directors undermine their ability to exercise genuine oversight. In state-controlled entities, independent directors may be further constrained by social ties with the controlling shareholder (the government), resulting in compromised impartiality (Y. Chien Chang & Lin, 2022). In Chinese SOEs, Lin & Guan (2024) found that CEOs often wield excessive power that independent directors are unable to counterbalance the power that typically stems from the same ministerial authority responsible for board appointments.

All directors have a fiduciary duty to safeguard the organisation's health, which is incompatible with serving as mere representatives of narrow interest groups (Garratt, 2010). Empirical evidence indicates that the positive impact of independence on performance is most pronounced when ownership concentration declines, although outcomes differ across ownership types (Li et al., 2015). Boards with optimal levels of independence provide two critical services: (1) monitoring and supervision, as explained by Agency Theory (Jensen & Meckling, 1976), and (2) advice and resource provision, as highlighted by Resource Dependence Theory (Pfeffer & Salancik, 1978). Both functions

serve to maximise shareholder value (Pascual-Fuster & Crespí-Cladera, 2022). However, excessive government ownership is often associated with weaker outcomes; Abramov et al. (2017) found that greater state ownership correlates with lower labour productivity and profitability. Accordingly, Kankaanpää et al. (2014) argue that governments should refrain from excessive interference in SOEs, as political objectives can easily conflict with commercial priorities. Vagliasindi (2008) further warns that political interference undermines efficiency by prioritising short-term political gains over long-term strategic goals. Limiting political intrusion is therefore essential to safeguarding SOE independence, efficiency, and performance (Akinsola et al., 2025).

However, findings on the performance benefits of independent boards remain mixed. Several studies (Altawalbeh, 2020; Bhagat & Black, 2001; Goel et al., 2022) found no significant relationship between independence and organisational performance. The Association of African Development Finance Institutions (2017) similarly observed that weaker performance in DFIs often stems less from state ownership per se and more from conflicting mandates imposed by government involvement. Shao (2019) also found no direct link between independent directors and company performance. In some cases, board independence can even have adverse effects. Agrawal & Knoeber (1996) argue that when independent directors are appointed for political reasons, their limited monitoring skills may negatively impact organisational performance.

In the context of SOEs in the SADC region, board independence is especially significant given the prevalence of ministerial appointments. Political considerations in board composition undermine independence, compromise directors' ability to act objectively, and weaken boards' capacity to provide effective oversight. This study therefore investigates how ministerial appointments influence director independence and the broader implications for SOE governance.

In summary, director independence enhances accountability, objectivity, and effectiveness. Its absence in politically embedded SOEs undermines governance, weakens performance, and erodes stakeholder trust.

2.9 Board Composition and Structure

According to *Principle 7* of King IV, *"the governing body should assume responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity, and independence to objectively and effectively discharge its governance role and responsibilities."* Ensuring this balance is also a key responsibility of the government, which must guarantee that SOE boards possess the necessary authority, diversity, competencies, and objectivity to carry out their functions with integrity (OECD, 2023b). Board composition; encompassing size, skills, cognitive abilities, gender diversity, and demographics is therefore central to

professionalism, autonomy, and effectiveness. Best practice requires that a significant proportion of board members be non-executive directors (IoDSA, 2016; OECD, 2024b).

The mix of directors' skills and experience is a determinant of organisational performance (B. R. Adams et al., 2013; Alam et al., 2025). Boards that include members with both directorial and industry-specific experience strengthen governance and strategy, enabling them to navigate sectoral challenges and improve organisational outcomes more effectively than those with only one type of expertise (Harutyunyan et al., 2025). Supporting Resource Dependence Theory, Muttakin et al. (2012) note that larger boards provide access to diverse skills, expertise, professional networks, and business resources, which can enhance organisational performance.

The importance of diversity in board composition is further highlighted by Yuan et al. (2024), who found that board diversity in Chinese listed companies significantly mitigated inefficient investment by restraining both overinvestment and underinvestment. Similarly, Goel et al. (2022) argue that performance is positively influenced by boards with the right combination of skills. However, the legal and regulatory frameworks defining SOE structures particularly when placed under ministerial authority often increase risks of political interference and corruption, with serious implications for autonomy and governance integrity (Adebayo, 2025b).

Board size also plays a role in effectiveness. Larger boards may introduce more diversity into decision-making but are prone to slower consensus-building and, at times, reduced profitability and effectiveness (Heo, 2018). The size of a board should therefore reflect the competencies required and remain flexible enough to respond to evolving organisational needs (Bew, 2022). Effective composition planning requires aligning skills and experience with strategic objectives (Constantatos & Sankar, 2018), complemented by comprehensive induction programmes for newly appointed members (Chauke & Motubatse, 2020).

Board structures and composition are critical for ensuring stewardship and effective performance. Evidence shows that favourable performance in SOEs is influenced by sound board structures, balanced director tenure, and reduced levels of government ownership (Kaunda & Pelser, 2023). By contrast, a study of Italian public utilities revealed that politically connected directors increased employment but diminished organisational performance (María et al., 2010). This demonstrates how politicisation of board appointments can undermine governance integrity and operational efficiency.

The challenge for SOEs lies in achieving balanced composition. In many cases, boards are dominated by state representatives, who often pursue policy objectives but may lack the expertise, independence, and objectivity required for effective board functioning (Adebayo & Ackers, 2022a). To empower boards and enhance performance, their composition and structure must enable directors to exercise independent, unfettered judgment in both monitoring management and making strategic decisions.

In relation to this study, board composition is particularly significant, as ministerial appointments often prioritise political loyalty over skills and diversity. This compromises professionalism and autonomy, weakening the ability of SOE boards in the SADC region to perform their governance roles effectively.

2.10 Accountability and Transparency

Accountability and transparency are fundamental to the effective governance of SOEs. Accountability involves being answerable for decisions and actions, thereby preventing the misuse of power and other inappropriate behaviours (Ackers & Adebayo, 2022). It is a critical mechanism for the state to deliver public goods economically, efficiently, and effectively (Ackers & Adebayo, 2022). Together, accountability and transparency form the cornerstone of public trust and efficient public service delivery. According to Schillemans & Bovens (2019), boards serve as the primary accountability mechanism for SOEs delivering essential public services. Boards provide oversight and act as a counterbalance to management, reinforcing organisational accountability, while also connecting SOEs with external stakeholders and offering policy guidance and strategic direction.

However, SOEs often face systemic challenges such as conflicting objectives, political interference, and a lack of transparency (Kankaanpää et al., 2014). Boards are required to balance commercial viability with public policy objectives, while ensuring transparency and accountability for long-term sustainability. The OECD (2016) stresses that

accountability and transparency underpin sound governance frameworks and are essential for improving efficiency and performance. Board members must therefore demonstrate transparency in the execution of their responsibilities (IoDSA, 2016). King IV further requires disclosure of arrangements by which board members are held accountable for ethical and effective leadership, reinforcing the expectation that boards embody ethical characteristics to ensure long-term strategic success (Randall et al., 2020).

Political patronage remains a major threat to accountability. It creates a culture where individuals act with impunity, protected by political connections, which encourages self-serving behaviour over public interest (Links & Haimbodi, 2011). Although some studies suggest that politically connected firms may enjoy advantages such as preferential government support and easier access to resources (Faizabad et al., 2021), such benefits often come at the cost of accountability and professionalism. Political appointments undermine merit-based selection processes (Links & Haimbodi, 2011) and weaken regulators, who may be constrained in holding SOEs accountable due to conflicts of interest with government (Lim, 2021). To counteract this, governments must be more transparent by disclosing oversight guidelines, including the conditions under which intervention in SOEs may occur (Wong, 2004b).

The OECD (2024a) recommends that governments allow SOEs full operational autonomy, refrain from direct interference in management, and clearly articulate expectations in a transparent manner. Boards should be empowered to exercise their responsibilities

independently, with well-structured, merit-based, and transparent nomination processes in place. Mechanisms to hold public officials accountable without fear or favour are critical to governance effectiveness (Khutso & Kgobe, 2021). The absence of such mechanisms often leads to governance failures. In South Africa, for example, poor leadership, weak accountability structures, and political interference have been identified as major causes of SOE collapse (Mashamaite & Raseala, 2019). Similarly, Edoun (2015) and Vagliasindi (2008) highlight how lack of accountability reduces SOEs' ability to contribute meaningfully to social and economic development.

Transparency and accountability are also tied to disclosure requirements. The OECD (2023a) asserts that SOEs must provide timely and accurate disclosure of all material matters including financial performance, sustainability, ownership, and governance comparable to the standards required of listed companies. This expectation is reinforced by Balbuena (2014), who argues that SOEs should adhere to the same high-quality accounting and auditing practices as private entities, while safeguarding necessary confidentiality. However, as Adebayo (2025a) points out, a key challenge lies in the blurred agency relationship within SOEs: although citizens are the ultimate principals, governments act as effective owners due to their administrative control, thereby displacing citizens' ability to hold boards accountable. This misalignment complicates the design of effective monitoring and accountability systems.

Demanding transparency in board nomination and appointment processes is particularly important. Public disclosure of qualifications and selection criteria strengthens professionalism and protects directors from being perceived as mere representatives of political constituencies (OECD, 2024a; Park, 2020). Effective governance ensures that boards function as cohesive, accountable units that deliver cost-effective products and services while sustaining financial health (McGregor, 2015). To maximise their contribution to society, SOEs must embrace clear, measurable objectives alongside enhanced transparency, reduced political interference, and the implementation of independent and professional boards (Biba, 2020). Finally, regular evaluation of board performance is essential for accountability and for building public trust in SOEs (Vagliasindi, 2008).

In relation to this study, accountability and transparency are particularly relevant because ministerial appointments often erode both principles. When appointments are politically motivated rather than merit-based, boards are less likely to act with transparency or be held to account, undermining governance integrity, stakeholder trust, and the ability of SOEs in the SADC region to deliver on their mandates.

In conclusion, accountability and transparency are indispensable to the legitimacy and effectiveness of DFIs. Strengthening these principles is essential to counteracting political influence, enhancing stakeholder trust, and ensuring that boards discharge their fiduciary responsibilities effectively.

2.11 Expected Contributions

The study provides original empirical evidence on the relationship between direct ministerial appointments and board effectiveness across 42 Development Finance Institutions (DFIs) in the Southern African Development Community (SADC) region. This area has been largely under-researched within the corporate governance literature, particularly in relation to SOEs operating in politically embedded environments.

2.11.1 Theoretical Advancement

By adopting a multi-theoretical framework encompassing Agency, Stewardship, Stakeholder, Resource Dependence, Stakeholder and Institutional Theories this study advances the theoretical understanding of how these perspectives interact in shaping governance outcomes in SOEs. It demonstrates how theoretical constructs can be applied to DFIs in the SADC region, where political influence and governance frameworks intersect.

2.11.2 Policy and Practical Relevance

The research provides concrete recommendations for governance reform, including merit-based board appointments, transparent nomination processes, and the depoliticisation of board structures. These findings are directly relevant to policymakers, regulators, and SOE

stakeholders in the SADC region who are striving to improve governance outcomes, strengthen accountability, and enhance the performance of DFIs.

2.11.3 Bridging the Knowledge Gap

The study addresses a critical gap in the literature by operationalising concepts such as ethical leadership, board composition, director independence, and accountability within SOE governance structures. By doing so, it provides a framework for analysing how political influence impacts governance processes and outcomes in DFIs across the SADC region.

2.11.4 Methodological Contribution

The use of a mixed-methods approach combining quantitative surveys with qualitative analysis enables a more nuanced exploration of governance dynamics in DFIs. This methodological design enhances the robustness and validity of the findings, thereby making a meaningful contribution to public sector board research.

2.12 Summary

The literature review underscores the critical importance of effective corporate governance in strengthening DFIs within the SADC region. While DFIs are mandated to advance socio-

economic development, their effectiveness is often undermined by politically influenced board appointments, weak accountability structures, and fragile governance frameworks.

The five theoretical perspectives; Agency Theory, Stewardship Theory, Stakeholder Theory, Resource Dependence Theory, and Institutional Theory provide valuable insights into the complex governance dynamics of SOEs. Collectively, these theories highlight the tension between political control and independent oversight, the ethical expectations of directors, the influence of external dependencies, and the institutional pressures that shape governance practices.

Empirical evidence demonstrates that ministerial appointments frequently compromise board independence and effectiveness, creating conflicts of interest, reducing transparency, and weakening accountability. Politically driven board compositions often result in inefficiency, poor leadership, and reduced financial and operational performance, which in turn undermine the capacity of SOEs to deliver on their developmental mandates. Case studies such as involving South African Airways further illustrate how irregular appointments, corruption, and state capture derail SOEs from fulfilling their mandates.

Best practice guidance from King IV, the OECD, and other governance frameworks underscores the importance of transparent, merit-based appointment processes; ethical leadership; independent oversight; and stakeholder inclusivity. These elements are essential for strengthening legitimacy, accountability, and sustainable performance in

DFIs. The review also highlights gaps in the literature: while much research has focused on corporate governance in private firms and SOEs globally, limited empirical work exists on DFIs in the SADC context. This underscores the significance of the present study in providing evidence-based insights into how ministerial appointments affect governance outcomes in DFIs in the region.

CHAPTER III:

METHODOLOGY

3.1 Overview of the Research Problem

This chapter outlines the research methodology adopted to examine the impact of direct ministerial appointments on board effectiveness in DFIs within the SADC region. The methodology is structured to ensure that the research objectives are addressed in a systematic, rigorous, and academically sound manner. It describes the research design, and approach, as well as the population, sampling procedures, data collection methods, and data analysis techniques. The chapter also explains the ethical considerations that guided the study.

Politically affiliated directors have been shown to negatively impact the performance of SOEs (Kaunda & Pelser, 2023; Mahadeo & Soobaroyen, 2012; Sithomola, 2019). The foundation of board effectiveness lies in the appointment process, as boards are expected to provide effective leadership. Poor SOE performance has frequently been linked to the absence of strong and ethical leadership (Badarai et al., 2023). To address this, transparent nomination and appointment processes are essential to ensure that only skilled and competent directors are appointed. Such processes will strengthen leadership, governance, and ethical conduct within SOEs (Mader & Oglesbee, 2020; Phiri et al., 2024).

This research is therefore anticipated to:

- Provide empirical evidence on corporate governance effectiveness in DFIs.

- Offer policy and regulatory recommendations for enhancing board effectiveness.

- Propose best practices for transparent and merit-based board appointments.

- Bridge the research gap on SOE governance in DFIs within the SADC region.

3.2 Operationalisation of Theoretical Constructs

The theoretical constructs underpinning this study on corporate governance and board effectiveness in DFIs in the SADC region are operationalised below. Each construct is defined, explained, and accompanied by potential operational indicators that guide empirical measurement.

3.2.1 Board Effectiveness

Board effectiveness refers to how well the board provides oversight, direction, and support, manages and mitigates risk, and helps the organisation achieve its strategic objectives without compromising values such as integrity and ethics (Farnham, 2024).

Operational Indicators:

- Quality and effectiveness of board meetings.

- Expertise and experience represented on the board.

- Alignment of board decisions with organisational strategy.

- Existence and use of board performance evaluations.

3.2.2 Ethical Leadership

Ethical leadership is underpinned by moral values and demonstrated through principles such as integrity, competence, responsibility, accountability, transparency, and courage. It emphasises responsible decision-making in the best interest of the organisation while also considering the public interest (IoDSA, 2016; Ughulu, 2024).

Operational Indicators:

- Existence of formal policies on ethical conduct.

- Evidence of ethical behaviour in board decisions.

- Management and disclosure of conflicts of interest.

3.2.3 Ministerial Appointments of Board Members

Direct political appointments of board members impact the quality, autonomy, and effectiveness of boards in DFIs (Kaunda & Pelser, 2023; Scott, 2008).

Operational Indicators:

- Presence of merit-based appointment criteria.
- Transparency of the board appointment process.
- Board involvement in director selection.
- Degree of political influence on board objectivity.

3.2.4 Director Independence

Board independence refers to the extent to which directors can make impartial and objective decisions in the best interest of the organisation and its stakeholders, free from external influence; particularly political interference (Calderón et al., 2020; IoDSA, 2017).

Operational Indicators:

- Proportion of independent directors on the board.
- Extent of government representation on the board.

- Disclosure of conflicts of interest.

- Independence from ministerial or political control.

3.2.5 Board Composition

Board composition refers to the size of the board, as well as the mix of skills, professional backgrounds, gender diversity, cognitive abilities, and demographics (Goel et al., 2022; María et al., 2010).

Operational Indicators:

- Gender and demographic diversity.

- Professional and sectoral diversity.

- Skills and experience diversity among board members.

- Appropriate board size.

- Adequacy and balance of board committees.

3.2.6 Accountability and Transparency

Accountability and transparency involve being answerable for decisions and actions, while ensuring openness in communication and disclosure by the board (Directors' Institute World Council of Directors, 2024; Ughulu, 2024).

Operational Indicators:

- Regular and timely publication of reports.

- Stakeholder engagement and consultation practices.

- Openness in board decision-making processes.

- Transparent and accountable procurement processes.

3.2.7 Governance Challenges in DFIs in the SADC Region

This construct captures the unique challenges facing DFIs in the region, including political interference, resource constraints, dual mandates, and structural weaknesses in governance.

Operational Indicators:

- Extent of political interference in board operations.

- Adequacy of financial and human resources.

- Existence and impact of dual mandates (developmental vs. commercial).

- Legal provisions relating to director indemnity.

3.3 Research Purpose and Questions

The purpose of this study is to investigate the impact of direct ministerial appointments on the board effectiveness of DFIs in the SADC region. Specifically, the study examines how ministerial appointments influence board effectiveness, ethical leadership, director independence, board composition and structure, accountability, and transparency. By exploring these dimensions, the study seeks to propose recommendations for enhancing board processes, promoting ethical governance practices, and strengthening the overall effectiveness and sustainability of DFIs in contributing to economic development and poverty alleviation in the SADC region.

This study addresses the following research questions:

3.3.1 How do direct ministerial appointments of directors affect the board appointment process?

3.3.2 How do direct ministerial appointments influence the board effectiveness of DFIs in the SADC region?

3.3.3 In what ways do direct ministerial appointments impact ethical leadership within the boards of DFIs?

3.3.4 What is the influence of direct ministerial appointments on the independence of directors in DFIs?

3.3.5 How is board composition and structure shaped by direct ministerial appointments in DFIs?

3.3.6 What is the effect of direct ministerial appointments on accountability and transparency within DFIs' governance practices?

3.3.7 What governance challenges are faced by directors serving on the boards of DFIs in the SADC region as a result of the current appointment processes?

3.4 Research Design

The research was conducted systematically, beginning with a comprehensive literature review on the governance of SOEs and a document analysis of various governance codes and policies. To examine board effectiveness in DFIs within the SADC region, a mixed-methods research design was adopted.

Creswell & Plano Clark (2017) define mixed methods as *"an approach to research in which the investigator collects and analyzes both quantitative and qualitative data, integrates the two forms of data, and draws interpretations based on the combined*

strengths of both sets of data." This design was considered most appropriate for the study as it enabled a holistic analysis of governance practices by capturing both measurable patterns and nuanced insights.

By integrating quantitative data (from surveys) with qualitative data (from open-ended responses and document analysis), the study generated a more comprehensive understanding of governance structures, decision-making processes, and board performance. The adoption of a mixed-methods design thus strengthened the validity and reliability of the findings, ensuring a more rigorous, data-driven, and actionable research outcome.

3.5 Population and Sample

The target population for this study comprised leadership representatives of DFIs within the Southern African Development Community (SADC) region. Specifically, the questionnaire was distributed to:

- Board Chairpersons
- Chief Executive Officers (CEOs)

The survey was administered electronically using Google Forms to enhance accessibility and facilitate efficient data collection across the region.

To measure perceptions of governance practices, the questionnaire included Likert-scale questions designed to capture views on the following dimensions:

- Board appointment processes.

- Board effectiveness.

- Board independence.

- Ethical leadership.

- Board composition and structure.

- The impact of ministerial appointments.

- Transparency and accountability.

The survey was distributed to all 42 institutions that are members of the SADC DFRC (Development Finance Resource Centre) network. The questionnaire comprised both structured (quantitative) and unstructured (qualitative) questions, thereby generating data suitable for a mixed-methods analysis. This design enabled the study to capture measurable patterns as well as contextual insights on governance challenges and board dynamics within DFIs.

3.6 Participant Selection

Participants were drawn from all 42 institutions that are members of the SADC Development Finance Resource Centre (SADC-DFRC) network. These institutions were

selected because they represent the primary DFIs operating across the SADC region and are therefore directly relevant to the study's focus on governance effectiveness.

The survey instrument was distributed to the identified participants within these institutions, specifically targeting senior leadership, including board chairpersons and chief executive officers. This group was considered most appropriate given their direct involvement in governance processes and their ability to provide informed perspectives on board effectiveness, ministerial appointments, and broader governance challenges.

The questionnaire included both structured (quantitative) and unstructured (qualitative) items, ensuring that participants could provide measurable responses while also elaborating on context-specific governance practices and experiences. This design enhanced the richness of the data collected and aligned with the study's mixed-methods approach.

3.7 Instrumentation

The primary data collection instrument for this study was a structured questionnaire designed to assess key theoretical constructs related to board governance in DFIs, which are predominantly SOEs. The questionnaire was developed to align with the study's research objectives and theoretical framework, with items measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The questionnaire was organised into thematic sections corresponding to the following constructs:

A. Board Appointment Process

B. Board Effectiveness

C. Ethical Leadership

D. Director Independence

E. Board Composition

F. Accountability and Transparency

G. Governance Challenges in SOEs

H. Open-ended Questions – Personal Views

Each section contained 3–5 Likert-scale items. At the end of each section, respondents were required to provide a brief thematic summary, thereby enriching the quantitative responses with contextual insights. Section H contained open-ended narrative questions designed to collect qualitative data, allowing respondents to share their views more broadly.

The questionnaire items were developed through a comprehensive review of corporate governance literature, consultations with the SADC-DFRC, and adaptation from previously validated instruments. This ensured both content validity and alignment with theoretical constructs.

A pilot test of the questionnaire was conducted with the SADC-DFRC and the researcher's academic mentor to evaluate the clarity, relevance, and reliability of the items. Based on feedback, minor revisions were made to improve phrasing, sequencing, and flow.

For administration, the SADC-DFRC provided the email addresses of all board chairpersons and CEOs of DFIs within its network. The questionnaire was then distributed electronically via Google Forms, ensuring broad reach across the SADC region and facilitating efficient data collection and management.

Participation in the research was entirely voluntary, and respondents were informed of their right to withdraw at any stage without penalty. Prior to completing the questionnaire, participants were provided with an explanation of the study's purpose, scope, and intended use of findings. Consent was therefore based on informed understanding.

3.8 Data Collection Procedures

Data collection was undertaken using an online questionnaire administered through the Google Forms platform. This method was chosen for its efficiency and its ability to reach respondents across multiple countries within the SADC region. Targeting board chairpersons and chief executive officers (CEOs) ensured that the responses were drawn from two key power centres in DFI governance, thereby providing informed perspectives on board processes, leadership, and effectiveness.

The questionnaire link was distributed via email to all potential respondents, accompanied by a cover letter outlining the purpose of the study, providing assurances of informed consent, and guaranteeing the confidentiality of responses. To improve participation, follow-up reminder emails were sent during the data collection period. The survey remained open for six weeks, allowing sufficient time for responses across the 42 DFIs in the SADC DFRC network.

Confidentiality and anonymity were strictly maintained. No identifying information was disclosed in the reporting of results, and responses were aggregated to prevent attribution to individual participants or specific DFIs. This was essential in reducing the risk of reputational harm and ensuring that participants felt free to express their views honestly.

In addition, all data were handled responsibly, with electronic files securely stored and accessible only to the researcher. Secondary sources, including governance codes, policy documents, and academic literature, were fully acknowledged through proper referencing to avoid plagiarism and uphold academic integrity.

All responses were automatically captured within the Google Forms system, ensuring secure storage, efficient data management, and ease of export for subsequent statistical and qualitative analysis.

By adhering to these principles, the study ensured compliance with ethical research standards and safeguarded both participants and institutions.

3.9 Data Analysis

Data analysis involves systematically examining and interpreting collected information to address the research objectives and questions. In this study, both quantitative and qualitative analysis methods were employed, consistent with the mixed-methods approach.

Quantitative data from the closed-ended questionnaire responses were analysed using descriptive statistics. Mean scores and standard deviations were calculated to identify trends, strengths, and weaknesses in governance practices across DFIs. Percentages were also used to illustrate the distribution of responses. This enabled the study to present a clear picture of how ministerial appointments influence dimensions such as ethical leadership, director independence, accountability, transparency, and board composition.

Qualitative data from open-ended responses were analysed thematically. Thematic analysis allowed the identification of recurring patterns, insights, and governance challenges as described by board members. This approach enriched the statistical findings by providing context and depth, highlighting not only what the trends were but also why they occurred.

By integrating statistical results with thematic insights, the study ensured a more holistic analysis. This triangulation enhanced both the reliability and validity of the findings, allowing for stronger conclusions and more practical recommendations.

3.10 Research Design Limitations

The study was limited to the 42 member institutions of the SADC DFRC DFI network. Out of these, 16 institutions responded, representing a 38% response rate. While this is a reasonable response level for cross-country governance research, it nonetheless constrains the generalisability of the findings to the broader population of DFIs in the SADC region.

Some DFIs are located in non-English-speaking countries, which created potential challenges regarding the translation of the questionnaire into Portuguese and French. Although efforts were made to ensure clarity, language barriers may have influenced the completeness or accuracy of responses.

The study relied primarily on self-reported data obtained through questionnaires. This introduces the possibility of response bias, as participants may provide socially desirable answers or underreport governance weaknesses. Although the inclusion of both structured and unstructured questions helped to mitigate this risk, the findings should be interpreted with this limitation in mind.

3.11 Conclusion

This chapter outlined the research methodology employed to investigate the impact of direct ministerial appointments on the board effectiveness of DFIs within the SADC region. A mixed-methods approach was adopted to provide a comprehensive understanding of how political appointments shape governance dynamics, including board effectiveness, ethical leadership, director independence, board composition, accountability, and transparency in state-owned DFIs.

By operationalising the theoretical constructs, the study established a clear framework for assessing the governance themes under investigation. The use of a structured questionnaire, complemented by open-ended qualitative responses, enabled the collection of both quantitative data (capturing measurable trends) and qualitative insights (revealing contextual depth). Targeting board chairpersons and CEOs ensured that perspectives were drawn from the key governance actors best positioned to provide informed views on internal board dynamics.

While acknowledging limitations such as language barriers, geographic scope, and reliance on self-reported data, measures including pilot testing and stakeholder consultation were undertaken to enhance the instrument's reliability and validity.

Overall, the methodology provided a robust foundation for empirical analysis in subsequent chapters, supporting the study's aim of informing governance and policy reform. In doing so, it contributes to promoting more effective leadership and stronger governance practices in DFIs across the SADC region.

Having outlined the methodological framework, research design, and data collection procedures, the next chapter presents the empirical findings of the study. Chapter 4 provides both quantitative and qualitative results derived from the survey of DFIs in the SADC region. The analysis is structured around the core governance constructs identified in the literature review and operationalised in this study namely, board effectiveness, ethical leadership, director independence, board composition, accountability, transparency, and governance challenges. These findings form the basis for the discussion in Chapter 5, where they are interpreted through the lens of the theoretical framework and existing scholarship.

RESULTS

4.1 Introduction

This chapter presents the findings of the study on the impact of ministerial appointments on the effectiveness of boards within DFIs in the SADC region. The results are drawn from both quantitative and qualitative data collected through the survey instrument. The quantitative data were analysed using descriptive statistics, including mean scores, standard deviations, and percentages, while qualitative responses were subjected to thematic analysis. This dual approach ensured that both measurable patterns and contextual insights were captured

4.2 Research Question One:

How do direct ministerial appointments of directors impact the board appointment process?

The purpose of this research question was to critically evaluate the impact of direct ministerial appointments on the board appointment process and governance quality of DFIs in the SADC region. The specific objectives were to:

4.2.1 Examine the transparency and procedural fairness of board appointment processes in DFIs.

4.2.2 Assess the extent of political influence in board appointments and its perceived effect on board independence and governance quality.

4.2.3 Evaluate the role of board participation in the nomination or recommendation of new members based on identified skill gaps.

4.2.4 Determine the perceived relationship between the nature of board appointments and the overall effectiveness of the board in fulfilling its governance mandate.

4.2.5 Identify areas for improvement in board appointment practices that could enhance board performance and strategic oversight in DFIs.

The data for this research question was derived from responses to a Likert-scale questionnaire measuring perceptions of the effect of ministerial appointments on board appointment processes. Responses were rated on a five-point scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Table 4.1: Impact of Ministerial Appointments on the Board Appointment Process

Question		Mean Score	Standard Deviation
1	Our board appointments are made by the relevant line minister.	3.56	1.36
2	The board appointment process is transparent, merit-based, and publicly known.	3.31	0.95
3	Appointments are free from political interference and based on relevant skills, qualifications, and experience of the directors.	3.62	1.26
4	Ministerial appointments may influence the independence and objectivity of the board.	3.06	1.29
5	The board is involved in recommending new members based on identified skills gaps the board.	2.69	1.35

The findings in Table 4.1 indicate a moderate perception that ministerial influence plays a significant role in the board appointment process within DFIs in the SADC region. Respondents moderately agreed (mean = 3.56) that board appointments are primarily made by the line minister, confirming a high level of direct government involvement. However, perceptions regarding the transparency and fairness of these processes were weaker (mean = 3.31), reflecting concerns about openness and procedural integrity.

Interestingly, a relatively higher agreement (mean = 3.62) was observed regarding the view that appointments are based on skills, qualifications, and experience, which indicates some confidence in the competence of ministerial appointees. Nonetheless, the relatively high standard deviation (1.26) suggests divergent perceptions, with some respondents questioning the consistency of merit-based criteria.

Concerns about board independence are evident in the lower mean score (3.06) regarding whether ministerial appointments affect the objectivity and independence of boards. This

suggests a perceived risk of compromised autonomy, particularly where appointments are politically motivated.

The lowest score (mean = 2.69) was recorded for board involvement in recommending new members, highlighting a limited role for boards in shaping their own composition and pointing to potential misalignment with identified skill needs.

Overall, the results suggest that ministerial appointments are perceived as politically influential yet not entirely devoid of merit-based considerations. While some confidence exists that appointees possess appropriate skills and qualifications, concerns remain regarding:

- Transparency of the process,
- Board independence and objectivity, and
- Board participation in nomination and succession planning.

These findings highlight a tension between political control and governance quality. Ministerial involvement, while ensuring government oversight, risks undermining meritocracy, independence, and strategic alignment key elements for effective board performance in DFIs.

In summary, the findings suggest that while merit-based criteria are not completely absent, ministerial appointments raise significant concerns regarding independence, transparency,

and alignment with governance best practice. To improve the quality and credibility of appointments, DFIs would benefit from more structured, transparent, and skills-based processes, with greater involvement of boards in identifying gaps and nominating qualified candidates.

4.3 Research Question Two

How does the direct appointment of directors by ministers impact the effectiveness of DFI boards in the SADC region?

The objective of this research question was to evaluate the extent to which direct ministerial appointments influence the overall effectiveness of DFI boards in the SADC region. The analysis focused on the impact of such appointments on strategic direction, board competence, director participation in board meetings, and the provision of governance oversight.

A five-point Likert scale was used to measure perceptions of board effectiveness, with responses analysed for means and standard deviations. Higher mean values indicated greater agreement, while higher standard deviations reflected more varied opinions among respondents.

Table 4.2: The Impact of Ministerial Appointments on Board Effectiveness

Question	Narration	Mean	Standard Deviation
6	The board provides strategic direction and oversight that effectively supports the organisation's mandate.	4.25	1.24
7	Board members possess the necessary expertise to oversee the organisation effectively.	4.25	0.86
8	The board regularly evaluates its own performance and that of management.	4.00	1.15
9	Board members actively participate in meetings and strategic decision-making.	4.62	0.50

The results in Table 4.2 above reveal an overall positive perception of board effectiveness, despite the direct role of ministers in appointing directors. Respondents rated board effectiveness highly, with an overall mean score of 4.28 on a five-point Likert scale, suggesting that boards are generally seen as functional and capable of fulfilling their mandates.

Participation and engagement: Board members were perceived to actively participate in meetings and contribute meaningfully to strategic decision-making (mean = 4.62, SD = 0.50). This reflects a strong consensus that directors are engaged in governance processes.

Strategic direction and oversight: Respondents agreed that boards provide strategic direction and oversight consistent with institutional mandates (mean = 4.25, SD = 1.24). The relatively high standard deviation suggests variation across institutions, implying that not all boards consistently demonstrate this level of effectiveness.

Competence and expertise: The competence of directors was positively rated, with respondents indicating that members possess the requisite skills and expertise to effectively oversee their institutions (mean = 4.25, SD = 0.86).

Evaluation practices: Performance evaluation of boards was rated slightly lower, though still favourable (mean = 4.00, SD = 1.15). This suggests that while evaluation mechanisms exist, they may not be uniformly rigorous or consistently applied across DFIs.

Overall, the findings indicate that direct ministerial appointments have not fundamentally undermined board effectiveness in DFIs across the SADC region. Boards are largely perceived as competent, participatory, and effective in providing strategic oversight. However, the variability in responses particularly regarding strategic oversight and board evaluations highlights institutional differences in how political appointments influence effectiveness. This suggests that while some DFIs maintain high levels of governance performance, others may experience challenges where political considerations outweigh professional competence, thereby affecting consistency in board effectiveness.

4.4 Research Question Three

How does the direct appointment of directors of DFIs by the minister affect the ethical leadership of boards?

The objective of this research question was to evaluate the extent to which direct ministerial appointments influence the ethical leadership of DFI boards in the SADC region. Specifically, the focus was on whether such appointments affect integrity, the embedding of an ethical culture, conflict-of-interest management, and accountability mechanisms. Ethical leadership was assessed through indicators such as integrity, ethical culture, conflict-of-interest management, and responsiveness to unethical conduct.

Table 4.3: The Impact of Ministerial Appointments on Ethical Leadership

Statement	Mean	Std Dev
Board members act in good faith, in the best interest of the institution	4.38	0.99
Ethical leadership is embedded in the culture of the board	4.44	0.73
Conflicts of interest are managed through clear policies	4.56	0.63
Unethical behaviour is promptly addressed	4.13	0.69

The findings in Table 4.3 above reflect a generally strong positive perception of ethical leadership, with an overall mean score of 4.38 and a moderate standard deviation (0.76). This suggests that, despite political influence in appointments, boards are broadly perceived as maintaining ethical standards in decision-making and governance processes.

Conflict-of-interest management: The highest-rated item was *"Conflicts of interest are managed through clear policies"* (Mean = 4.56; SD = 0.63). This indicates that mechanisms are generally in place to safeguard board decision-making from personal or

political interests, consistent with Agency Theory, which highlights the importance of governance structures in minimising agency costs.

Ethical culture: Respondents strongly agreed that *"Ethical leadership is embedded in the culture of the board"* (Mean = 4.44; SD = 0.73). This finding suggests that ethical conduct is viewed as a consistent and expected norm across DFIs, aligning with Institutional Theory, which emphasises the role of cultural expectations and formal norms in shaping organisational behaviour.

Good faith conduct: The statement *"Board members act in good faith, in the best interest of the institution"* received a high rating (Mean = 4.38; SD = 0.99). However, the higher standard deviation indicates variation across institutions, implying that some boards adhere more strongly to ethical principles than others.

Addressing unethical behaviour: The lowest-rated item was *"Unethical behaviour is promptly addressed"* (Mean = 4.13; SD = 0.69). Although still positive, this result suggests that enforcement gaps exist, particularly when addressing misconduct involving politically connected directors. This aligns with literature highlighting how political patronage can weaken accountability by shielding directors from sanction (Lim, 2021; Sithomola, 2019).

These findings resonate with Stewardship Theory, which suggests that directors can act as responsible stewards when motivated by organisational goals, but also with Agency

Theory, which highlights the need for structural safeguards to reduce risks of opportunistic behaviour.

4.5 Research Question Four

What is the influence of direct appointments on the independence of directors in DFIs?

The objective of this research question was to evaluate whether directors appointed by ministers in DFIs across the SADC region are able to exercise independence and unfettered discretion in board decision-making. It specifically assessed how political appointments affect impartiality, autonomy, and the professional judgment of board directors.

Table (4.4): The Impact of Ministerial Appointments on Director Independence

Statement	Mean	Std Dev
Government-appointed directors act independently	3.56	0.87
Presence of sufficient number of independent directors	3.94	0.63
Independent directors are free from conflicts of interest	4.00	0.63

The results presented in Table 4.4 indicate that directors appointed by ministers in DFIs across the SADC region are generally perceived as independent, though concerns remain regarding the extent of such independence in practice.

Respondents expressed mixed views on whether government-appointed directors consistently act independently (Mean = 3.56, SD = 0.87). This moderate score suggests some reservations about impartiality and highlights the potential for political influence to undermine director autonomy.

By contrast, the presence of a sufficient number of independent directors on boards was rated more positively (Mean = 3.94, SD = 0.63). This suggests that DFI boards are structurally designed to include independent voices, even if the independence of ministerially appointed directors is not always fully assured.

Confidence in ethical conduct is further reflected in the relatively high score for the statement that independent directors are free from conflicts of interest (Mean = 4.00, SD = 0.63). This shows that, at least formally, mechanisms to protect impartiality are recognised and valued across institutions.

Overall, the findings suggest that structural independence (in terms of board composition) may be present, but functional and perceived independence is more variable when directors

are appointed by ministers. This highlights a tension between institutional frameworks that promote independence and political realities that can compromise it.

The evidence reinforces the need for transparent and merit-based appointment processes, complemented by safeguards to protect board members from undue influence. This would help ensure that directors whether ministerially appointed or not can exercise unfettered judgment in the best interest of their institutions.

4.6 Research Question Five

How are board composition and structure affected by direct ministerial appointments in DFIs?

The objective of this research question was to evaluate whether ministerial appointments influence the structure and quality of board composition in DFIs in the SADC region. Specifically, the focus was on assessing the diversity, size, skill mix, and committee structuring of boards where directors are politically appointed.

Table 4.5: The impact of ministerial appointments on Board Composition

Statement	Mean	Standard Deviation
The board possesses a suitable mix of skills and experience	4.08	1.02
The board size is appropriate for effective governance	4.19	0.85
The board reflects diversity and inclusion in its composition	4.19	0.92
The board has well-structured and effective committees	3.88	1.28

The results from Table 4.5 suggest that, overall, board composition in DFIs is viewed positively, though notable concerns persist where political influence intersects with governance structuring.

Skills and experience were rated fairly high (Mean = 4.08), reflecting confidence in boards' collective capabilities. However, the relatively high standard deviation (SD = 1.02) suggests unevenness in the quality of appointments, potentially linked to politicisation in certain jurisdictions.

Board size received a favourable score (Mean = 4.19, SD = 0.85), indicating that respondents generally perceive boards as adequately sized for effective governance.

Diversity and inclusion also scored positively (Mean = 4.19, SD = 0.92), pointing to representational balance in gender, demographics, and professional backgrounds.

Nonetheless, variability indicates that some DFIs may lag in consistently applying diversity principles.

Board committees were rated lowest (Mean = 3.88, SD = 1.28), highlighting concerns about their clarity, independence, and effectiveness. This area may be particularly vulnerable to political interference, as committee structuring often determines how well boards oversee specialised functions such as audit, risk, and remuneration.

In summary, while DFI boards demonstrate generally acceptable levels of diversity, size, and skills, ministerial appointments contribute to inconsistency in quality and effectiveness, particularly with respect to committee structuring. Strengthening committee independence and ensuring merit-based appointments remain critical for enhancing board composition and functionality.

4.7 Research Question Six

What is the effect of direct appointments on accountability and transparency within DFIs' governance practices?

The objective of this research question was to examine how ministerial appointments of directors affect accountability and transparency in DFIs. It sought to determine whether

these appointments support or hinder good governance through transparent decision-making and clear lines of accountability.

Table 4.6: The impact of ministerial appointments on accountability and transparency

Statement	Mean	Standard Deviation
Boards hold executive management accountable	4.41	0.71
Transparency in board decisions and procurement processes is maintained	4.53	0.5
Mechanisms for internal and external accountability are effective	4.12	0.87
Financial disclosures are timely and transparent	4.18	0.81

The findings presented in Table 4.6 reflect a strong overall perception of accountability and transparency in DFIs, despite the influence of ministerial appointments. The key highlights of the findings are:

- Oversight role: Respondents strongly agreed that boards effectively hold executive management accountable (Mean = 4.41, SD = 0.71). This indicates confidence in the supervisory and governance functions of boards across DFIs.

- Transparency in decisions: The highest score was recorded for transparency in board decisions and procurement processes (Mean = 4.53, SD = 0.50), demonstrating broad satisfaction with openness and procedural integrity.

- Accountability mechanisms: Mechanisms for internal and external accountability were rated positively but somewhat lower (Mean = 4.12, SD = 0.87). The higher variation highlights inconsistencies in how accountability systems are embedded across DFIs, with some institutions likely stronger than others in implementing oversight frameworks.

- Financial disclosures: Respondents rated financial disclosures as generally transparent and timely (Mean = 4.18, SD = 0.81). However, the higher standard deviationscore suggests that some DFIs still need to strengthen the frequency, clarity, and comprehensiveness of disclosure practices.

Overall, the results suggest that ministerial appointments have not systematically undermined governance standards in accountability and transparency. Nonetheless, inconsistencies in the implementation of accountability mechanisms and financial disclosure practices across DFIs remain areas for improvement. Strengthening board autonomy, embedding uniform accountability frameworks, and enhancing disclosure standards could mitigate these variations and reinforce public trust.

4.8 Research Question Seven

What challenges are faced by directors serving on the boards of DFIs in the SADC region as a result of the current appointment processes?

This question sought to identify the challenges faced by directors serving on DFI boards in the SADC region, with a particular focus on challenges arising from ministerial appointment processes. It aimed to highlight governance, ethical, operational, and political barriers that may undermine directors' performance, independence, and effectiveness.

Table 4.7: Challenges of serving on a DFI board

Challenge	Mean	Standard Deviation
Political interference and stakeholder pressure	2.82	1.33
Resource constraints and lack of training	3	1.37
Protection and institutional support for directors	3.82	1.15

The results highlight several governance and operational challenges associated with ministerial appointment processes. Respondents moderately agreed that political interference and stakeholder pressure are significant challenges (Mean = 2.82, SD = 1.33). The relatively high variability suggests that the intensity of political influence differs across DFIs, reflecting the uneven governance environments in the region.

Resource constraints and insufficient training were also identified as concerns (Mean = 3.00, SD = 1.37). These findings indicate that many boards lack adequate financial support and structured governance training, which can limit their effectiveness. Politically appointed directors, in particular, may face additional challenges in adapting to complex governance responsibilities without adequate induction and capacity-building opportunities.

On a more positive note, board members reported feeling relatively well protected and supported (Mean = 3.82, SD = 1.15), although the standard deviation suggests that this perception is not uniform across all institutions. This highlights differences in the governance frameworks and institutional maturity of DFIs in the region.

In summary, the findings point to political interference, resource limitations, and uneven institutional support as the primary challenges faced by directors under the current appointment system. These issues undermine independence and governance effectiveness, signalling the need for reforms to strengthen director training, resource allocation, and safeguards against political influence. Together, these challenges constrain directors' ability to act independently and effectively, thereby undermining overall board performance in DFIs.

4.9 Open Ended Questions

The open-ended questions enabled respondents to articulate their views in their own words, thereby providing richer and more nuanced insights than closed-ended questions. This qualitative data adds valuable context to complement the quantitative findings by explaining the reasoning behind responses and highlighting lived governance experiences within DFIs.

4.9.1 Improvements to the Board Appointment Process

Respondents consistently emphasised the need for a more transparent, skills-based, and merit-driven appointment process. The most frequent recommendations included:

- Merit-based appointments: Introducing competency and skills assessments as the primary criteria for selection.
- Board involvement: Allowing boards to provide input or recommendations when appointing new members.
- Independent nominations committees: Establishing impartial bodies to reduce political influence.
- Skills audits: Conducting regular assessments to address competency gaps.
- Board evaluations: Using performance evaluations as a key consideration for reappointments.

- Training and development: Providing regular governance and technical training, particularly in emerging areas such as IT.

4.9.2 Promoting Ethical Leadership in DFIs

To strengthen ethical leadership, respondents identified several approaches:

- Leading by example: Board chairs and senior directors must demonstrate integrity and set the tone.

- Continuous training: Ongoing training in ethics and governance was seen as vital.

- Cultural mainstreaming: Embedding ethical values as a core organisational culture.

- Professionalism and independence: Ensuring appointments are based on merit to strengthen impartiality and ethical accountability.

4.9.3 Barriers to Transparency and Accountability

The responses revealed strong consensus that political interference is the principal barrier to transparency and accountability. Additional barriers included:

- Political influence: Direct ministerial control was perceived as undermining neutrality and accountability.

- Lack of monitoring tools: Limited use of formal mechanisms such as performance audits or scorecards.

- Cultural and structural gaps: Weak consequence management, unclear roles, and fragmented reporting lines.

- Minority views: A small number of respondents believed current mechanisms were sufficient and saw no major barriers.

4.9.4 Improving Board Effectiveness in DFIs

Respondents suggested reforms that focused on strengthening governance, enhancing skills, and promoting collaboration. The key recommendations included:

- Merit and competency based appointments: Prioritising skills over political considerations.

- Performance contracts: Introducing clear performance expectations for boards, linked to monitoring and evaluation.

- Regular training: Expanding professional development, particularly in ESG and IT.

- Regional representation: Encouraging cross-border board participation to foster integration and knowledge-sharing.

- Structural reforms: Clarifying roles, responsibilities, and introducing safeguards against political influence.

4.9.5 Challenges of Serving on a DFI Board

The responses revealed recurring challenges faced by directors:

- Political pressure: Interference from political actors remains a pervasive concern.

- Low remuneration: Insufficient compensation undermines motivation and commitment.

- Limited shareholder support: Weak government or shareholder backing reduces board effectiveness.

- Skills gaps: Some directors lack adequate knowledge of governance or DFI mandates.

- Dual mandates: Balancing developmental objectives with financial sustainability creates governance complexity.

- Information asymmetry: Gaps between management and boards limit effective oversight.

In summary, the open-ended responses highlighted widespread concerns about political interference, skills gaps, and resource constraints, but also offered practical recommendations for reform. Collectively, these findings reinforce the quantitative results and underscore the need for transparent, merit-based appointments, stronger accountability tools, and continuous board development to enhance governance in DFIs.

4.10 Summary of Findings

This section synthesises the key findings from the quantitative and qualitative analyses, organised according to the seven research questions. The results highlight both the strengths and weaknesses of governance practices in DFIs within the SADC region under the current system of ministerial appointments.

4.10.1 Research Question One: Impact on the Appointment Process

The findings revealed mixed perceptions regarding transparency and political neutrality in board appointments. While a majority of respondents agreed that appointments are made by the appropriate authority (Mean = 3.56), fewer believed that the process is free from political interference (Mean = 3.31). The lowest-rated perception concerned the board's role in recommending new members (Mean = 2.69), reflecting minimal involvement of boards in shaping their own composition. High variability (SD = 1.29–1.35) further indicated divergent experiences across institutions. Overall, the appointment process is perceived as formalised but lacking in transparency, independence, and skills-based criteria.

4.10.2 Research Question Two: Impact on Board Effectiveness

Boards were rated positively overall, with a mean of 4.28. Respondents strongly agreed that directors actively participate in meetings (Mean = 4.62) and provide effective strategic direction and oversight (Mean = 4.25). The competency of board members was also affirmed (Mean = 4.13). However, higher standard deviations in some items suggested uneven performance across DFIs, particularly in relation to evaluation practices. While ministerial appointments have not undermined overall board effectiveness, variability points to inconsistent governance outcomes.

4.10.3 Research Question Three: Impact on Ethical Leadership

The results indicated that ethical leadership remains relatively strong in DFIs, with high mean ratings across integrity, conflict-of-interest management, and good-faith conduct (Means above 4.30). Respondents agreed that ethical values are embedded within boards (Mean = 4.44) and conflicts of interest are effectively managed (Mean = 4.56). However, addressing unethical behaviour scored lower (Mean = 4.13), highlighting concerns about enforcement, especially where political connections are involved. These findings suggest that strong ethical frameworks can mitigate the risks associated with political appointments, but enforcement remains inconsistent.

4.10.4 Research Question Four: Impact on Director Independence

Perceptions of director independence were moderate. While respondents expressed some confidence in structural independence (Mean = 3.94 for sufficient independent directors), functional independence was rated lower (Mean = 3.06), suggesting concerns about impartiality in politically influenced environments. High standard deviations reflected differences across institutions, indicating that while independence is not entirely compromised, it is fragile and context dependent.

4.10.5 Research Question Five: Impact on Board Composition and Structure

Board composition was generally rated positively, with diversity (Mean = 4.19) and size (Mean = 4.19) viewed favourably. Skills alignment received a more moderate score (Mean = 4.08), reflecting concerns about whether appointments consistently match institutional needs. The weakest area was the effectiveness of committees (Mean = 3.88), with high variability (SD = 1.28), suggesting that committee structures are particularly vulnerable to political influence and inconsistent governance practices.

4.10.6 Research Question Six: Impact on Accountability and Transparency

Accountability and transparency were among the strongest-rated governance dimensions. Respondents agreed that boards hold executives accountable (Mean = 4.41) and that

decision-making and procurement processes are transparent (Mean = 4.53). Financial disclosures were also viewed positively (Mean = 4.18). However, internal and external accountability mechanisms were rated slightly lower (Mean = 4.12), reflecting inconsistent implementation across DFIs. Overall, political appointments have not eroded accountability where strong governance frameworks are present, but risks remain in weaker institutions.

4.10.7 Research Question Seven: Challenges of Ministerial Appointments

Directors highlighted several challenges associated with ministerial appointments. Political interference and stakeholder pressure scored moderately (Mean = 2.82), but with wide variability, indicating that some DFIs experience greater interference than others. Resource constraints and insufficient training (Mean = 3.00) were also identified as barriers to effectiveness. Directors felt relatively supported (Mean = 3.82), but inconsistently so across institutions. The main challenges identified were political pressure, lack of resources, inadequate training, and difficulties in balancing developmental and financial mandates.

4.10.8 Insights from Open-Ended Questions

The qualitative responses reinforced quantitative findings, with strong calls for:

- Merit-based and transparent appointments through independent nomination committees.

- Performance contracts and board evaluations as preconditions for reappointment.

- Ongoing training and ethics programmes to promote ethical leadership.

- Clearer accountability tools and consequence management to strengthen transparency.

- Regional collaboration and cross-border representation to improve board effectiveness.

- Supportive governance structures to address resource gaps, low remuneration, and political pressures.

In summary, the findings reveal that while boards of DFIs in the SADC region remain functional and effective despite ministerial appointments, significant risks persist. These include political interference, weak succession planning, inconsistent committee functionality, and variability in accountability enforcement. Addressing these gaps requires reforms focused on depoliticised, skills-based appointments, stronger institutional safeguards, and enhanced board development initiatives.

4.11 Conclusion

The findings from this chapter demonstrate that while direct ministerial appointments play a central role in shaping board governance in DFIs across the SADC region, their effects are multifaceted. In some areas, such as board effectiveness, ethical leadership, and accountability, boards have demonstrated resilience and maintained relatively high standards of governance. In other areas, particularly independence, and committee functionality, political influence has raised concerns about consistency, transparency, and impartiality.

With regard to the appointment process, the results indicate that while appointments are largely conducted through formal authority, transparency and meritocracy remain weak. Limited board involvement in recommending candidates (Mean = 2.69) and divergent perceptions of independence (Mean = 3.06) underscore the risks of politicised appointments. These findings suggest that more structured, skills-based, and transparent processes are necessary to strengthen legitimacy and align appointments with institutional needs.

On board effectiveness, the evidence points to strong performance (Mean = 4.28), with directors actively participating in strategic oversight and contributing expertise. This suggests that ministerial appointments do not necessarily erode functional effectiveness, provided that boards are supported by strong governance frameworks. However, variations

across DFIs reveal that outcomes are not uniform and are dependent on institutional maturity and governance culture.

In terms of ethical leadership, respondents affirmed that integrity, good faith, and conflict-of-interest management are embedded in DFI boards, despite political appointments. Yet, variations in addressing unethical conduct highlight the importance of strengthening enforcement and consequence management. Similarly, while director independence is formally safeguarded, the perception of autonomy is inconsistent, raising concerns about the balance between structural independence and functional independence.

Findings on board composition showed that size, diversity, and skill mix are generally viewed positively. However, committee functionality scored lowest, reflecting structural weaknesses and vulnerability to political influence. On accountability and transparency, results were strongly positive, with confidence in boards' ability to oversee management and ensure transparent decision-making. Still, inconsistencies in accountability mechanisms across DFIs suggest room for improvement.

Finally, the analysis of challenges revealed recurring issues such as political interference, resource constraints, limited training, and difficulties in balancing developmental and commercial mandates. These issues undermine director effectiveness and highlight the broader institutional weaknesses that extend beyond the appointment process itself.

In conclusion, the chapter establishes that while DFIs in the SADC region remain largely functional and effective under ministerial appointments, governance risks persist. Political influence creates uneven outcomes, particularly in independence, succession planning, and committee performance. Addressing these concerns requires reforms centred on depoliticised and merit-based appointments, strengthened accountability frameworks, and enhanced director capacity-building. These measures would not only safeguard independence and integrity but also reinforce the long-term sustainability and legitimacy of DFIs in the region.

CHAPTER V:

DISCUSSION

5.1 Discussion of Results

The purpose of this chapter is to interpret and critically analyse the findings presented in Chapter IV in relation to the research objectives, theoretical framework, and existing literature. The discussion focuses on how direct ministerial appointments of directors impact the governance of Development Finance Institutions in the Southern African Development Community region, with particular emphasis on board effectiveness, ethical leadership, independence, board composition, accountability, and transparency.

Overall, the findings reveal a complex relationship between ministerial appointments and board governance. On one hand, DFIs continue to demonstrate resilience, maintaining relatively strong standards of ethical leadership, strategic oversight, and accountability despite political influence. On the other hand, concerns persist regarding transparency in the appointment process, director independence, skills alignment, and the effectiveness of board committees. These findings highlight the dual nature of ministerial appointments; while they can support political legitimacy and policy alignment, they also carry risks of politicisation, reduced autonomy, and weakened governance quality.

This chapter situates these findings within the broader governance literature and theoretical perspectives. Drawing on Agency Theory, Stewardship Theory, Resource Dependence Theory, Stakeholder Theory, and Institutional Theory, the discussion evaluates whether current appointment practices in DFIs strengthen or undermine governance outcomes, and what reforms may be necessary to ensure long-term effectiveness and sustainability.

5.2 Discussion of Research Question 1: *How do direct ministerial appointments of directors impact the board appointment process?*

The analysis of responses related to the board appointment process yielded a mean score of 3.2 with a standard deviation of 0.8, suggesting moderate agreement that direct ministerial appointments affect the transparency and merit of board appointments. Qualitative responses reinforced these findings, with respondents citing the absence of formal nomination procedures, the dominance of political considerations, and the lack of performance-based selection criteria.

From an Agency Theory perspective, this pattern reflects a classic agency dilemma, where board members, as agents, may prioritise the interests of the appointing minister rather than those of the organisation and its broader stakeholders. Institutional Theory further explains this dynamic through coercive isomorphism, where DFIs adopt practices driven by external political pressure to secure legitimacy rather than to improve effectiveness (Scott, 2008;

Tiron-Tudor & Ciolomic, 2022). In this sense, legitimacy stems from political alignment rather than competence, accountability, or governance quality.

The literature supports this interpretation. Political interference in board appointments is a well-documented governance challenge across SOEs in the region (De Visser & Waterhouse, n.d.; Kaunda & Pelser, 2023). Appointment processes often become symbolic, reflecting the political will of ministers instead of being anchored in merit or stakeholder representation. This undermines professionalism and erodes public trust in the governance of DFIs.

The lack of structured appointment mechanisms thus represents more than a procedural weakness; it is an institutionalised governance norm in many DFIs. Ministerial appointments that lack transparency and accountability frequently result in boards with insufficient diversity, compromised independence, and inadequate strategic competence. Empirical studies corroborate this, linking politicised appointments to SOE underperformance and governance breakdowns (Mazikana & Mabenge, 2023; Mutize & Tefera, 2020). As a result, centralised ministerial control often disempowers boards, discourages dissent, and creates governance structures that prioritise political loyalty over competence (Huang et al., 2017a; Apriliyanti & Randøy, 2019).

This practice also runs contrary to Stakeholder Theory, which stresses the importance of inclusive governance and the balanced representation of all legitimate stakeholders'

interests (Freeman, 2010). Instead, board selection in DFIs often excludes key voices such as employees, regulators, and communities, reducing the board's ability to reflect broader developmental priorities.

Ultimately, this politicisation sets a fragile foundation for board composition, accountability, and performance, creating cascading weaknesses in governance outcomes. Reforming the appointment process through independent nominations committees, transparent and competency-driven criteria, and regular skills audits is essential for restoring governance effectiveness and institutional legitimacy in DFIs.

5.3 Discussion of Research Question Two: *How does the direct appointment of directors by ministers affect board effectiveness in DFIs in the SADC region?*

The purpose of this question was to evaluate whether boards composed through ministerial appointments are able to deliver effective oversight, strategic leadership, and participatory governance. The quantitative results presented in Table 4.2 indicated generally high levels of agreement among respondents that DFI boards are effective, with an overall mean score of 4.28. These findings suggest that, despite political appointments, board members are perceived to be active participants in decision-making, competent in oversight, and aligned with institutional strategy.

This outcome challenges the dominant narrative in corporate governance literature that ministerial appointments inherently erode board performance. Instead, the evidence here points towards a more nuanced reality: once appointed, directors often demonstrate professional competence and commitment in fulfilling their duties. This resonates with Stewardship Theory, which posits that directors, even when politically appointed, may act as responsible stewards of institutional mandates when they possess the right expertise and values (Davis et al., 1997; Farnham, 2024; Phiri et al., 2024).

At the same time, the literature cautions that political appointments can introduce risks of compromised independence, overemphasis on political directives, or weak accountability, particularly when meritocratic principles are sidelined (Kaunda & Pelser, 2023; OECD, 2015). This reflects an Agency Theory dilemma, where the alignment of directors' interests may be skewed towards the political principals who appointed them rather than the broader stakeholder base.

The relatively high standard deviations observed for certain indicators particularly those related to strategic oversight and board evaluation practices further suggest that not all DFIs experience ministerial appointments uniformly. In some cases, effectiveness may be maintained through strong institutional frameworks, while in others political patronage may dilute board objectivity and reduce performance. This variability reflects insights from Institutional Theory, which highlights how governance practices are shaped by broader

political and cultural contexts, leading to uneven implementation of governance standards across the SADC region (Scott, 2008).

In summary, while the findings confirm that DFIs in the SADC region can sustain high levels of board effectiveness even under ministerial appointment systems, this effectiveness is not guaranteed. The results underscore the need for governance safeguards such as:

- Transparent and merit-based appointment frameworks that reduce politicisation.
- Regular board performance evaluations to hold directors accountable.
- Ongoing professional development to strengthen directors' governance capabilities.
- Balanced board composition to ensure diversity of thought, independence, and skill coverage.

By embedding these mechanisms, DFIs can ensure that the benefits of stewardship, competence, and commitment are maximised while mitigating the governance risks associated with political appointments.

5.4 Discussion of Research Question Three: *What is the impact of ministerial appointments on ethical leadership within DFI boards?*

Ethical leadership is a cornerstone of sound corporate governance in SOEs) and DFIs, where directors are expected to balance public accountability with institutional performance. This study examined whether ministerial appointments of directors undermine or support ethical leadership in DFIs across the SADC region.

The quantitative findings (Table 4.3) revealed a strong overall perception of ethical leadership (Mean = 4.38, SD = 0.76). Respondents largely agreed that ethical norms are upheld, even in the presence of political appointments. The highest-rated item, *"Conflicts of interest are managed through clear policies"* (Mean = 4.56), suggests that many DFIs have instituted effective frameworks to mitigate ethical risks. This aligns with Agency Theory, which highlights the importance of mechanisms such as conflict-of-interest policies that align the behaviour of politically appointed directors with organisational and public goals (Jensen & Meckling, 1976; IoDSA, 2016).

Equally notable is the agreement that *"Ethical leadership is embedded in the culture of the board"* (Mean = 4.44). This reflects the influence of Institutional Theory, which emphasises that organisations adopt and internalise prevailing societal norms to maintain legitimacy (Meyer & Rowan, 1977; Scott, 2008). The findings indicate that many DFIs

have successfully embedded ethics into their institutional cultures, enabling ethical leadership to persist despite politically influenced appointments.

However, a more cautious interpretation is required in light of the comparatively lower score for *"Unethical behaviour is promptly addressed"* (Mean = 4.13, SD = 0.69). This suggests inconsistency in enforcement of ethical standards, particularly when breaches involve politically connected directors. Literature on SOEs highlights that political patronage may shield certain appointees from accountability, thereby weakening governance integrity (Sithomola, 2019; Lim, 2021). The variability in responses indicates that while ethical frameworks exist, their effectiveness may depend on the autonomy of the board and the political context of the institution.

These findings present a more nuanced picture than the assumption that ministerial appointments invariably erode ethical leadership. While the appointment process may be politicised, Stewardship Theory suggests that directors can still act as stewards of institutional values, provided they are committed to organisational mandates and supported by strong governance structures (Davis et al., 1997). The high ratings for integrity and good faith (Mean = 4.38 and Mean = 4.44) reflect this possibility, demonstrating that appointed directors may uphold ethical norms when institutional safeguards and cultural reinforcement are in place.

In conclusion, the results demonstrate that ethical leadership has not been fundamentally undermined by ministerial appointments in DFIs across the SADC region. Yet, the risk lies in inconsistent enforcement, especially when political interests conflict with governance standards. To sustain ethical leadership, DFIs require depoliticised governance frameworks, stronger accountability mechanisms, and institutional courage to enforce ethical standards impartially.

Ultimately, ethical leadership is not just about appointing individuals of integrity, but about ensuring that governance frameworks, cultural values, and accountability mechanisms empower directors to act consistently, transparently, and in the best interests of the institution and its stakeholders.

5.5 Discussion of Research Question Four: *How does the ministerial appointment of directors affect their independence?*

Director independence is widely regarded as a cornerstone of good corporate governance, enabling objective oversight, impartial decision-making, and effective accountability particularly within state-controlled entities such as DFIs. This research question examined the extent to which direct ministerial appointments influence director independence in DFIs across the SADC region.

The quantitative results from Table 4.4 indicate a moderately positive perception of director independence (overall Mean = 3.83; SD = 0.71). While this suggests general agreement that independence is preserved to some degree, the findings also highlight important reservations, especially regarding government-appointed directors.

The lowest-scoring item, *"Government-appointed directors act independently"* (Mean = 3.56; SD = 0.87), reflects concerns about the impartiality of politically appointed board members. The lower mean, coupled with relatively high variability, suggests that some respondents view these directors as independent, while others perceive loyalty to the appointing minister as undermining their objectivity. This aligns with Agency Theory, which posits that political principals often appoint loyal agents to protect their own interests, potentially at the expense of fiduciary responsibilities and board autonomy (Shleifer & Vishny, 1997). Empirical studies support this concern, finding that political appointments in SOEs frequently weaken director independence, particularly where institutional safeguards are weak or inconsistently enforced (Phiri et al., 2024; Ackers & Adebayo, 2022).

Conversely, respondents expressed more confidence in the structural composition of boards. The statement *"The board includes a sufficient number of independent directors"* (Mean = 3.94; SD = 0.63) indicates that most DFIs appear to comply with recommended governance standards, such as King IV, which advocates for a balance of executive, non-executive, and independent directors (IoDSA, 2016). Similarly, the highest-rated item,

"Independent directors are free from conflicts of interest" (Mean = 4.00; SD = 0.63), suggests that effective governance policies such as codes of conduct and conflict-of-interest frameworks are in place in many DFIs. This reflects Institutional Theory, which argues that organisational practices often conform to formal governance norms and social expectations, even in politically influenced settings (Scott, 2008).

However, the results reveal a critical gap between structural independence (i.e., the presence of independent directors on paper) and functional independence (i.e., the ability of directors to act autonomously in practice). While DFIs may include independent directors, their autonomy may be constrained by informal pressures, fear of dismissal, or perceived loyalty to political principals. This finding resonates with Kaunda & Pelser (2023), who argue that independence in politically influenced environments is often undermined by subtle forms of interference and inadequate protection mechanisms.

The implication is that while DFIs in the SADC region meet the formal requirements of board independence, the behavioural independence of politically appointed directors remains inconsistent. This undermines the board's capacity to hold management and by extension, government stakeholders accountable, raising concerns about transparency, impartial oversight, and public trust.

To strengthen director independence, DFIs should prioritise:

- Transparent and competency-based appointment frameworks that minimise political discretion.

- Legal and institutional protections for directors to act without fear of reprisal.

- Regular board evaluations that explicitly assess independence as a behavioural competency, not just a structural criterion.

In conclusion, ministerial appointments do not entirely negate director independence, but they create significant risks for impartial oversight. For independence to be genuine rather than symbolic, DFIs must reinforce both the formal safeguards and the practical autonomy that allow directors to exercise unbiased judgment. Ensuring independence in practice is crucial for strengthening governance, protecting accountability, and maintaining public trust in DFIs.

5.6 Discussion of Research Question Five: *How do ministerial appointments affect board composition and structure?*

Board composition and structure are critical determinants of effective governance, as they influence a board's ability to provide strategic guidance, oversight, and accountability. This research question explored the extent to which direct ministerial appointments shape the makeup, diversity, and operational structuring of DFI boards in the SADC region.

The quantitative findings from Table 4.5 show that respondents generally perceive board composition positively (overall Mean = 4.09), though the relatively high average standard deviation (SD = 1.02) signals substantial variability across institutions. This inconsistency suggests that while some DFIs exhibit strong structural and compositional governance, others continue to experience weaknesses, likely linked to the politicised nature of appointments.

The highest-rated items were *"The board's size is appropriate for the organisation's needs"* (M = 4.19; SD = 0.85) and *"There is adequate gender, demographic, and inclusive representation"* (M = 4.19; SD = 0.92). These results indicate that DFIs, at least formally, have institutionalised key structural principles of good governance. This aligns with King IV (IoDSA, 2016), which emphasises appropriate size, inclusivity, and diversity as integral to effective governance. It also resonates with Institutional Theory, which argues that organisations often adopt formal governance norms to enhance legitimacy, even when political pressures persist (Scott, 2008).

However, functional aspects of board composition appear less consistent. The item *"The board has a suitable mix of skills, experience, and expertise"* received a strong mean score (M = 4.08) but with a high standard deviation (SD = 1.02). This variation suggests that while some DFIs benefit from boards with the requisite expertise, others face significant skill gaps often due to appointments based on political affiliation rather than merit. This

aligns with Resource Dependence Theory (Pfeffer & Salancik, 1978), which highlights the importance of directors' knowledge, skills, and networks in providing critical resources and enhancing organisational performance. When political factors overshadow competence in appointments, the board's capacity to fulfil this role is diminished.

The weakest and most inconsistent result were for *"Board committees are well-staffed with clearly defined roles"* (M = 3.88; SD = 1.28). This finding highlights a critical governance concern; even where overall board size and diversity appear satisfactory, sub-structures such as audit, risk, and remuneration committees may be under-resourced or politically influenced. Since committees are central to specialised oversight functions, weaknesses in their composition compromise accountability and the board's effectiveness in managing risk, monitoring executive performance, and ensuring robust governance.

These findings echo concerns in the literature that politicised appointments distort the structure and functionality of SOE boards. Scholars argue that without transparent, competency-driven appointment processes, boards often fail to meet international standards of governance quality, despite formal compliance with structural guidelines (Ackers & Adebayo, 2022; Farnham, 2024; Kaunda & Pelser, 2023). The evidence from this study suggests that DFIs in the SADC region face this dual reality; boards that are outwardly compliant with governance codes but functionally constrained by inconsistent skill mixes and committee weaknesses.

In conclusion, the results indicate that while many DFIs maintain sound structural frameworks for board composition and diversity, the politicisation of appointments undermines functional effectiveness. DFIs may meet formal requirements in terms of board size and inclusivity, but gaps in skills alignment and poorly constituted committees weaken overall governance quality. Strengthening merit-based appointments, ensuring skills-based committee placements, and establishing transparent nomination processes are essential reforms to align structural compliance with functional effectiveness.

5.7 Discussion of Research Question Six: *What is the effect of direct appointments on accountability and transparency in DFIs?*

Accountability and transparency are essential pillars of good corporate governance, particularly in DFIs that operate under public mandates and face intense political and stakeholder scrutiny. This research question assessed whether the direct appointment of directors by ministers undermines or supports the perceived strength of accountability and transparency practices in DFIs across the SADC region.

The quantitative results in Table 4.6 show a generally strong perception of accountability and transparency, with an overall mean score of 4.31 and a relatively low standard deviation of 0.70. This indicates broad agreement among respondents and relatively consistent practices across institutions.

The highest scoring item, *"Transparency in board decisions and procurement processes"* (M = 4.53; SD = 0.50), demonstrates strong confidence in open governance, particularly in areas often vulnerable to abuse in politically influenced institutions. The high mean and low variability suggest that many DFIs have institutionalised transparency practices, reinforcing Institutional Theory's assertion that organisations maintain legitimacy by conforming to widely accepted governance norms (Scott, 2008). These results point to the successful adoption of policies and systems that embed transparency in critical decision-making and resource allocation.

Similarly, respondents agreed that *"The board holds executive management accountable"* (M = 4.41; SD = 0.71), reflecting positively on the ability of boards to oversee management and enforce fiduciary responsibilities. The slightly higher standard deviation indicates that assertiveness in oversight may vary across institutions, likely shaped by the strength of internal governance frameworks or the political dynamics of each DFI.

Other areas, including *"Timely, accurate, and transparent disclosure of financial and operational information"* (M = 4.18; SD = 0.72) and *"Mechanisms for internal and external accountability are in place"* (M = 4.12; SD = 0.87), scored favourably but revealed inconsistencies. The relatively higher variability suggests that while many DFIs maintain accountability systems, these mechanisms are unevenly applied, with effectiveness dependent on institutional culture, enforcement capacity, and the willingness of directors to act independently.

From an Agency Theory perspective, these findings are significant. While the theory suggests that politically appointed directors may prioritise the interests of the appointing authority rather than those of the institution or its stakeholders (Jensen & Meckling, 1976), the results indicate that strong institutional frameworks and embedded governance cultures can moderate this risk. Politically appointed directors can and often do participate in effective oversight when supported by robust accountability structures.

Nonetheless, the relatively weaker score for accountability mechanisms underscores a lingering risk. In politically sensitive contexts, ministerial appointees may perceive loyalty to the appointing authority as overriding impartial enforcement, leading to selective application of governance standards (Quaresima, 2019). This weakens accountability and creates disparities across institutions, particularly where board independence is compromised.

In conclusion, the findings suggest that transparency is broadly upheld across DFIs in the SADC region, even under politically influenced boards. However, accountability mechanisms are less consistently effective, reflecting the challenges of balancing political influence with impartial governance. For DFIs to fulfil their developmental mandates sustainably, reforms should focus on strengthening formal accountability tools (e.g., performance scorecards, contracts, and audits), depoliticising enforcement, and ensuring that directors regardless of how they are appointed are empowered to act with integrity and objectivity.

5.8 Discussion of Research Question Seven: *What challenges are faced by directors serving on the boards of DFIs in the SADC region as a result of the current appointment processes?*

This research question sought to identify the governance obstacles faced by directors of DFIs in the SADC region, with particular focus on the implications of ministerial appointment practices. The aim was to establish whether political appointment processes compromise board independence, effectiveness, and capacity.

The results from Table 4.7 present a mixed picture. With an overall mean score of 3.21 and a high standard deviation of 1.28, the findings suggest that while directors face moderate challenges, these challenges vary significantly across DFIs. This variability indicates that the impact of political appointments is uneven as some boards appear relatively well-functioning and shielded from interference, while others are more exposed to governance risks.

The most concerning challenge identified was *"Political interference and stakeholder pressure"* (M = 2.82; SD = 1.33). The relatively low mean suggests respondents do not strongly agree that political interference is effectively managed, highlighting a persistent risk to board independence. The high variability underscores that this challenge is not experienced uniformly across DFIs, but where it does exist, it undermines directors' ability to exercise objective oversight. This observation reflects Agency Theory, which

emphasises that politically appointed directors may act in the interests of appointing ministers rather than the institution or its stakeholders (Jensen & Meckling, 1976). Such dynamics weaken board impartiality, particularly in sensitive areas like executive oversight, strategic planning, and procurement.

A further challenge highlighted by respondents was *"Resource constraints and lack of training"* (M = 3.00; SD = 1.37). This finding points to insufficient investment in director induction, continuous professional development, and governance training. The wide variation across institutions suggests that some DFIs provide adequate resources and training, while others leave directors underprepared. This aligns with Resource Dependence Theory (Pfeffer & Salancik, 1978), which stresses the importance of equipping boards with the expertise and resources necessary to fulfil their strategic and oversight responsibilities. Without adequate training and resourcing, politically appointed directors risk becoming symbolic figureheads rather than effective stewards.

On a more positive note, the statement *"Board members feel sufficiently protected and supported"* received a higher mean score (M = 3.82; SD = 1.15). This suggests that many DFIs have made strides in strengthening institutional protections, providing directors with some degree of assurance against undue interference or personal risk. However, the variation in responses reveals that such protections are not universal. In some institutions, directors still feel vulnerable, which may discourage them from challenging management or resisting political pressures. This concern echoes findings in the literature emphasising

the importance of legal protections, whistleblower safeguards, and institutional backing in fostering effective board performance (Alsop, 2023; Farnham, 2024).

Taken together, the findings highlight three core governance challenges faced by directors under the current appointment regime:

- Political interference and pressure that undermines independence.
- Resource constraints and lack of training that weaken capacity.
- Uneven protection and institutional support that leave some directors exposed to risk.

These challenges are compounded by appointment practices themselves. Ministerial discretion, absent transparent or competency-based nomination frameworks, often results in boards that lack the authority, skills, or independence to govern effectively. The outcome is uneven governance across DFIs: while some benefit from professionalised boards, others remain susceptible to political turbulence, resource limitations, and weak accountability mechanisms.

In conclusion, the discussion of Research Question Seven underscores that ministerial appointments expose DFI boards to variable but significant governance challenges. Addressing these requires reforms aimed at, strengthening merit-based and transparent appointment processes, investing in continuous director development, and embedding

stronger institutional protections. Such measures are critical to ensuring that DFI boards across the SADC region can govern with independence, competence, and resilience in pursuit of their developmental mandates.

5.9 Discussion of Open-Ended Responses

To complement the quantitative findings, open-ended questions were included in the survey to capture the nuanced perspectives of board members and executives regarding the governance of DFIs in the SADC region. Thematic analysis revealed several recurrent issues, political interference in appointments, lack of independence and accountability, skills mismatches, and ethical tensions. These responses provide depth to the statistical trends observed and align with the theoretical constructs underpinning this study.

The qualitative responses offered by participants highlight the *lived realities* of board governance in DFIs, perspectives that cannot be fully captured by quantitative measures alone. These insights reinforce broader patterns in the structured data and shed light on the institutional, cultural, and contextual dynamics shaping governance outcomes.

5.9.1 Reforming the Board Appointment Process

Respondents emphasised the urgent need for transparent and competency-based appointments. Suggested reforms included:

- Independent nomination panels.

- Competency and skills-gap assessments.

- Performance-based contracts and periodic board evaluations.

These responses align with Agency Theory, which cautions that politically appointed directors may prioritise the interests of appointing authorities over those of the organisation (Jensen & Meckling, 1976). They also echo literature advocating the professionalisation of governance in SOEs and DFIs (Ackers & Adebayo, 2022).

5.9.2 Promoting Ethical Leadership

Ethical leadership was viewed as a systemic and cultural issue, not one that could be solved by codes of conduct alone. Key recommendations included:

- Strong ethical tone at the top.
- Regular ethics training.
- Merit-based and politically insulated appointments.

These views resonate with Stewardship Theory, which frames directors as custodians of organisational values. Respondents stressed that ethical leadership thrives when embedded in institutional culture and insulated from political pressures.

5.9.3 Barriers to Accountability and Transparency

Political interference was repeatedly cited as the primary barrier to accountability. Respondents also noted:

- The absence of effective monitoring tools (e.g., scorecards, audits).
- Weak consequence management.
- Fragmented reporting structures.

While quantitative data suggested strong perceptions of transparency, these qualitative views caution that formal mechanisms may lack consistent enforcement, particularly when politically connected directors are involved. This reflects Institutional Theory, which warns of gaps between formal structures and informal political norms.

5.9.4 Enhancing Board Effectiveness

Respondents highlighted the need to:

- Strengthen induction and continuous training (e.g., ESG, IT, governance).
- Implement performance management frameworks.
- Explore regional collaboration and knowledge sharing.

These insights align with Resource Dependence Theory, underscoring the importance of equipping boards with the skills, information, and networks required for effective governance. Regional cooperation was also seen as a potential avenue for innovation and harmonisation of governance standards.

5.9.5 Challenges of Serving on DFI Boards

Directors candidly described the governance complexity of DFIs, citing challenges such as:

- Persistent political pressure.

- Low remuneration and inadequate institutional support.

- Limited shareholder backing.

- Skills deficits on boards.

- Tensions between developmental mandates and financial sustainability.

- Information asymmetry between board and management.

These challenges mirror earlier quantitative findings (especially RQ2 and RQ7), reinforcing how political influence and structural weaknesses undermine board effectiveness. From a theoretical standpoint, these issues reflect both Agency Theory (misaligned incentives) and Institutional Theory (inconsistent governance norms).

5.10 Summary of Discussion

This chapter critically examined the impact of ministerial appointments on the governance outcomes of DFIs in the SADC region, integrating quantitative survey data with qualitative insights. The key insights are summarized below:

- Board Appointments: Quantitative and qualitative results converge on the conclusion that appointment processes are often politicised, opaque, and weakly aligned with governance best practices. Respondents called for independent nomination frameworks, skills-based selection, and performance-linked reappointments.

- Ethical Leadership: While generally maintained, ethical governance is vulnerable to selective enforcement, especially where political patronage shields appointees from sanction.

- Director Independence: Independence was upheld in form (structural independence) but not always in function, as political loyalty or informal pressures often compromised impartiality.

- Board Composition: DFIs were perceived as inclusive in terms of size and diversity, but skills mismatches and weak committees limited functional effectiveness.

- Transparency and Accountability: Transparency was broadly observed, but accountability mechanisms were inconsistently enforced, particularly under political influence.

- Challenges: Directors face political pressure, insufficient training, low remuneration, and mandate complexity. These issues reinforce the structural vulnerabilities of boards governed by political appointments.

Overall, the findings demonstrate that although DFIs in the SADC region frequently operate under politically influenced appointment regimes, governance effectiveness can be preserved through:

- Robust institutional safeguards.
- Professionalisation of board practices.
- Depoliticisation and reform of governance frameworks.

This nuanced picture reveals that political appointments do not automatically lead to governance failure, but without reforms in appointment processes, independence, and accountability mechanisms, the risks to board effectiveness and public trust remain significant.

CHAPTER VI:

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

6.1 Summary, Implications, and Recommendations

The purpose of this chapter is to consolidate the key findings of the study, highlight their theoretical and practical implications, and provide actionable recommendations for strengthening governance in Development Finance Institutions (DFIs) within the Southern African Development Community (SADC) region. Building on the analysis presented in Chapters IV and V, this chapter evaluates how direct ministerial appointments affect board governance, effectiveness, independence, ethical leadership, composition, accountability, and transparency. It also identifies structural challenges faced by directors and offers pathways for reform.

The findings reveal a paradoxical outcome; while DFIs have demonstrated resilience in maintaining effectiveness, ethical leadership, and accountability, the ministerial appointment process remains vulnerable to politicisation, inconsistent skills alignment, and weakened independence. This duality underscores the complexity of balancing political oversight with good governance principles.

This study set out to examine the impact of direct ministerial appointments on the governance and board effectiveness of DFIs in the SADC region. The research was motivated by increasing concerns over political interference, compromised director independence, and persistent governance weaknesses within DFIs that play a pivotal role in financing long-term national and regional development.

Grounded in a multi-theoretical framework comprising Agency Theory, Stewardship Theory, Institutional Theory, Resource Dependence Theory, and Stakeholder Theory, the study applied a mixed-methods approach. Quantitative data were gathered through structured Likert-scale questionnaires, while qualitative insights were obtained from open-ended responses, ensuring both breadth and depth of analysis.

The study addressed seven research questions, each focusing on how ministerial appointments influence core aspects of governance in DFIs, namely: board effectiveness, ethical leadership, director independence, accountability, transparency, board composition, and governance challenges.

The findings revealed that, although governance mechanisms are present in most DFIs, ministerial appointments partially undermine the principles of independence, meritocracy, and professional board conduct. Political influence remains a pervasive challenge, creating variability in governance quality across institutions.

6.1.1 Board Effectiveness

Board effectiveness was found to be moderately compromised where directors are politically appointed without reference to skills alignment, prior experience, or performance criteria. While many boards displayed functional effectiveness in strategic direction and oversight, inconsistencies emerged, particularly where appointments prioritised political loyalty over competence.

6.1.2 Ethical Leadership

Ethical leadership remains relatively strong in tone and culture, with boards demonstrating commitment to integrity, fairness, and conflict-of-interest management. However, enforcement of ethical conduct was inconsistently institutionalised, particularly in politically sensitive cases where directors appeared insulated from accountability.

6.1.3 Director Independence

Director independence emerged as a notable weakness. Although many boards included formally independent directors, political appointees often struggled to demonstrate full autonomy in decision-making. Independence was especially undermined in contexts where political sensitivities or allegiance to the appointing authority prevailed, compromising impartiality and objectivity.

6.1.4 Accountability and Transparency

Accountability and transparency structures were found to exist but vary widely in enforcement and effectiveness. While boards generally held management to account and demonstrated transparency in decisions and disclosures, inconsistencies across institutions weakened the overall impact. In some DFIs, accountability mechanisms were present only in form rather than practice, reflecting selective enforcement.

6.1.5 Board Composition and Structure

Board composition and structure were found to be uneven across DFIs. While some institutions demonstrated inclusive representation, diversity, and adequate board size, others lacked skills-based appointments, relevant expertise, or functional board committees. Political influence was particularly evident in committee structuring, where effectiveness was most undermined.

6.1.6 Governance Challenges

Respondents identified persistent political pressure, resource limitations, inadequate remuneration, and insufficient training as major governance challenges. These factors

limited the independence, capacity, and confidence of directors, thereby weakening overall governance performance.

6.2 Implications of the Findings

6.2.1 Contributions to Literature

This study makes several important contributions to the body of corporate governance literature, particularly in the underexplored context of Development Finance Institutions (DFIs) within the SADC region. While the governance of SOEs has been widely studied in advanced economies and some emerging markets, there remains limited empirical analysis of DFIs in sub-Saharan Africa. This research addresses that gap in the following ways:

- Contextual Contribution: By situating the study within the SADC region, the research responds to calls for more context-sensitive governance research in emerging economies (Ackers & Adebayo, 2022; Mazikana & Mabenge, 2023). It highlights how institutional legacies of political control, combined with developmental mandates, uniquely shape board dynamics in African DFIs.
- Theoretical Advancement: The study integrates five governance theories to provide a holistic analytical framework. While Agency Theory has traditionally dominated governance debates, the findings show the relevance of Institutional Theory

(explaining coercive isomorphism in ministerial appointments), Stewardship Theory (where some appointees act as capable custodians), Stakeholder Theory (acknowledging multi-constituency accountability), and Resource Dependence Theory (skills and networks influencing board effectiveness). Few prior studies have simultaneously operationalised this combination in an African SOE/DFI context.

- Empirical Contribution: The study provides original survey evidence from 16 DFIs across the region, supplemented by qualitative insights. This empirical base strengthens the literature by demonstrating that while ministerial appointments do compromise independence and transparency, boards often maintain ethical leadership and partial effectiveness through institutionalised governance mechanisms.

- Literature Bridging: Existing studies often portray political appointments as uniformly detrimental (Collins et al., 2013; Hlobo et al., 2022). This research adds nuance by showing that outcomes vary depending on board culture, governance safeguards, and director competencies. It therefore bridges literature that emphasises failure (e.g., Mazikana & Mabenge, 2023) with scholarship that highlights contexts where political connections can sometimes add value (Hu & Leung, 2008).

6.2.2 Connections and Differences with Existing Literature

The findings of this study provide both alignment and divergence from prior studies:

- Consistent with Agency Theory critiques (Jensen & Meckling, 1976; Kaunda & Pelser, 2023), the results show that ministerial appointments often undermine independence and accountability, echoing findings from South Africa (Thabane & Snyman Van Deventer, 2018) and Zimbabwe (Mazikana & Mabenge, 2023).

- The challenge of politicised appointments producing weak governance aligns with international observations in SOEs (OECD, 2015; Apriliyanti, 2023).

- Variability in skills mix and committee functionality supports findings by Ackers & Adebayo (2022) that politically influenced boards frequently lack governance professionalism.

- Contrary to studies emphasising uniform governance failure in politically appointed boards (Collins et al., 2013; Hlobo et al., 2022), this research finds that board effectiveness and ethical leadership can be sustained, provided institutional safeguards are robust.

- While Shao (2019) and Bhagat & Black (2001) question the link between board independence and performance, this study's results highlight that perceptions of independence do matter in shaping trust and legitimacy, even when formal independence is partially compromised.

- The findings echo Stewardship Theory, diverging from purely agency-driven assumptions, by showing that some politically appointed directors act in the long-term interests of the institution, consistent with Farnham (2024) and Phiri et al. (2024).

This nuanced contribution expands the discourse by demonstrating that political appointments are not monolithically detrimental but contextually contingent, depending on institutional design, board culture, and enforcement mechanisms.

6.2.3 Implications for Key Participants and Policymakers

The findings carry significant implications for policymakers and governments, regulators, and boards themselves.

6.2.3.1 Policymakers and Governments

The study underscores the urgent need to depoliticise board appointments by institutionalising transparent, merit-based nomination processes. Independent nomination committees, skills audits, and performance-based reappointments are essential reforms. Governments should adopt an "arm's length" approach, respecting board autonomy while exercising shareholder oversight through parliament and regulatory frameworks.

6.2.3.2 Regulators (e.g., SADC DFRC, national oversight bodies)

Regulators must strengthen monitoring tools such as performance contracts, scorecards, and governance audits to ensure accountability frameworks are not symbolic. Regional harmonisation of governance standards can mitigate institutional variability across DFIs, promoting stability and trust in cross-border development initiatives.

6.2.3.3 Boards and Directors

Boards must strengthen internal governance culture to reinforce ethical leadership and independence, even in politically influenced settings. Training and professional development especially in areas like ESG, IT, and development finance are vital for equipping directors with the skills required for effective stewardship. Regular and transparent board evaluations should be institutionalised, focusing on independence, committee functionality, and ethical leadership.

6.3 Recommendations for Future Research

While this study has provided important insights into the governance challenges of DFIs in the SADC region, several limitations highlight areas for further research. First, the geographic scope was limited to selected DFIs across the SADC region, and future studies could expand the sample to include a broader range of DFIs in Africa and other regions to

enable cross-regional comparisons. Second, the study primarily relied on the perceptions of board members and executives; incorporating perspectives from regulators, government stakeholders, and beneficiaries of DFI services would provide a more holistic understanding of governance effectiveness.

Third, the study employed a mixed-methods design, but future research could adopt longitudinal approaches to capture how governance dynamics evolve over time, particularly as political contexts and institutional reforms change. Additionally, comparative studies between DFIs with politically appointed boards and those with merit-based or hybrid appointment models could provide deeper insights into the causal relationship between appointment processes and governance outcomes.

Finally, there is scope for examining thematic areas such as gender diversity, digital transformation, ESG integration, and geopolitical influences on DFI governance. These dimensions are increasingly relevant for board effectiveness and could extend the contribution of governance scholarship in emerging market contexts.

This study has provided important insights into the effects of ministerial appointments on governance and board effectiveness in DFIs within the SADC region. However, as with any empirical investigation, the findings are bounded by contextual and methodological limitations.

6.4 Conclusion

This chapter has consolidated the key findings of the study, discussed their theoretical and practical implications, and advanced recommendations to strengthen the governance of DFIs. The analysis underscores that the effectiveness of DFIs in fulfilling their development mandates is determined not only by financial and operational instruments but also, critically, by the robustness of their governance frameworks. Independent, transparent, and accountable boards are indispensable in ensuring that DFIs maintain legitimacy, safeguard public trust, and deliver sustainable development outcomes.

The evidence presented demonstrates that while DFIs have established formal governance mechanisms, the persistent influence of ministerial appointments undermines meritocracy, director independence, and the consistent enforcement of accountability. Nevertheless, the study also revealed areas of resilience, such as strong ethical leadership frameworks and perceptions of board effectiveness, particularly where institutions have embedded robust ethical codes, skills-based oversight, and performance-driven governance practices.

The dissertation makes both theoretical and practical contributions. Theoretically, it extends the application of Agency Theory, Institutional Theory, Resource Dependence Theory, Stewardship Theory, and Stakeholder Theory to the DFI governance context in Southern Africa, highlighting how political appointments shape governance outcomes across these multiple lenses. Practically, the findings provide policymakers, regulators, and

institutional leaders with evidence-based insights into the reforms required to strengthen board governance. These include the adoption of transparent, competency-driven appointment frameworks, stronger safeguards for director independence, enhanced accountability mechanisms, and greater investment in director training and development.

Ultimately, addressing the entrenched political influence in board appointments remains the most critical challenge to effective governance in DFIs. By pursuing structural reforms, fostering ethical leadership, and institutionalising transparent accountability systems, DFIs in the SADC region can enhance their legitimacy and capacity to deliver on their developmental mandates. Strengthened governance will not only improve institutional performance but also ensure that DFIs contribute meaningfully to the broader goals of sustainable economic growth and poverty reduction across the region.

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28th April 2025

Subject: Invitation to Participate in Research Survey on - Corporate Governance and Board Effectiveness in Development Finance Institutions (DFIs) in the Southern African Development Community (SADC) region

Dear Esteemed Participant

I am conducting a research study titled "The Impact of Board Appointment Practices and Governance Structures on the Effectiveness of State-Owned Enterprises in the SADC Region." This research forms part of my academic work and aims to explore how ministerial appointments, ethical leadership, director independence, transparency, and accountability affect board performance in SOEs.

You are invited to participate in this survey because of your expertise and experience in matters relating to governance in State-Owned Enterprises. Your input will provide valuable insights into the practical governance challenges faced by SOEs and help contribute to improved corporate governance frameworks in the region.

Participation is entirely voluntary, and the survey is designed to take approximately 20–30 minutes to complete. All responses will be treated with strict confidentiality, and no personally identifying information will be disclosed.

The data will be aggregated for academic purposes only and used to inform research findings without attributing responses to any individual or entity.

Key Information:

- Estimated Time: 20–30 minutes
- Participation Deadline: 30 May 2025
- Confidentiality Assured: Responses are anonymous and confidential.
- Voluntary Participation: You may withdraw at any stage without any penalty.

Your experiences and perspectives are highly valued and will make an important contribution to the body of knowledge on board governance in DFIs in the SADC region.

Should you have any questions or require additional information, please contact me at jpongaponga@icloud.com or +267 72140474

Thank you for considering participating in this research.

Yours sincerely,

Musonda Jonnah Pongaponga
Doctoral Student

APPENDIX B

INFORMED CONSENT

Musonda Jonnah Pongaponga

Swiss School of Business Management

jpongaponga@icloud.com   +267 72140474

10th May 2025

INFORMED CONSENT LETTER FOR PARTICIPATION IN A RESEARCH STUDY

Title of Study:

'Corporate Governance and Board Effectiveness in Development Finance Institutions (DFIs) in the Southern African Development Community (SADC) region. '

Principal Researcher:

Musonda Jonnah Pongaponga

Swiss School of Business and Management

Purpose of the Study

This study aims to generate insights into how governance structures and ministerial appointments affect board effectiveness and corporate governance outcomes in SOEs across the SADC region.

Participation

Your participation in this study is entirely voluntary. You may decline to answer any questions and may withdraw at any time without giving any reason or facing any penalty.

Procedures

If you voluntarily agree to participate, you will be asked to complete a questionnaire that should take approximately 20–30 minutes of your time.

Risks and Benefits

There are no anticipated risks associated with this research. While you may not receive direct personal benefits, your input will contribute to improving governance frameworks in SOEs within the region.

Confidentiality and Anonymity

All responses will remain confidential. No identifying information will be collected or linked to your responses. Data will be used for academic purposes only and reported in aggregate form.

APPENDIX   C

QUESTIONNAIRE

CORPORATE GOVERNANCE AND BOARD EFFECTIVENESS IN DEVELOPMENT FINANCE INSTITUTIONS (DFIs) IN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) REGION

ABSTRACT

The Southern African Development Community (SADC) region hosts 42 Development Finance Institutions (DFIs) under the SADC Development Finance Resource Centre (DFRC). As predominantly State-Owned Entities (SOEs), their governance structures significantly impact their effectiveness in achieving economic development goals. This research examines the influence of direct ministerial appointments on board effectiveness, ethical leadership, director independence, transparency, and accountability. Findings indicate that political appointments often undermine board autonomy, leading to conflicts of interest, inefficiencies, poor financial performance, and governance challenges. This study further explores board processes and advocates governance reforms, including merit-based director selection, strengthened independence, and enhanced transparency. By addressing governance challenges, DFIs can improve their performance and efficiently contribute to economic development and consequently poverty alleviation in the SADC region.

This survey further aims to assess the efficacy of State-Owned Entity (SOE) boards within the SADC region, with a particular focus on the implications of ministerial appointments of board members on, ethical leadership, board structure and composition, independence,

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accountability, and transparency. The insights garnered from this survey will elucidate existing challenges and pinpoint areas for remediation and enhancement.

QUESTIONNAIRE

Instructions: Please indicate your level of agreement with the following statements using the provided scoring scale below:

1- Strongly Disagree | 2 - Disagree | 3 - Neutral | 4 - Agree | 5 - Strongly Agree

A. Board Appointment Process

1. Our board appointments are made by the relevant line minister.

2. The board appointment process is transparent, merit-based, and publicly known.

3. Appointments are free from political interference and are based on relevant skills, qualifications and experience.

4. Ministerial appointments may influence the independence and objectivity of the board.

5. The board is involved in recommending new members based on identified skills gap.

B. Board Effectiveness

6. The board provides strategic direction and oversight that effectively, supports the organisation's mandate.

7. Board members possess the necessary expertise to oversee the organisation effectively.

8. The board regularly evaluates its own performance and that of management.

9. Board members actively participate in meetings and strategic decision-making.

C. Ethical Leadership

10. Board members act in good faith, in the best interest of the organisation, for a proper purpose and demonstrate integrity in decision-making.

11. Ethical leadership is embedded in the culture of the organisation.

12. Conflicts of interest are managed through clear policies

13. Unethical behaviour is promptly addressed.

D. Director Independence

14. Government-appointed directors act independently and do not serve as ministry representatives.

15. The board includes a sufficient number of independent directors who can objectively challenge management and board decisions.

16. Independent directors are free from conflicts of interest and undue influence.

E. Board Composition

17. The board has a suitable mix of skills, experience, and sector-specific knowledge.

18. The board's size is appropriate for the organisation's efficiency and complexity.

19. There are adequate gender, demographic, and inclusive representation on the board.

20. Board committees are well-staffed with clearly defined responsibilities for the purposes of balance of power and the effective discharge of their duties.

F. Accountability and Transparency

21. The board holds executive management accountable and assesses its performance using defined indicators.

22. There are mechanisms for internal and external stakeholders to hold the organisation accountable

23. The organisation publishes timely, accurate and publicly accessible reports (financial and non-financial).

24. Board decisions and procurement processes are transparent and well-documented.

G. Challenges of Serving on an SOE Board

25. Political interference and stakeholder pressure affect board effectiveness.

26. Resource constraints and lack of training hinder board performance.

27. Board members feel sufficiently protected and supported in carrying out their oversight

duties

H. Open-Ended Questions

28. What improvements would you recommend for the board appointment process?

29. In your opinion, how can ethical leadership be better promoted within the DFI?

30. What barriers exist to achieving transparency and accountability in DFIs?

31. What changes would improve DFI board effectiveness in the SADC region?

32. What are the main challenges you face in serving on a DFI board?

33. Do you have any additional comments or experiences you'd like to share regarding board

governance in SOEs?