Corporate Governance for Sustainable Development in South Africa’s State-Owned Enterprises

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Abstract: In South Africa, state-owned enterprises (SOEs) have a very significant role to play in the socio-economic development and for the realization of the sustainable development goals. While SOEs are essentially for assisting governments to realize economic growth in South Africa many of these entities are troubled with corruption and maladministration. These holdups are largely due to failures of corporate governance and excessive political interferences. Using a qualitative approach by employing a literature survey and content analysis, the study explores corporate governance issues for sustainable development in South Africa. It argues that SOEs deal with investment and business activities which are critical in the 2030 Agenda for sustainable development. Other states have already made inroads in this area by adopting plausible policies that influence SOEs in promoting sustainable development goals. All business entities, regardless of whether they are private or public have a significant role in achieving the goals provided that corporate governance is at the core of all the activities, hence South Africa should not be an exception. For this to be achieved, a compulsory oversight role into all SOEs should be executed by parliamentary committees composed of different political parties.

Keywords: corporate, development, enterprise, governance, sustainable, state

Introduction

One hundred and ninety states adopted unanimously the 2030 Agenda for sustainable development goals (SDGs) at the United Nations General Assembly held in September 2015 (UNGA 2015a). An action plan was set with three-dimensions that concerned sustainable development namely prosperity, people and the planet. These were all covered by defining 17 Sustainable Development Goals (SDGs) whose targets add up to 169 relating to each of the SDGs (UNGA 2015a). The corresponding SDG targets were effected on the 1st of January 2016 and will guide decision-making of the states for 15 years. According to Barral (2012) and Lowe (1999) sustainable development ensures the safeguarding of inter-generational and intra-generational equity, encouraging the sustainable usage of material resources, amalgamation of the development initiatives and environmental safety. Although not binding but prepared in an imperative and coercive language the Rio Declaration on Environment and Development ushered in sustainable development into the legal field (Barnes, 2019).

The contention by Barral (2012: 377, 382) is that sustainable development is a variable ‘ratione personae’ and ‘ratione materiae’. For Barnes (2019), variability ratione personae is demonstrated by the notion that sustainable development obligations anticipated from developed economies could be more burdensome.
than those anticipated from less developed economies. Variability *ratione materiae* is also seen through the implementation of several standards to a given situation hence each endeavor gets evaluated on its own merits. From an international law perspective, debate has been there from academics in terms of international law on whether sustainable development should be viewed as integral to international law or not (Barral 2012). However, Barral observes that, those opposed to this perception argue that in international law it is not obligatory for states to sustainably develop. This observation is substantiated by some international dispute settlement bodies, together with the International Court of Justice (ICJ) which have noted the sustainable development’s importance without a declaration that it forms part of international law as yet (Gabčíkovo-Nagymaros n.d; Pulp n.d).

Putting aside the questions of normative status, although states in the Agenda 2030 stand as the principal actors in which the SDGs should be achieved, the purpose of developing a ‘Global Partnership for Sustainable Development’ implies the engagement of some other players like civil society, international organizations and private businesses (Barnes, 2019). Therefore, this paper argues that, together with the private sector, state-owned enterprises (SOEs) ought to be viewed as critical players in the implementation and promotion of the SDGs.

Although Agenda 2030 is not legally binding for states, it remains applicable to all states both developed and developing. Its execution is envisioned through the formation of a ‘Global Partnership for Sustainable Development’ putting together the United Nations system, civil society, the private sector, governments among other actors and by ‘mobilizing all available resources’ (UNGA 2015a). Eventually, countries have the prime obligation for implementing SDGs at a state level. National, regional and global indicators for gauging and monitoring the SDGs have often been fashioned so as to enable implementation. Overall, the implementing mechanism for SDGs has been put under criticism by academics for not having a robust accountability system of oversight, therefore it is most likely that some challenges may remain (Xue, Weng & Yu, 2018).

A developmental state like South Africa functions on the basis that a state is obliged to stir development activities that are meant to improve the economy. However, a free market system contrasts with that idea, because their operations yield efficient outcomes without the involvement of a state (Matsiliza 2017). Part of the mandate in transforming the public sector in SA is about transforming SOEs so as to improve effectiveness and efficiency by operationalizing principles of corporate governance (Matsiliza 2017). The PricewaterhouseCoopers (PWC) (2015) observes the strong partnerships obtaining between SOE’s, private sector, government and non-governmental organizations that have existed for a long time. In such partnerships, there are different competing interests from each partner. This makes a government to sacrifice its values. Emerging economies have an opportunity to grow through good management of SOEs. Yet, currently South Africa’s SOEs are subject to public scrutiny for their inability to meet their survival mandate (Matsiliza 2017).

The concept of sustainable development is built on the three most important aspects in the life of every society - economic development, social equity and environmental protection. In the context of
sustainable development, these fundamental aspects are called "pillars". (Boeva, Zhivkova & Stoychev 2017). This definition implies that, the main idea behind sustainable development is one of achieving societal development and its economy harmoniously with nature. The integration of these three pillars is a pre-condition for achieving corporate sustainability.

State-owned enterprises (SOEs) remain certainly a very significant matter for most African countries including South Africa, therefore involvement in corporate governance practice is critical (Corrigan 2014). The desire for an accountable government has been a critical transformative agenda for South Africa on laying good governance and democracy (White, Heymans, Favis & Hargovan 2000). SOEs are potentially powerful tools in states’ developmental inventories (Corrigan 2014), this has a substantial influence on the corporate governance landscape. However, South African SOEs face challenges of corporate governance which are quite distinct. These include politicized board appointments and excessive politicization, maladministration and chronic under-performance (Corrigan 2014). These impediments strongly impact on SOEs from contributing meaningfully towards the performance of public service.

Background
Since states serve as the main players seized with the achievement of SDGs (DIHR,2018), the need for creating a Global Partnership for Sustainable Development reflects that actors like civil society, international organizations and businesses predominantly participate (Lambin & Tannis; KS, Chowdhury, Sharma & Plat 2016). Even though the private sector’s participation in promoting and implementing the SDGs is supreme, it is equally important for SOEs, in view of their size (Kwiatkowski & Augustynowicz 2015). Until now, there is a dearth of literature from a legal point of view with respect to SOEs and the SDGs even though the matter is gradually being examined in some fields (Inkpen & Ramaswamy 2018).

The setup of SOEs in the form of statutory entities is not peculiar to South Africa alone, for instance, in the United Kingdom they are referred to as crown corporations, also present in Australia, the Czech Republic, Brazil, and in Indonesia they are called Perjans' or 'Perseros', In Russia they are known as 'Unitary Enterprises' or State Corporations' while in South Africa they are called parastatals while in France they are called Établissements Publics Industriels et Commerciaux'. In those instances, chances are that these SOEs are part to the public sector. But in some cases, SOEs run in terms of general corporate law, as if they were privately owned entities (Barnes 2019). The best example demonstrating a distinct nature of SOEs is how they are treated in the United Nations General Principles (UNGPs) as covered in the state-business nexus pillar number 1 on the state’s duty to protect the human rights, and SOEs pillar number II on corporate responsibility. The importance of SOEs is seen in the national economies as they frequently stand as the biggest employers. For instance, in 2016 Sweden is reported to have had 48 SOEs, employing 137,000 people (GoS 2016). The same scenario obtains in China (Gang 2013), South Africa, Brazil, Norway, France, South Korea, India, Russia and Mexico (Soh & Nam 2018). Despite the variation in form and terminology most SOEs are in the end state-owned.
Gap analysis
In South Africa, basically the provision of services such as sanitation, water supply, transport and electricity are done through SOEs. However, most of these SOEs have been mired by state capture, bad governance and an upsurge in corruption. As a result, the growth of South Africa’s gross domestic product (GDP) is currently pegged below 2%, and this is not very good for sustainable growth (Madumi 2018). There is also high unemployment coupled with high levels of corruption threatening financial and economic sustainability. It appears that although the role of SOEs is well documented by research work, not much is being done in the wake of SOEs mismanagement threatening sustainable development in South Africa (Madumi 2018). According to StatsSA (2018) in 2017 South Africa’s economy grew by 1.3% and Madumi argues that at this growth rate the country will not find it easy to deal with major economic challenges ahead. Transparency International (TI 2014) pronounced state capture as a case of mighty individuals, companies, institutions or groups outside or within a country shaping national economy, policies and the legal environment through corruption benefiting private interests. Yet, in South Africa there is an increase onslaught of public enterprises resulting from state capture. Thabane and Snyman-Van Deventer (2018) laments that the stressed SABC saw a resignation of board members, a high turnover of chief accounting officers, other executive members and shareholder interference. The Minister had to individually amend the memorandum of incorporation giving herself the power and authority to hire and fire. Also, the SAA had seven chief executive officers in hardly four years while high turnoever of board members has been witnessed in the Post Office, Telkom and Eskom. The appointments of executive officials have been characterized by qualifications that are dubious and questionable. All these issues have prompted this study.

Theoretical framework
The agency theory and the concept of privatization provide a lens in studying corporate governance for sustainable development through SOEs in South Africa. The government conceived the privatization strategy in order to expedite transformation and development. It invited the private sector to partner and invest in a bid for developmental efforts particularly for the transformation agenda. Privatization was adopted for state-owned enterprises through selling shares of the entity to either individuals or private actors that mutually run the SOEs with the state. In light of the current liberalization of economies, the notion of privatizing SOEs has been an international phenomenon (Matsiliza 2017).

The practice of privatization was borrowed from developed economies as a strategic way of building and increasing competitiveness. It is believed that it eliminates the market distortions and imperfections by reducing the state’s participation while increasing the role of the private actors in terms of resource management, ownership and control (PWC 2015). South Africa chose to employ private principles such as outsourcing and deregulation in order to enhance government efficiency. Dewenter and Mlalatesta (1997) argue that, privatization can be done through outsourcing, subsidies, managed competition, franchise and deregulation. According to Matsiliza (2017) the privatization route was taken mainly to help the government jointly pool capital for sustaining operational activities especially for Transnet, Denel, SABC, Telkom and Eskom among some relatively big enterprises. But, the reasoning for privatizing
SOEs has not held any moral ground because selling of SOEs shares and outsourcing was a prelude to laying off people from their jobs. The belief by Claessens and Yurtoglu (2013) is that transforming corporate governance of SOEs can yield positive results. But, the separation of control management and ownership transformation is still a contentious subject of interest in SOEs (Matsiliza 2017).

In the 21st century, the agency theory turned out to be the most leading theoretical conception of corporate governance (Bhagat & Bolton, 2008). Agency theory views corporate governance practices in the lens of agency problem. Basically, the theory sees the governance connection as a contract obtaining between a shareholder who is the principal and a director who is the agent (Jensen & Meckling 1976). Directors do seek to make the most of their own benefits, only acting in a way that is beneficial to themselves yet disadvantageous to the shareholders. Tricker (2012) describes the agency theory as involving an undertaking to which person(s) (the shareholders) deal with other person(s) (the directors) to deliver services on their behalf including assigning decision-making power and authority an agent.

Where the two parties involved are maximizers of utility it is believable that the agent will not necessarily play to the tune of the principal. This presents some connotations of controversy in South Africa as this means SOEs and government have to align themselves with private individuals who are well-resourced for decision making. The agency theory adopts an opportunistic tendency where those well-resourced will maximize own interests at the expense of their clients and stakeholders. This creates some conflicts of interest by the board of directors as represented by management pitting the stakeholders. In South Africa, the politics of patronage is a dishonorable case of a relationship obtaining between government SOEs, individuals or private sector. The affluent business community may decide to support management which has strong relations with the state for state capturing (SCR 2016).

Literature review
The successful implementation of Agenda 2030 is contingent upon the mobilization and availability of resources as outlined in the Agenda 2030 document itself (UNGA 2015) However, it is not very clear on what entails the mobilization process and nature of resources to be employed. Due to the link between human rights and Agenda 2030 it has been commented that perhaps the legal framework providing for the resource’s mobilization is implied and located in the human rights’ most fundamental instruments. (Dommen 2017; Balakrishnan, Elson, Heintz & Lusiani (2011). The International Covenant on Economic Social and Cultural Rights (ICESCR,1966) provides in terms of Article 2(1) that:

> Each state party to the present covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources with a view to achieving progressively the full realization of the rights recognized in the present covenant by all appropriate measures, including the adoption of legislative measures.

Also, the implied meaning of maximum available resources appears not to be completely clear even with efforts confining the interpretation to international support and budget expenditures (Barnes 2019). Of late it has been seen prudent to have a broadened approach accommodating some resources other than financial in nature but to include among others human, natural, informational, technological,
administrative and, organizational (Dommen 2017). Sources for resource mobilization may include taxation, effectively dealing with corruption, tackling tax evasion, capital flight and avoidance of resource diversion. Barnes (2019) argues that, based on the SOEs’ proximity to the state owning them, the SOEs ought to be seen as significant resources to be used in the fulfilment of the SDGs. Therefore, states have commitments to avert and penalize corporate abuse, irrespective of whether it is state-owned or private failure which amounts to the breach of treaty obligations (Ruggie 2007b). The human rights bodies have referred many times to SOEs (Ruggie 2007a). As noted by Barnes (2019) the Committee on the Elimination of Discrimination Against Women, in its General Recommendation No. 25 expects governments to provide protection against women discrimination and business entities operating either as private or public sector. The UNGPs on Business and Human Rights has provisions specifically addressing SOEs. These are dealt with from three dimensions namely ‘the state-business nexus’ provided for in Principles 4, 5, and 6.84. (Isa 2005).

The contention that SOEs ought to be a prototype of the corporate citizenry has been underscored several times. (LbE, 2016). For instance, the Extractive Industries Transparency Initiative (EITI) provides for SOEs as these have a major role of resources regulations, management and operations. Sustainable development is clearly stated in the EITI standard (EITI, 2016b). An interesting observation is made by Wenar (2015) who notes that, most countries rich in resources the world over are usually not just the poorest, but also with the largest governance deficits in terms of transparency and human rights. The OECD guidelines for multinational enterprises (OECD 2011) together with OECD (2015) on the corporate governance of state-owned enterprises (OECD guidelines for SOEs) also have proviso to SOEs and sustainable development. The OECD guidelines for SOEs attempt to address the challenges facing the corporate governance of SOEs although they are not binding and have mechanisms for monitoring and implementations.

Efforts towards implementation of SDGs

Mashamaite and Raseala (2019) argue that some of the policies that are well developed with respect to Agenda 2030 implementation for sustainable development are noticeable in the Nordic countries. For instance, the Nordic strategy for sustainable development became the very first strategy conceived at macro-regional level whereby all the various Ministries responsible for the Nordic cooperation had a renewal of their cooperation and commitment on sustainable development. They gave the task to the Nordic Expert Group for sustainable development for the creation of a particular initiative developed specifically for the Nordic states (Mikko, Åsa, Susanna, Clarisse, Marika, Anu, Shane, Caspar & Antti 2017) As far as the implementation of Agenda 2030 is concerned Sweden gives a detailed report on the progress of SOEs (GoS 2017). The state’s ownership policy and guidelines for state-owned enterprises’ (policy) as adopted in December 2016 was operationalized from the 1st of January 2017. At its core, the policy entails business sustainability clearly stating that:

State-owned enterprises should take a long-term approach, be efficient and profitable while being given the capacity to develop. To promote long-term sustainable value growth in state-owned enterprises, sustainable business is integrated into corporate governance. State-owned enterprises
should thus serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence (GoS n.d).

The policy incorporates the UNGPs, the Global Compact, the OECD guidelines and the Agenda 2030 goals emphasizing the significance of SOEs working to achieve high business standards among others especially through corruption prevention.

In China all SOEs are under the jurisdiction of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). The SASAC falls directly under the purview of the State Council. The State Council supervises SOEs except those to do with financial matters (Barnes 2019). Some other countries have similarly adopted the same measures. For instance, Spain’s Sustainable Economy Law of 2011 provides that SOEs compile corporate governance annual reports as well as those reports to do with sustainability (Barnes 2019). In Finland, whose SOEs have the largest market capitalization relative to GDP issued a Government Resolution recently on State Ownership Policy. The policy requires that all SOEs unlisted or listed should produce comprehensive reports reflecting their sustainability performance. (GoF.2015; Morrison & Dennis 2014)

South Africa’s position for SOEs, is outlined as in the National Development Plan together with some other policy documents. The government through its SOEs is mandated to improve the socio-economic status while providing for infrastructural services (McGregor 2014). As an aspiring developmental state, it is imperative that SOEs help the government to address socio-economic issues while reducing glaring inequalities (PRC 2013). The PRC, observes that SOEs serve as catalytic and strategic instruments for growth and development. As such, they are critical players for developing the state. However, they face serious service delivery challenges and threats to their performance impeding optimal contribution to the country’s well-being (PRC 2013).

**South Africa’s Corporate Governance Challenges of SOEs**

Wendy Ovens and Associates (WOA 2013) raise concerns on South Africa’s SOEs’ ability to execute their mandate effectively. Chilenga (2016) argues that SOEs often get scrutinized and forced to provide plausible results due to their strategic standing. Yet, these SOEs have progressively become ineffective and unable to achieve their lauded developmental and strategic mandates due to bad governance. They are characterized by financial mismanagement, heavily politicized boards, maladministration, corruption and weak accountability systems among others (Mashamaite & Raseala 2019; Links & Haimbodi 2011; Corrigan 2014; OECD 2015). These challenges in SOEs reflect lack of corporate governance. Accordingly, this undermines the government’s intention of achieving development goals and growth. Kane-Berman (2016) observes that, SOEs face financial challenges which include among them risks to public finance, negative returns on equity and difficulties in raising money for infrastructural investment needed by the country. Besides these challenges South African SOEs are indebted heavily relying more on guarantees from the government (Marrez 2015). These challenges portray the nature of the environmental volatility for SOEs in the country.
Methodological/analytical approach
The study used a qualitative approach employing literature survey and document analysis. The qualitative approach was used for non-numerical data collection drawn mainly from secondary instruments so as to understand social reality about SOEs for providing an in-depth account and constructing new meaning. Bryman and Bell (2016) notes that such qualitative research provides an understanding of social reality and help in providing a rich description of issues as located in their natural settings. Data was sourced from annual reports, review reports, strategic planning documents, audit reports, internal control reports, financial reports, press statements, research articles and books, policy studies and law. Content analysis and discourse were used to analyze data. This method of analysis is systematic when reviewing and evaluating documents so that new meaning emerges from what the data reveals (De Vos 2011).

Discussion of findings and results
The discussion of findings and results were based on the research and document analysis themes namely, SOEs corporate governance practices in South Africa; the board of directors and leadership; sustainability; management of risk; accountability, transparency and disclosure.

SOEs corporate governance practices in South Africa
The developmental route as adopted by South Africa embraces varied stratagems inspired by inducements and non-inducement models of economics required to increase confidence in business so that the country’s economy grows and promotes sustainable development. After attaining independence in 1994, the South African administration chose not to confiscate private property as it believed this would promote growth, create opportunities for jobs and expand social services. This highway decision fixated on the policies of macro-economics was adopted hoping that a high growth rate would eventually yield foreign and domestic capital and that this capital would be used effectively and efficiently. The government was also obligated to scale up the SOEs’ performance in order to enhance the government’s plans of improving capital markets.

The board of directors and leadership
IDSA (2016) observes that owing to the complexity of the corporate environment, entities should have ethical and principled leaders so that they prosper as outlined in the King IV Report of 2016. The board of directors shoulder a very big responsibility of decision making, governing and delegating authority to committees (such as remuneration, audit, nomination and sustainability committees) so that they get information. Therefore, they anticipated to be ethical and make well informed decisions that impact positively on the performance of SOEs for sustainable development. The board of directors has to ensure the SOEs are responsive and responsible to the clientele while complying with corporate governance principles of best practice. In South Africa, it is not every SOE that is fundamentally inept and corrupt, but there is a political linkage obtaining between some activities and structures similar to that of the private sector. It is this linkage that tends to place more interests outplaying social and economic
rationality. As a result, boards have been criticized for being partisan in their senior executive appointments (SCR 2016).

It has been noted that there is excessive political interference in some SOEs impacting negatively on performance (Khanyane & Sausi 2015). There are also conflicting interests when it comes to the bonuses, remuneration, the appointment of the board of directors and their performance of duty (Matsiliza 2017). There exists political interference as noted by Armstrong (2015) which dissuades the SOEs from striking an optimal balance between commercial and social expectations. The SOEs in South Africa may have created millions of jobs but are hard pressed by investors’, the public and politicians’ interests (SCR 2016). One opposition political party lodged a case with the courts against an irregular appointment of SABC chief operating officer whose qualifications were questionable. The Supreme Court of Appeal upheld the High Court ruling and nullified the appointment as irrational and invalid. Matsiliza (2017) argues that, there has been wide criticism with respect to the performance of some CEOs and board members in SOEs such as Eskom, SABC and SAA among others especially when these entities seem to be struggling to comply with the Companies Act, corporate governance principles, Treasury regulations and the Public Finance Management Act.

**Sustainability**

For sustainable reporting, the King III report provides that all service providers are obliged to obtain the material aspects. Wang, Wart and Lebredo (2014) opine that for sustainability, management should promote a range of practices such as social and economic, stated by actors and include shareholders, boards, the public and legislators having societal welfare interests. But, one can argue that the balancing of sustainability and profit or earnings cannot be easily done with certainty. In the past few years the SABC has failed to grow substantially due to financial instability as revealed in the SABC Annual Financial Report, 2015/2016 according to Matsiliza (2017). The SAA’s has also not done well despite its mission statement to be “……a commercially sustainable world-class air passenger ……in South Africa……”. This trend is noticeable in many other SOEs in South Africa.

**Management of risk**

Lazenby (2014) has described a risk as a factor indicating future events that are uncertain with a potential to negatively influence the realization of an organization’s goals. Failures of risk management in SOEs have hit the South African headlines recently. Therefore, it is prudent that, corporate governance addresses the agency challenges by managing and controlling risks prevalent in SOEs. Suffice to say that, some of the SOEs have inspiring mechanisms for risk control. Especially mechanisms that have to do with safeguarding the executive interests, while the controlling mechanisms are directed on board of directors and shareholders roles. This means risk assessment is predicated less on the interaction among risks but more on the individual risk. According to SCR (2016) risks associated with corporate governance include but not limited to remuneration of executives, liquidity, financial credit rating, assets management, interest rates and resource management. These risks can be minimized through prudent appointments. Yet some less risk averse SOEs continue with some irregular appointments. The SAA, Eskom and SABC among other SOEs should have strategies on risk management for sustainable
development, identify and manage risk factors particularly after the bad incidents that have been experienced. Notably, some of the SOEs in South Africa have been able to hire risk managers who are capable of effectively maintaining risk systems.

Accountability, transparency and disclosure
Good corporate governance is predicated on accountability and transparency in the SOEs among other economic and social areas of life under the purview of the state. The recommendation by the King III Report is clear that SOEs’ ability to access information is essential for public policy making. This includes tax administration systems, service delivery and the regulatory processes of entities that have a bearing on the social and economic life. Accordingly, the absence of transparency in the administration of public affairs is an enervating limitation when it comes to policy implementation (WB 2014). As it stands, the SOEs are subjected to a scrutiny as the South African government is poised more towards good corporate governance for sustainable development. Wan Abdullah, Percy and Stewart (2015) cited in Matsiliza (2017) contend that literature on analytical disclosure reveals the absence of a full disclosure in an equilibrium, although this strengthens the confidence of stakeholders as far as compliance with corporate governance by organizations is concerned. The public protector in South Africa has raised concerns over the control and effective management of the executive’s remuneration (bonuses) by the board members as well as the quality of information disclosed and financial statements prepared by the SOEs. That has led to some sweeping proposals for the corporate governance reforms (SCR 2016). This may help the SOEs to improve in accountability and transparency through appropriate, dependable reporting and improved reviewing of the SOEs performance. This could stretch beyond financial reporting but to a case of integrated reporting where the SOEs serve as role models for good corporate governance practices. This could also help in trust building between the state and the society for sustainable development in the country.

Conclusion and recommendations
SOEs are critical in the implementation and promotion of Agenda 2030 in as much as it is for the private sector. However, the SOEs themselves could be mobilized as ‘resources’ by governments in the implementation of the sustainable development goals. The study reveals that some policies of SOEs in developed economies have already progressed significantly in this regard and may be used as examples for best practices by South Africa and other developing countries. It is an undisputable fact that the sustainable development concept has entered our lives and caused quite a lot of things to change. Maybe one of the most important changes that should be mentioned is the way the business world begins to work and think. The mind-set of the business leaders has begun to change, which means getting profits and more money is no longer the only leading principle in the corporate governance world. Sustainable development ideas have penetrated with the potential to improve the world for the better. It appears that, most of South Africa’s SOEs continue to perform badly due to corporate governance deficiencies, yet their role for promoting sustainable development is critical. These SOEs still rely on the King II report rather than getting informed by the King III and King IV reports which have more relevance and significance. The limitations of good corporate governance have been evident in the SABC, Eskom and
SAA where earnings have been declining with soaring costs of operations and high risks. This calls for the urgent transformation of SOEs driven by the sustainable development goals agenda with diminished political interferences.

Although South Africa may have learnt from international corporate governance codes of high standing, it remains necessary to create comprehensive South African SOEs codes tailored to sustainable development. It can be argued that, the challenges currently being faced by SOEs may be seen as catalysts for eventual development of the country. Notwithstanding, the noteworthy successes in matters of governance that are already supported by some policies and legislation manifest in the Public Finance and Management Act, the King III report and the new Companies Act all applicable to SOEs. It interesting to note that the study reveals an account of how SOEs attempt to comply with sustainability through integrative reporting. But, if this integrated business practice must be demonstrated then it has to entail ostensibly the triple bottom-line pillars namely; the society, state and environment.

Parliamentary committees made up of different political parties should be set-up for monitoring performances of boards to reduce loss and risks of investments in SOEs. This monitoring must be proactive and not reactive. The SOEs should have clear mandates for supporting the sustainable development agenda socially, ecologically and economically. Corporate governance transformation should start with a judicious process of recruitment and selection of the more suitable board of directors devoid of excessive political interferences. Benchmarking from other countries should be encouraged for a sustainable future. Screening of qualifications should be thorough to avoid the risk of engaging members with dubious qualifications.

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