



Institutionalizing Corporate Governance in Lesotho: Lessons Learned

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Abstract

Globally, there has been a growing interest in corporate governance as a result of economic and financial mishaps and the after-effect of COVID-19 pandemic that affected all economic sectors including corporate sector. From 2005, Lesotho undertook a journey of introducing corporate governance as a national policy framework and the final document, Mohlomi Corporate Governance Code, was completed in 2021. This paper analysed documents, mainly secondary, to draw up lessons learned from the processes of institutionalising corporate governance. From the analysis, a number of lessons pertinent to successful institutionalisation of corporate governance could be drawn. First, the privatisation project in 1995 failed to observe the weak corporate governance as the main source of corporate failure. This was only acknowledged in 2005. second, reforms related to corporate governance were mooted by different organisations such as African Peer Review Mission and the World Bank yet such efforts were not linked to addressing corporate governance reforms. Third, Lesotho lacked capacity to initiate corporate governance reforms without seeking external support, mainly from donor agents. This has been demonstrated more than a decade before a corporate governance code could be finalised. This poses a risk to corporate governance implementation across the sectors.

Subject Areas

Economics

Keywords

Corporate Governance, State-Owned Enterprise, Mohlomi Code, Lesotho

1. Introduction

The enhancement of corporate governance thinking and practice has always been re-sparked by crises emerging from socio-economic contexts. The observed crises from literature include financial and economic meltdown [1]-[4]; failure to observe accounting standards and regulatory frameworks [3]; health issues such as COVID-19 pandemic that brought a total global economic shutdown [5] [6]; economic systems transformation such as a move from command economy to free market economy by Eastern European Countries [2], rethinking of corporate governance models such as stakeholders' and shareholders' perspectives and issues of sustainability [5]-[9]. During the last two decades, Lesotho embarked on the journey of formally introducing corporate governance like other countries in Africa, as a national project. This journey culminated in the publication of Mohlomi Corporate Governance Code in 2021. The Code is informed by the teaching and ethical principles of Chief Mohlomi, who was the mentor of Moshoeshoe I, the founder of the present-day Basotho of Lesotho.

Using qualitative descriptive research method, this paper intended to identify key situational factors and forces that catapulted Lesotho on the journey of developing national corporate governance code. The objective of descriptive research as attempt to systematically "describe a situation, problem, phenomenon, service or programme, or provides information about, say, the living conditions of a community, or describes attitudes towards an issue" [10]. Descriptive research goes beyond the descriptive function but goes further to draw conclusions by evaluating and synthesising ideas [11]. This study moved beyond a descriptive parameter to drawing lessons that could highlight possible directions of corporate governance in Lesotho. Data was sourced from secondary sources such as policy documents, governance reports articles and newspapers. The literature review provided a framework for organising the data and ideas emerging from document analysis.

2. Literature Review

The review of literature mainly focused on the concept of corporate governance and corporate governance in state-owned enterprises (SOEs). Focus on SOEs literature was influenced by the fact that Lesotho's mission to improve corporate governance was ignited by challenges experienced by the SOEs.

2.1. The Concept of Corporate Governance

There is a growing interest in promoting corporate governance globally [12]. This has seen corporate governance emerging as a key discourse in business environments [13]. International organisations such as WTO, OECD and the World Bank have taken keen interest in encouraging countries, both developed and developing, to adopt globally recognised best practices that separate ownership and control of business entities [12] [14] [15]. While it is generally acknowledged that corporate governance has become a significant factor in organisational management, literature provides that corporate governance has always been part of hu-

man development as expressed through the enforcement of contracts, protection of property and collective action [16].

The existence of corporate governance has been traced from the 16th and 17th centuries when first companies such as Dutch East India Company, the Hudson Bay Company, the Levant Company and others were established [17]. However, the renewed interest has been brought by the number of crisis and corruption scandals during the latter part of 20th century in the likes of Enron in the US, Parmalat and Ahold in Europe; the Asian stock market crash of 1997, and the 2007/8 global financial crisis [18] [19]. Such scandals have seen the evolution of corporate governance modelled according to the US and UK perspective [20] [21]. Thus, corporate mishaps have repeatedly called for a deeper analysis and re-thinking about corporate governance, triggering events leading to corporate governance reforms across the globe, propelling countries towards engaging in legislative and policy framework to compel and enhance the adoption of corporate governance principles by both commercial and not-for-profit organisations alike [19] [22].

Similarly in other contexts other than US and UK, corporate failure has necessitated the promotion of corporate governance as has been experienced in Nigeria [1]. This has further encouraged countries to emulate good corporate practices from one another. Further, countries have tended to learn from each other by adopting corporate governance principles and practices. For instance, transition from command economy saw Russia adopting Anglo-American inspired laws and practices on corporate governance for their State-Owned Enterprises (SOEs) [23]. Moreover, adoption of corporate governance has been observed as a significant factor in attracting foreign direct investment [24]; promotion of economic and social development [19] [25] and economic efficiency [26]. This trend has seen convergence in corporate governance principles and practices across the globe as advocated by international organisations such as the WTO, IMF and the World Bank [12].

Despite its growing popularity, there is general lack of consensus among scholars as to what corporate governance means [1] [20] [27]. A number of factors could be identified contributing to this lack of agreement. Its conception has been seen from disciplinary lenses. The meaning of corporate governance within both economic and legal fields has been captured as the aggressive defence of shareholders' interest [27]. Adam Smith, the focus has been on separation of ownership and control, that is with the agency relationship between a "principal" (investors, outsiders) and an "agent" (manager, entrepreneur, insider) [27]. On the other hand, corporate governance has been seen as a managerial framework which determines "processes and structures for controlling and directing an organization" [1]. Another debilitating factor has been the emerging regional orientation towards its conception. This may be compounded by the fact that it evolved from Anglo-American corporate culture, mainly from the US and UK, within the agency framework [20]. It has on the whole been observed that the centrality of corporate governance is on ownership and control, legal frameworks protecting owners' interests, cre-

ating the tone of relationships between the principal and agent [20]. It has been further argued that since ownership is such an important factor, the legal frameworks have evolved to protect minority shareholders, establishing the regulatory framework of principal-principal relationship (PP) [20]. While countries have modelled their corporate governance according to the Western frameworks, countries like China have developed hybrid frameworks the which involve a blend of Western principles and local practices [2]. Research has also demonstrated that corporate governance is shaped by countries' situational contexts such a legal frameworks and political systems [28].

In the same manner, corporate governance in developing countries may differ from those of the West given that such countries' do not have an effective and predictable rule of law which, in turn, creates a "weak governance' environment" [20]. It has been reiterated that corporate governance in developing countries started from the weak foundational basis as the result of existing weak institutional environment [20]. The weak institutional environment has been observed within formal institutions such as laws and regulations regarding accounting requirements, information disclosure, securities trading, and their enforcement is either absent, inefficient, or do not operate as intended [20]. However, it has been observed that these countries hold to the structures of corporate governance similar to those of the developed countries but lacking in substance [29].

Despite lack of definitional agreements, corporate governance may be seen within broader directions as intended to ensure clear line of control, responsibilities and accountability exercised within the ambit of organisational framework. Thus, this includes the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations [30]. From a broader perspective, corporate governance could be interpreted as an attempt to provide the basis for organisational, ethical and legal frameworks through which strategic leadership can be shaped in order to integrate the interests of both internal and external stakeholders of the business can be consolidated. The broader enterprise risk management (RM), and the set of values fulfilled by different organizational structure and set-up have been suggested as part of corporate governance [26]. These relational parameters have been vividly drawn in this manner [16]:

Good governance ensures that ethical values, codes, roles and responsibilities are implemented in a clear RM structure with a defined set of accountabilities. Audit committees focus on the challenge of overall risk profile and framework; internal audit focuses on assurance of effective RM and maintains its objectivity consistent with its establishment. A chief risk officer (CRO), RM strategy, a set of ethical objectives, supported by the business case, and clearly demarcated roles and responsibilities and support structure within the company.

It has further been reiterated that corporate governance could be understood as

a *value framework* (which explains an enterprise-wide approach to the delivery, experience and acquisition of value), *leadership framework* (depicting standards for suitable and appropriate leadership style), and an ethical framework (which entails a set of ethical principles and values guiding corporate practice) in which business decisions are handled [31]. In addition to the framework postulated above, three essential features that describe the nature of corporate governance namely, internal and external corporate governance, shareholder and stakeholder governance, and descriptive and normative features have been identified [32]. Internal and external corporate governance consists of the structure of the board of directors; independent internal audits; oversight of management and relationships between internal stakeholders, such as managers, employees, and shareholders [32]. Further, the managerial compensation, ownership structure, and the structure of debt board to the internal corporate mechanisms. Have been added [33]. The board of directors plays a central role in corporate governance in that they exercise the oversight over the management actions and constructively manage agency conflict between management and shareholders [33].

The external factors have been observed to play a crucial role and can wield a considerable power in even changing the management and labour requirements of an organization [33]. The external component of the corporate governance relates to the controls exercised by those outside the organization who prescribe regulatory guidelines and standards for best practice [32]. The market for corporate control, the managerial labour market, and the legal issues have been added to the external corporate mechanisms [33]. Such control mechanisms address shareholders' concerns regarding the management of an organization and regulations which provide the basis for compliance ([32]. On the other hand, shareholder and stakeholder approaches to corporate governance focus on the interests to be pursued. Evidently, a shareholder approach pursues the interests of shareholders, whereas the stakeholder approach pursues the interests of all constituents with a stake in the organization.

Descriptive and normative notions of corporate governance underline the theoretical framework embodying standards and norms guiding corporate decision-making. The descriptive notion reflects the actual behaviour in organizations in relation to how it is measured by performance, efficiency and stakeholder treatment. The normative domain prescribes the rules, norms and standards for business ethics and managerial decision-making. These elements account for the totality of corporate governance [33]. Thus, corporate governance consists of both internal and external factors that can contribute to efficient management of an organization corporate governance. Together, these governance components work to resolve the agency conflict between management and shareholders [33] [34].

2.2. Corporate Governance within SOEs

There are general standards of corporate governance which apply in different organizational settings. However, this study focused on the governance of SOEs. Lit-

erature maintains that SOEs should be understood as hybrid organizations since they integrate standard corporate governance practices of private companies with the common governance practices of state bureaucracies, political parties, as well as public sector organizations [35]-[37].

In emerging markets, SOEs are the key drivers of economic growth and development [38]. Studies also show that even in the developed economies, SOEs still play a crucial role in the strategic and infrastructure areas such as utilities, energy, transportation, and telecommunications [39]. Furthermore, studies reveal that SOEs play a crucial role in global economy hence there is a need to examine their governance. It has been observed that SOEs represent approximately 10% of global Gross Domestic Product (GDP), 15% of total GDP in diverse regions such as Africa, Asia and Latin America through strategic industries [40]. The study carried out by Kowalski, Büge, Sztajerowska and Egeland to determine trade effects and policy implications of SOEs revealed that the combined sales of 204 Forbes listed SOEs amounted to USD 3.6 trillion in 2010/11 representing more than 10% of aggregate sales of the 200 listed largest companies [41]. Currently, SOEs account for more than one fifth of the largest enterprises in the world [42].

It has been observed that the bulk of research on SOEs was from the international institutions such as World Bank, OECD, and from regional structures (specific to Africa) such as SOE Network for Southern Africa, African Corporate Governance Network, African Development Bank, African Peer Review Mechanism, and New Development for Africa among others. Research work found in these institutions was in many ways influenced by the disappointment in the privatization reform initiatives of the 1990s thus encouraging Southern African economies to place SOEs at the centre of their developmental strategies [43]. Although SOEs contribute significantly to national and global GDP, academic literature on the corporate governance of SOEs is only burgeoning. Generally, the SOEs have been neglected from academic scholarship especially in the top-tier journals for mainly two reasons [40]: firstly, the top-tier journals focused specifically on theory building and testing which often examined existing theories which have historically been developed in context of the US economy which at the same time has a limited SOE sector. Secondly, Western policy makers and scholars perceived SOEs as less efficient than private companies, hence they did not study SOEs in their own terms rather viewed them primarily as targets for privatization.

Privatization movement in the 1980s had a significant impact on the way scholars viewed SOEs in Africa as well; thus, it follows therefrom that scholarly literature on SOEs was delayed. With the increasing global shift in emphasis which mooted SOE sector's reforms and promoted privatization, most African states embraced privatization in the early 1990s. This initiative was cemented by the launching of the New Partnership for Africa's Development (NEPAD) in 2000, which emphasized private sector development—further perpetuating marginalization of SOEs scholarship in the continent. Nonetheless, there was a notable growth in SOE literature in Africa [44]-[48]. It is also important to note that early

empirical research on corporate governance began in and focused on industrialized countries particularly in United States and little attention was given to the developing countries, especially in Africa [49]. On the same note, [47] indicates that after the 2008 financial crisis, the Chinese development model of state capitalism attracted global attention suggesting that SOEs “supposedly less driven by the bottom line and more amenable to political imperatives, might prove the key to an economic step-change.” Although there is global attention on SOEs, most of the existing literature on SOEs in leading academic journals is based on Chinese SOEs [40].

Despite notable contribution and significance at the national and global levels, SOEs in many countries continue to underperform [38]. This is to say that they continue to add a great fiscal pressure on national budgets, and have compromised economic opportunities for the wider economy. There is a large bulk of literature on the reform projects to improve SOE performance [38] [50], and yet many countries ignore frameworks set by these institutions. These studies reveal that poor SOE performance may be attributable to specific issues in their governance [38]. A more detailed account of these problems shows that SOEs are driven by various incompatible political interests of ownership and control [38]. The World Bank identifies these problems as lack of identifiable owners, politicized boards, lack of autonomy in decision-making, weak financial reporting and disclosure and weak performance and accountability systems [38]. On the other hand, it has been argued that post-socialist countries, as a result of their initial state weakness and process of changing their legal and institutional frameworks, have been particularly exposed to rent-seeking behaviour in the form of state-capture [51]. Further, governments have shown the tendency of introducing changes under the guise of performance improvement and effective management while in essence they still pursue their own political agenda [38] [51]. Nonetheless, many countries have taken concrete and significant steps to address these challenges, improve their operations, and achieve the benefits of good corporate governance.

Today, SOEs are under strong pressure to improve their performance due to greater competition, exposure to capital markets, and the need for good governance practices [38]. In many countries, SOEs in strategic industries are used as tools to accelerate development and economic growth. SOEs therefore need to enhance their competitiveness, and provide basic services to businesses and consumers in a more efficient and cost-effective manner. However, the context of Africa is generally lagging behind in terms of development in key areas such as infrastructure and governance [44], widespread corruption [52], and crippled by a more recent crisis of COVID-19 pandemic [53]. Furthermore, in most African countries, progress in development (and perhaps even the governance of SOEs) is stifled by socio-political agendas characterising these states [54].

2.3. Evolution of Corporate Governance in Lesotho

2.3.1. Privatisation as an Antecedent of Corporate Governance

The 1966 political independence of Lesotho from the British marked a new era for

the country's political landscape, economic outlook, and business interests. After independence, the SOE sector was established in the 1970s to promote domestic investment and increase economic development to augment the contribution of almost non-existent private sector [55]. The state controlled much portion of these enterprises to marshal an import-substitution policy which encouraged local production. However, during the early 1990s, some of the SOEs began to show signs of bankruptcy while others became a fiscal burden to the national budget. Through the structural adjustment programme of IMF and the World Bank introduced during the latter part of 1980s, the government undertook the privatisation journey to improve efficiency of the SOE sector [55]. According to Kingdom of Lesotho privatisation was prompted by two main factors [55]. First, Lesotho was faced with the declining revenue from the Southern African Customs Union (SACU), from which it received most of its revenue to support its economic activities. Privatisation was therefore seen as a strategy to rid the government of financial burden. The second reason was to expand the private sector to drive economic development to enhance the improvement of revenue source. To drive the process, the Privatization Act 1995 was promulgated by the Government of Lesotho (GoL) to disengage the public sector from commercial activities. The Act defined privatization as:

The transfer to the private sector of part or the whole of the equity or other interest held by the Government, directly or indirectly, in a parastatal wholly or partly owned by the Government and "privatized" shall be construed accordingly [56].

The Act provided for twelve (12) privatization methods to be followed. Kingdom of Lesotho (2016) reports that when the privatization process started, there were about thirty-two (32) out of which seventeen (17) were wholly owned by the government, twelve (12) were owned through a government state institution, Lesotho National Development Corporation (LNDC) and three (3) were majority-owned by financial institutions. In addition, the Government owned minority shares in another 31 private companies [55]. It was observed that from 1995 to 2001, twenty-five (25) SOEs were successfully privatized [57]. These included six companies sold by shares, three by business, and two by assets. Five companies had been liquidated, one leased, two merged with existing companies, three contracted out and the last three sold through management contract [57].

2.3.2. Beginning of Corporate Governance Discussion in Lesotho

Privatization project did not consider issues of corporate governance even though it was undertaken under the tutelage of the World Bank and IMF. These organizations were already active in driving the agenda for corporate governance. However, corporate governance was raised by the African Peer Review Mechanism (APRM) which Lesotho acceded to in 2004 [58]. The APRM was launched by the African heads of States in 2003, eight years after the introduction of privatization, as a mechanism for monitoring progress in governance and good practices in four

thematic areas of democracy and political governance, economic governance and management, corporate governance and socioeconomic governance [53]. The Country Support Mission (CSM) formally launched the review process in Lesotho in November 2006 [58], 2010). Lesotho was one of the first 29 countries out of 53 African Union member States to sign up for participation in the African Peer Review Mechanism (APRM) in 2009.

In assessing the status of corporate governance, the CRM used ‘several relevant international standards and codes and objectives identified as priority areas for corporate governance reform by African heads of state and government’ [58]. The status of corporate governance within Lesotho was assessed using the following international standards and codes:

- Principles of Corporate Governance (Organization for Economic Co-operation and Development (OECD) and Commonwealth);
- International Standards of Accounting and Reporting;
- International Standards on Auditing;
- Core Principles for Effective Banking Supervision;
- Core Principles for Securities and Insurance Supervision and Regulations;
- African Charter on Human and People’s Rights;
- Labour codes of the International Labour Organization (ILO);
- Codes on industrial and environmental safety and hygiene of the World Health Organization (WHO) [58].

Five corporate governance objectives were adopted as the indicators of the existence of corporate governance:

- The provision of enabling environment and effective regulatory framework for economic activities;
- Adoption of corporate code of governance;
- Ensuring that corporations act as good corporate citizens;
- That corporations treat all stakeholders fairly and justly;
- Ensuring that there is accountability of corporations, directors and officers [58].

The overall conclusion reached by the African Peer Review Panel was that corporate governance was ‘still a nascent concept in Lesotho’ despite being a subscriber to various international standards [58]. The Panel further observed that the discussion around corporate governance emerged in 2005. These discussions suggested the introduction of an Institute of Directors (IOD) which would operate under the auspices of the Lesotho Institute of Accountants (LIA) to sensitize the private sector on issues pertaining to corporate governance and ultimately establish a Code of Good Practice for the private sector [58]. However, in 2010, the APRM sadly observed that LIA had not made a headway in establishing the much-anticipated IOD in five years [58].

Nonetheless, the Central Bank of Lesotho (CBL) and LIA were accredited for promoting good corporate governance [58]. It is understandable why the two institutions appeared to have been promoting good governance. The CBL, being the

supervisor of the financial sector had to ensure that financial institutions follow and subscribe to international standards. On the other hand, LIA subscribed to International Standards of Accounting. Nevertheless, it was observed that these institutions were limited in scope focusing mainly on financial accountability whereas elements of corporate governance exceed beyond financials [58]. Furthermore, some inadequacies in Lesotho's corporate governance were pinned to the apparently outdated Companies Act which was observed to protect shareholder rights excluding stakeholders [58]. In addition, there were observed difficulties in measuring accountability of corporations, directors, and officers due to limitations in legal and regulatory frameworks. It was further observed that the SOEs were not up-to-date with their accounts while others were said to have gone for almost two years without boards of directors, which in a way suggested very poor corporate governance [58].

To address this situation, Lesotho was advised to take the opportunities related to the development of corporate governance frameworks that were taking place around the world [58]. A handful of recommendations were made in fast-tracking countrywide corporate governance.

- Open up an institute of corporate governance that would provide seminars and workshops on corporate governance for executives and middle management.
- Improve accountability and transparency at the corporate level by improving the legislative framework, especially with regards to the appointment of boards of directors.
- Develop SOEs governance framework especially focusing on transparent appointment of board members.
- Develop the code of corporate governance and ethics.

Post APRM, in December 2013, a two-day symposium was held at Maseru Sun themed Governance Beyond Boards [57]. The importance of corporate governance was deliberated. The discourse that evolved highlighted the role of corporate governance in reducing fraud and corruption. The symposium further underscored the need to implement the principles and standards of corporate governance to improve business behaviour.

Regrettably there was no headway towards implementing these activities. Unavoidably, the SOE sector would repay the price of corporate governance negligence once again in the financial year 2014/15 where some SOEs recurred the fiscal burden. Cognizant of the fact that corporate governance was lacking in the sector, the government requested the World Bank for technical assistance in 2015. The World Bank prepared a Policy Note to structure its findings and recommendations to the government. The Policy Note identified the major objective of the task as:

To identify opportunities for the government to enhance its ownership function of State-Owned Enterprises (SOEs) and better manage fiscal implications (dividends, transfers, and contingent liabilities), with the ultimate goal of strengthening the financial sustainability of SOEs while maximizing their contribution to the national budget [55].

Lack of corporate governance within the SOEs featured predominantly within the findings of the Policy Note and a set of recommendations was made to be modelled around the OECD Guidelines on Corporate Governance of SOEs and the World Bank's Toolkit on the Corporate Governance of SOEs (2014) (Kingdom of Lesotho, 2016). Time-lines were provided to implement the recommendations made [55]. Even though the issue of corporate governance had been the subject of discussion during APRM mission in 2010, the Policy Note did not make any reference to APRM findings.

To the government's disappointment, two years later in 2018, the sector was heavily involved in corporate scandals that prompted necessity for a Code of Good Practice as was recommended by the Country Review Report in 2010 and the World Bank in 2015 [59]; Two parastatals namely Lesotho Electricity Company (LEC) and Water and Sewerage Company (WASCO) were riddled with financial scandals [59] [60]. During the media launch of developing a national code of corporate governance in January 2019, the then Finance Minister Dr Moeketsi Majoro highlighted the importance of national code of corporate governance [59] [60]. Dr. Majoro highlighted how lack of code has affected SOEs, and blamed SOEs poor performance on non-existence of laws and codes of good governance in Lesotho. The project of developing a code of corporate governance was supported and funded by the African Development bank (AfDB).

The code was launched in September 2021. It was named Mohlomi Corporate Governance Code. The Code was anticipated to set the standards of best corporate practice in all organizations in all sectors, including the private and SOEs sectors in order to improve their governance and boost the economy. To capture the unique value system of Basotho, the country's historical background and shape national economic outlook, the Code has been named after the patron of Basotho—Chief Mohlomi. Throughout his chieftainship, Mohlomi demonstrated excellent leadership principles and was the leadership advisor to King Moshoeshe 1, who was the founder of Basotho in the present-day Lesotho. The Code was not only intended to set the tone for corporate practice and attract foreign investors to Lesotho but also to free the country from the plague of using other countries' codes and to establish a national regulatory guideline. The Code has been declared to be operational from 01 April 2022 or thereafter.

3. Lessons Learned

From the preceding sections, it could be observed that it had taken almost sixteen years to almost develop a national corporate governance code. Further, key external organizations have actively played part in the process, namely, APRM, World Bank and African Development Bank. A number of lessons could be drawn from this exercise, instructive for future projects.

3.1. Misjudging the Real Problem

The privatization project was intended to relief government financial burden from

non performing SOEs. The process was undertaken under the structural adjustment of IMF. It was only known that the SOEs were inefficient hence they needed to be privatized. Factors contributing to such inefficiencies were not disclosed. Privatization became the only option on the table. Paradoxically, the issues of corporate governance were being globally embraced as key to addressing corporate failure. By then corporate governance role was well understood in literature and experiences of the industrialized nations existed as driven by World Bank, IMF and OECD. But the IMF structural adjustment could not see the need of corporate governance in this instance.

It could be reasonably argued that what was at focus here was structural adjustment wave, driving the privatization ideology of which the World Bank and IMF had been the messengers. This highlights the unsustainability of economic reforms undertaken under the tentacles of international donors, who have the tendencies of adopting 'one peck fit all' policy. Despite the privatization, the challenges facing SOEs sector still lingered until another intervention by the World Bank and African Development Bank. Piecemeal approach to economic reforms is not in the best interest of recipient countries, it is thus important to understand key variables in addressing economic challenges.

3.2. Lack of Linkages between Reform Efforts

Throughout, there has been no attempt to link different projects who appeared to be related. APRM efforts were not linked to privatization. In the same manner the World Bank did not make any attempt to learn from previous efforts related to governance. Strangely, the World Bank did not afford itself opportunity to learn from the privatisation. Hopefully, some key lessons would have informed subsequent efforts. Rather, the World Bank is seen recommending frameworks to inform Lesotho's corporate governance efforts, namely those of OECD and World Bank. These frameworks were one of those used by APRM. These observations are suggestive of weak coordination among different efforts resulting in weak organizational learning.

3.3. Lack of Capacity by Government to Coordinate and Implement Reforms

The time taken to implement the development of the code is unnecessarily too long. This indicates either lack of capacity of the government to implement the recommendations, say those made by APRM or lack of political will. This directly relates to the issue of implementation of certain recommendations, and the type of leadership at play. SOEs are often confronted with the challenge of political interference. This often creates a vicious cycle of dysfunctional and incompetent board members. Inevitably, once an organizational leadership is unstable, performance gets negatively affected. It could be argued that much of the recommendations of APRM have slowed because of lack of political will. Not only, those recommendations but realization of corporate governance at all. APRM recommen-

dations were clear but it appeared that they were never implemented until the World Bank came with its policy note. It is noteworthy to mention that the Company Act was revised to improve legal framework in 2011. But the engagement of the World Bank later illustrates that the Act was insufficient, hence the need for a comprehensive code was necessary. Given the history of weak implementation of some major recommendations by the government, commitment to the implementation of the Code may be at risk.

3.4. Donor dependency syndrome

The time taken to complete the exercise and the sources of support provided to Lesotho reflect the dependency of Lesotho on external support in the form of World Bank and African Development Bank. It is for political convenience that support comes from these organizations since they are the stalwarts of corporate governance. While the APRM recommended the adoption of corporate governance, it appears that Lesotho might not have been convinced. While obtaining resources from such organizations may provide rich opportunities, it has been indicated that aid conditionality may limit the clarity of problems to be addressed at hand. It could thus be suggested that while financial resources may be sourced from such organization the design of solutions must emanate from the country seeking assistance.

3.5. Capacitation

The most important strategy to improve national economy is education. Major economic activities require special skills and knowledge. Capacitation of human resources is key in this aspect. However, this is not only peculiar to the case of Lesotho; the transition of political power from the colonial master to the natives was not well facilitated. Whereas Africans fought for political independence, little attention was given to the necessary managerial skills and knowledge required to run government institutions. Specific to the case of Lesotho, civil society was largely incompetent and uneducated. Senior managerial positions were held by ordinary local personnel with no formal training. This is partly the reason why a few years after the establishment of the SOE sector in 1970, these companies soon generated losses. In later years, since capacitation was still ignored, it was observed that some companies even went for two years without board of directors, they were no financial reports, and where they were prepared, accounting standards were not followed. These are some of the instances that point to the general failure to effectively manage SOEs in Lesotho. It is of paramount importance to invest in capacitation of the workforce in order to effectively and efficiently manage SOEs.

3.6. Resource Allocation

The allocation of capital and resources is very important in an organization. King IV (2016) highlights that integrated thinking is the cornerstone of effective corporate governance [61]. It hinges on the interdependencies that form a network of

relationships among different entities which may affect or be affected by the organization. King IV identifies the six capitals which make up the above-mentioned complex network of relationships: financial, manufactured, intellectual, human, social and relationship, and natural capitals. SOEs cannot fully function, and neither could they achieve their individual and collective objective unless the allocation of resources has been strategically conducted. This could be a reference point as to why some SOEs were shut down in Lesotho. Insufficient resources, misguided resource allocation, or mismanagement of resources often affect performance.

4. Conclusion

This study has captured the emergence of the concept of corporate governance in Lesotho. Particular focus was on the efforts undertaken to promote and standardize good corporate governance and to draw lessons for policy direction and future practice. The study observed that the government of Lesotho has been rather pushed than pulled into corporate governance due to a long history of mismanagement and corruption within the SOE sector. The private sector was largely ignored. As is the common case everywhere, there was, and still there is, a conflict of interest between the State as the owner and controller of SOEs in Lesotho. It has been argued that such conflict accounted for a much slower realization of corporate governance in the country despite the efforts of the APRM since 2005. What remains to be seen is the extent to which the recommendations of APRM and World Bank are to be implemented. One important point noted from the intervention of these two institutions (although they operated with different mandates) is that, their recommendations pointed towards common denominating factors. The formation of the Institute of Directors and the release of Mohlomi Code of Corporate Governance are indicative of a move in the right direction. Today, the main challenge crippling the SOE sector is the general lack of political will, and insufficient financial and human resources to promote best practice in corporate governance. On the whole, corporate governance is only at its initial state of formal recognition in Lesotho.

Conflicts of Interest

The authors declare no conflicts of interest.

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