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Full Length Research Paper

Corporate governance disclosure practices by Swaziland public enterprises

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This paper presented an account of corporate governance disclosure practices by public enterprises in Swaziland. The study was an attempt to compare the findings to the corporate governance disclosure requirements constructed by the United Nations. Findings revealed that the idea of corporate governance disclosure in general is a relatively new requirement for Swaziland business organizations and, at present, Swaziland does not have a specific framework for corporate governance which can be applicable to all business entities. The study also showed that the most important area regarding corporate governance disclosure was the financial transparency disclosure issues while the least important related to auditing disclosure issues. The study encouraged Swaziland government and companies to focus on improving the governance disclosure levels and develop a common corporate governance framework which will be applicable to all entities in order to enhance good corporate governance practices in the country. But such framework must take the socio-cultural and institutional conditions in Swaziland into account rather than transplanting corporate governance framework from different setting.

Key words: Corporate governance, corporate governance disclosure practice, public enterprise.

INTRODUCTION

Corporate governance has dominated policy agenda in developed economies for well over three decades and it is now getting to the top of the policy agenda in other jurisdictions (Abor and Adjasi, 2007). Previous studies have largely focused on developed countries contexts (Tsamenyi et al., 2007; Okike, 2007). Tsamenyi et al. (2007: 320) argued that corporate governance studies in Africa "are usually limited and available on an individual basis." Okike (2007: 174) also suggested that there "is little evidence of corporate governance development in Africa". The few existing studies have focused mainly on the developed[1] African countries such as South Africa, Nigeria and Egypt with incentives to attract foreign investment. Yet, Africa is heterogeneous therefore situation in the developed African countries is not representative of the realities in the less developed ones (Okeahalam, 2004). For example, majority of the developed African countries have more advanced capital market, more listed stocks and attendant trading infrastructures than in the less developed ones (World Bank Development Indicator, 2011), with severely underdeveloped capital market and poor infrastructure.

Furthermore, corporate governance in the public enterprises (PEs) and in state owned enterprises (SOEs)[2] are still less researched, especially in Africa. This is despite the fact that majority of these countries have significant state ownership of factors of productions with the government as the largest employer of labour (Dlamini, 2005). Corporate governance practices in the PEs in these contexts deserve urgent attention and have the potential to open up future dialogue on the motives and nature of corporate governance practices in uniquely

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[1] This paper takes the view that all of African economies are developing based on the classifications by most international organisations such as the IMF and World Bank, but also makes a distinction between this general classification and the need to recognize that not all these countries are at the same level of development. It uses Less Developed African Economies (LDAE) and Developed African Economies (DAE) to make this distinction.

[2] PE and SOE are used interchangeably throughout in the paper.

different settings to those already considered in the literature. Obscurity of the situation in the less developed African economies leaves a considerable gap in the literature and prevents adequate understanding of a number of issues within the African context. The lack of proper understanding of these contexts could lead to wrong prognosis of the challenges confronting them and of the solutions proffered. Consequently, this exploratory study aims to achieve two basic objectives: first to assess the general level of development of corporate governance in a less developed African country-Swaziland; secondly, to investigate the disclosure practices amongst PEs in this context, benchmarking their performance against the corporate governance disclosure requirements of the United Nations (UN).

Swaziland presents a unique context to consider these objectives. Firstly, it has severe structural and location factors that disadvantaged it immensely. A landlocked country with considerable obscurity from the literature[3], Swaziland is heavily dependent on South Africa, which accounts for over 75% of its exports and about 90% of its imports (Basu and Srinivasan, 2002). Over the years, the amount of foreign direct investment inflow has been on the decline (Dlamini, 2005), falling from 8% of gross domestic product (GDP) in 2002 to less than 3% of GDP in 2010 (World Bank Development Indicator, 2011). Out of the six major countries in the Southern African region, Swaziland has the second lowest GDP in 2010 at US$3.65 billion. The World Bank reckons that over 69% of the population lives below the poverty line, the worst in the region after Zimbabwe (World Bank Development Indicator, 2011).

Furthermore, the pace of development within Swaziland economy appears to be relatively slow compare to the more developed African countries. For example, while countries such as South Africa, Nigeria and Egypt have a considerably long history of the establishment of stock exchange and privatization of formerly SOEs, Swaziland stock exchange was established in 1990 and currently has just six listed stocks. Its economy is still heavily dominated by SOEs (Nellis, 2005; Dlamini, 2005). These features make Swaziland a suitable context to assess corporate governance development in a less developed African economy in general, and in its public enterprises in particular. This study is the first, to our knowledge, to consider corporate governance in the PEs of a less developed African country. Thus, the study will fill an important void currently existing in the literature in respect of corporate governance practices in the PEs in Africa. The remainder of the paper proceeds as follows: literature review focusing on corporate governance in African and internationally and corporate governance in SOEs; background information about the context of the study, focusing on the regulatory aspects; research methodology, providing explanation on the data collection and methods; results and discussion of findings; conclusion and opportunities for future research.

[3] This observation was made by participants at the 7th Workshop of the British Accounting and Finance Association, Accounting and Finance in Emerging Economies Special Interest Group held at University of Essex on 13th of January 2012, and several anecdotal evidence.

LITERATURE REVIEW

Agency theory, an important theory in corporate governance discourse, seeks to explain the causes of agency problems and agency costs in organizations (Jensen and Meckling, 1976). It argues that information asymmetry between the principal (investors-shareholders) and the agents (management) could lead to dysfunctional behaviours by management due to conflict of interest. Shareholders bear the cost of agency problems (Okeahalam, 2004) associate with these sub-optimal behaviours. Corporate governance mechanisms offer variety of ways to reduce information asymmetry and align the interests of the principal and the agents at a cost theoretically assumed to be less than the benefits derivable (Tsamenyi et al., 2007)[4].

Existing definitions of corporate governance fall under two main themes. First, corporate governance defined within a restricted context of a firm and its governance and, secondly, corporate governance defined from a macro perspective of institutions within a national context. While definitions such as those in Shleifer and Vishny (1997) and Cadbury (1992) present corporate governance from the perspective of the firm and its constituents, international organization such as the Organization for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and the UN see it from a broader perspective. For example, Shleifer and Vishny (1997:737) argued that “corporate governance deals with the ways in which suppliers of finance to corporation assure themselves of getting a return on their investment”. On the other hand, the OECD (2004) defined corporate governance in terms of national frameworks that a country should institutionalize and suggested the following principles of corporate governance that member states should implement:

1) Ensuring the basis for an effective corporate governance framework.
2) The rights of shareholders and key ownership functions.
3) The equitable treatment of shareholders.
4) The role of stakeholders in corporate governance.
5) Disclosure and transparency.
6) The responsibilities of the board.

[4] If the costs of instituting corporate governance mechanism outweigh its benefits, then corporate governance mechanisms would not worth being instituted. However, an empirical evidence of the higher pay-off of corporate governance is open to much debate. Anderson et al. (2003), amongst many others, showed that firms with better corporate governance mechanisms have a cheaper cost of capital.

Yet, there is no universally accepted meaning of the concept as is obvious from the following quote:

"Some commentators take too narrow a view, and say it (corporate governance) is the fancy term for the way in which directors and auditors handle their responsibilities towards shareholders. Others use the expression as if it were synonymous with shareholder democracy. Corporate governance is a topic recently conceived, as yet ill-defined, and consequently blurred at the edges…Corporate governance as a subject, as an objective, or as a regime to be followed for the good of shareholders, employees, customers, bankers and indeed for the reputation and standing of our nation and its economy" (Maw et al., 1994: 1).

CORPORATE GOVERNANCE IN AFRICA

Corporate governance in Africa is an important consideration in attracting foreign investment for economic prosperity (Mensah, 2002). Globalization is increasingly making it imperative for African companies to signal transparency and accountability to potential investors through corporate governance best practice. However, the model of corporate governance in Africa is emergent as it has features of both market and insider approaches to corporate governance (Vaughn and Ryan, 2006; Rwegasira, 2000). Privatization is one example of its market orientation. The growing trends in privatization (Rwegasira, 2000) followed years of state involvement in business, a common feature of African countries after independence, as a sign of national pride and sovereignty (Dlamini, 2005). Presently, some African countries are privatizing with government focus now placed on providing the necessary infrastructure and regulatory frameworks for enterprises.

However, corporate governance in Africa also has features of an insider approach, with family owned, closely-held businesses, and its attendant corporate governance features (Tsamenyi et al., 2007; Rwegasira, 2000). The weak nature of the capital market infrastructure (Tsamenyi et al., 2007) and poor legal enforcement (Klapper and Love, 2004; La Porta et al., 2000) mean that shareholders protection and property rights are not robust. Debt financing through banks and financial institutions predominate rather than equity. Overall, corporate governance in Africa is "hybrid" and in its "formative stage". However, Okike (2007: 188) argued that any corporate governance approach should recognize "the differences in the socio-economic environments in which businesses operate". Similarly, Rabelo and Vasconcelos (2002) argued that there would be differences in corporate governance in developed countries compare to developing countries due to differences in their structure and economic characteristics.

Some African countries have also established national corporate governance codes for example, the King Report in South Africa and the Nigerian Code of Best Practice for Listed Companies. However, it is important that countries should develop codes that take due consideration of their specific history, institutional features, values and culture rather than transplanting a foreign corporate governance approach that is bound to fail (Mensah, 2002; Charkham, 1994).

State owned enterprises and corporate governance

Corporate governance issues in private enterprises are distinct from those confronting SOEs (Alchian, 1977). Although studies have shown that agency problems are equally applicable (Chang and Singh, 1997; Vernon-Wortzel and Wortzel, 1989), their types and nature are different. For example, while the agency problem in the private enterprises is between the management and shareholders, it is usually between management and the citizens (Ahunwan, 2002), who are in effect the principal, in SOEs. Ownership in SOEs is diffused and in some cases non-transferable (OECD, 2005). As a result, information asymmetry in some SOEs may be comparable if not higher than in private enterprises. This could be the case with widely held SOEs with stocks listed on an exchange. Such structure may make monitoring very difficult and costly. Compare to private businesses, SOEs are also more likely to face higher agency problems due to poor monitoring, bureaucracy and interference from the state or its apparatus (Vickers and Yarrow, 1991).

Although majority share ownership by the state in a SOE may deliver better monitoring outcomes due to concentrated ownership argument (Shleifer and Vishny, 1997), it nonetheless suggests potential problems with property right and protection of minority shareholders, especially in jurisdictions with weak legal and enforcement infrastructures (La Porta et al., 2000). Therefore, a relevant question here is whether corporate governance approaches in private sector are appropriate for examining corporate governance in SOEs/PEs? In this regard, the OECD, having produced corporate governance guidelines for both private (OECD, 2004) and SOEs (OECD, 2005), suggested that both set of guidelines should be viewed as complementary. It also suggests that "in order to carry out its ownership responsibilities, the state can benefit from using tools that are applicable to the private sector, including the OECD principles of corporate governance. This is especially true for listed SOEs" (OECD, 2005: 10). Therefore, there is a sense in which it is possible to assess corporate governance performance in SOEs with reference to the corporate governance guidelines that are specifically applicable to private enterprises, especially where the SOEs are publicly listed.

Furthermore, the OECD appreciates that one of the major corporate governance challenges facing countries with SOEs is how to “find a balance between the state’s responsibility for actively exercising its ownership functions, such as the nomination and election of the board, while at the same time refraining from imposing undue political interference in the management of the company” and “ to ensure that there is a level-playing field in the markets where private sector companies can compete with state-owned enterprises and that government do not distort competition in the way they use their regulatory or supervisory power” (OECD, 2005: 3). Watanabe (2002) in a related study of Chinese SOEs found that government as the implicit controller of the firm in SOEs; exploit it. And Ahunwan (2002: 275) in a study of corporate governance in Nigeria suggests that “appointments to board, senior management positions and even lower cadre are often based on political connections, ethnic loyalty….”. This implies the distorting influence of the government in SOEs governance.

State owned enterprise and public enterprise in Africa

Although African countries have long experience with SOEs/PEs, there is little evidence of their performance over their many years of existence. SOEs/PEs served numerous purposes in Africa in their famous years, providing important drive in manufacturing, extractive and service industries for economic developments, and provision of employment (Dlamini, 2005). Despite these benefits, they remain massive economic burden on many national governments, due to huge annual subventions, subsidies and bankruptcy, caused by a myriad of problems including mismanagement, political interference, and corruption (Dlamini, 2005). SOEs/PEs are particularly favoured by African politicians who frequently use them as tools of political control, and to reward their political cronies with appointment to the board without requisite managerial skill and experience (Ahunwan, 2002).

By the late 1980s, it was apparent that continued state ownership of enterprises was not cost effective and governments needed credible alternative developmental strategy (Nellis, 2005). Giving the success of privatization in some developed countries, notably in Britain, African countries started to experiment with different approaches to privatization and commercialization of SOEs (Nellis, 2005; Jerome, 2004). This also coincided with some of the requirements of IMF’s structural adjustment programmes packages introduced in some of these countries to revamp their ailing economies (for example, Nigeria in 1986). African countries are still experimenting with different models of privatizations (Jerome, 2004) and, now, attentions are being turned to public private initiative (PPI) (Nellis, 2005).

Governance of the SOEs are usually by government appointed board, at times, reporting directly to a government minister (Tsamenyi et al., 2007). According to OECD (2005: 17), “the boards of state-owned enterprises should have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions”. Ideally, a SOE board should comprise of individuals with appropriate level of skills and competencies in order to enhance the strategic direction and performance of the SOE, however, in reality, appointment to the board in Africa is determined mostly by political affiliations and socio-cultural nuances such as tribe and ethnicity (Ahunwan, 2002). Section VI (B) of the OECD (2005: 17) guidelines provides that “SOE boards should carry out their functions of monitoring of management and strategic guidance, subject to the objectives set by the government and the ownership entity. They should have the power to appoint and remove the CEO”. The guideline also suggested that the role of the CEO and board chairman should be separated.

One of the core challenges of corporate governance in SOEs/PEs in Africa is the lack of accountability and transparency in the composition and structure of the board. This is a problem that needs to be resolved in order to improve the performance of the SOEs/PEs and send appropriate signals globally regarding corporate governance of SOEs/PEs in Africa. In the next section, the study presents background information on the context of the study.

Regulatory framework and disclosure in Swaziland

The legal framework in Swaziland is fashioned along the common law orientation of the British legal system. For close to a century, until it was replaced by the Companies Act 2009, the Companies Act 1912 served as the main source of legal rules for companies and their activities including reporting and disclosure requirements. Following the establishment of the Swaziland Stock Exchange in 1990, the listing rules of the exchange provided additional regulatory framework for listed firms operating in the country.

According to the requirements (Section 3.84) of Swaziland Stock Exchange, listed companies are required to comply with corporate governance provisions and to disclose their compliance in their annual financial statements (www.ssx.org.sz). Companies should report their disclosure through a narrative statement of how it has applied the principles set out in the code of corporate practices and conduct contained in the South African King II. The stock exchange requires information such as borrowings, headline earnings per share, directors’ interests (director’s holding in the share capital), shareholder spread (the number of public shareholders for every class of its listed securities and the percentages of each class of listed security), major shareholders, share incentive schemes, profit forecasts, full details of all special resolutions passed, details of all issues of securities for cash during the period under review, and individual director's emoluments (for example, fees, salary, commission, bonuses, share options) (www.ssx.org.sz).

Corporate governance in public enterprises in Swaziland

The OECD (2005: 9) observed that "SOEs still represents substantial part of GDP, employment and market capitalisation" in many countries. This is the case in Swaziland with PEs as the largest employers of labour (Ministry of Finance Swaziland, 2004: 1). For economic development, the government of Swaziland established numerous PEs and made investments in a wide range of activities which include hotels, tourism, and agriculture since independence in 1968 (Ministry of Finance Swaziland, 2004: 5). PEs dominate the Swaziland economy with 45 PEs of which 29 are category 'A', and 16 are category 'B' (Ministry of Finance Swaziland, 2004: 6). Category 'A' PEs are those which government owns wholly or has a majority interest or which are dependent on government subventions (Ministry of Finance Swaziland, 2004: 6). They provide most of the national infrastructure and services including water supplies and electricity. Category 'B' enterprises are those in which government has a minority interest. They include Public Service Pension Fund, Central Bank of Swaziland, Mbabane and Manzini City Council, amongst others (Ministry of Finance Swaziland, 2004: 6). However, presently, Swaziland has 39 PEs of which 22 rely on government subvention for their operational budgets (Weekend Observer, 2011). Appendix 1 contains the list of 39 PEs.

To maintain their influence, government still have representations on the boards of PEs. They report to government through the Public Enterprises Unit (PEU), which is a department in the Ministry of Finance, and is charged with the responsibility of monitoring the effective functioning of the PEs (African Development Bank (ADB), 2005). The Ministry of Finance Swaziland (2007) has produced a document for PEs, entitled 'corporate governance and code of business conduct and ethics for board of directors of public enterprises'. According to the document, directors of PEs should ensure that: PEs' activities are conducted to minimize any divergence of interests between the PEs and the shareholders; PEs are managed in the best interests of the PEs' shareholders and other stakeholders; and PEs and their officers are to maintain the highest standards of integrity, accountability and responsibility (Ministry of Finance Swaziland, 2007). The document also includes guidelines on several issues including the composition and structure of the board, its roles and relationship with shareholders, and the role of chairperson and chief executive officer, etc. (Ministry of Finance Swaziland, 2007). As with many global codes, compliance with this guidance is on a voluntary basis and detail provisions are fairly consistent with the provision in most corporate governance codes globally, being essentially borrowed from the South African King II.

RESEARCH METHODOLOGY

Consistent with previous studies (Adelopo, 2011; Islam and Deegan, 2008; Gray et al., 1995), this study used the annual reports which, here, refer to the official document that includes both financial and non-financial information of the PEs to extract their corporate governance disclosure and compares to the UN disclosure checklist. As indicated earlier that there are presently 39 PEs in Swaziland, which represent the the population for the study. Although the annual reports of the PEs were supposed to be publicly available being public enterprises, although not all listed, this is not the reality of the situation. It was almost impossible to locate any annual reports of the companies through any public means such as websites (the companies do not have the documents on their official websites), library (including Swaziland Stock Exchange library), government department etc. The annual reports used in this study were obtained through acquaintances that have shares or know someone who has shares or work in some of the PEs. Frantic efforts were made including visiting the companies, stock brokers, and government departments to solicit copies of the annual reports of these companies to obtain as many annual reports of the companies as possible, but only twelve PEs' annual reports could be obtained and even these are not for the same year. This situation reflects the realities of undertaken empirical research in this type of context. The study is based on eight annual reports for the year ending 2009 and four for the year ending 2008. Although the sample size is very small, the PEs in the study represent the most important ones and are fairly representative of the PEs in the country in terms of size, performance and ownership structure. It should also be noted that most of the companies in Swaziland which are non-listed on Swaziland Stock Exchange, do not produce annual reports as they are not statutorily required.

The study constructed a checklist based on UN recommendations on corporate governance disclosure items (see UN, 2006). It serves as a useful tool in order to assess disclosure practices with regard to corporate governance, is applicable to any form of enterprises (UN, 2006) and one used in previous study (Dahawy, 2009). The checklist consists of 53 disclosure items divided into five broad subject categories that would be mention in this work, and quantity disclosure (Beretta and Bozzolan 2008; Hasseldine et al., 2005) approach was used to score the PEs on binary basis (where 1 is given for a disclosure and 0 for none disclosure) for their disclosures (Tsamenyi et al., 2007; Patel et al., 2002) (Appendix 2).

The five broad subject categories are:

(1) Financial transparency (9)
(2) Ownership structure and exercise of control rights (9)
(3) Board and management structure and process (19)
(4) Corporate Responsibility and Compliance (7)
(5) Auditing (9)

FINDINGS AND ANALYSIS

Table 1 shows the descriptive statistics and indicates that the PEs have unitary board structure comprising a mix of executive and non-executive directors. UN (2006)

Table 1. Descriptive statistics of the PEs.

Company	Net profit (Loss) US$	Number of directors (21 executive, 97 non-executive)			Ordinary number of board meetings in a year	Additional board committees	
		M[3]	F[4]	T[5]	Minimum	Name of committees	T[6]
Comp 1	45 482 809[1]	6	3	9	6 times	Audit; risk; remuneration	3
Comp 2[7]	5 945 223[1]	7	2	9	4 times	Audit; directors affairs and remuneration; risk, compliance and loan review	3
Comp 3	638 378[1]	5	4	9	4 times	Audit; remuneration; investment	3
Comp 4	14 670 944[1]	7	2	9	4 times	Audit; remuneration	2
Comp 5	1 164 075[1]	7	2	9	4 times	Finance; remuneration; tender	3
Comp 6	684 504[1]	7	2	9	4 times	Audit and finance; remuneration	2
Comp 7	1 179 569[1]	8	1	9	4 times	Audit, finance and risk; remuneration	2
Comp 8	(1 357 938)[1]	5	4	9	4 times	Executive; finance and audit; human resource and remuneration	3
Comp 9	14 350 213[2]	8	3	11	4 times	Audit; credit	2
Comp10	101 265[2]	8	2	10	4 times	Audit; remuneration; investment; executive	4
Comp 11[7]	20 038 865[2]	11	2	13	4 times	Audit; risk; committee on non executive directors' remuneration; remuneration	4
Comp 12	(3 747 813)[2]	9	3	12	4 times	Audit; remuneration; benefits; ethics; investment	5
Total		88	30	118	50		36
Mean		7.33	2.5	9.83	4.17		3

[1]The domestic currency Emalangeni (E) averaged E8.26 against the US Dollar in 2008/2009 financial year. [2]The domestic currency Emalangeni (E) averaged E7.05 against the US Dollar in 2007/2008 financial year. [3]Male. [4]Female. [5]Total number of directors. [6]Total number of Committees. [7]Listed company.

recommended that the composition of the board regarding the balance of executives and non-executive directors should be disclosed. Table 1 also shows that women account for 25.42% of total board of directors members. In terms of number of committees, all the companies have at least two committees. UN (2006: 15) stated that the establishment of board committees is "to facilitate fulfilment of certain of the board's functions and address some potential conflicts of interest". King II (2002) recommends that, for effective governance of the company's affairs, all companies should have minimum of two committees including audit committee and remuneration committee.

Results show that almost all companies have followed this practice except one company which does not have audit committee. According to King II (2002), board should meet at least four times a year. Table 1 shows that there were minimum four and maximum six meetings with an average of 4.17 which indicates that the board of PEs in Swaziland meets regularly consistent with the standards of King II code.

Overall disclosure performance

Table 2 shows the result of the disclosures across all the five categories. It indicates that the highest disclosures were related to financial transparency while the least disclosed items were related to auditing information in the twelve PEs involved in the study with 51.85 and 15.74% disclosure score respectively. A possible explanation could be the fact that most corporation, PEs included, consider financial information as the most important set of information to be provided to various stakeholders, while auditing related information may be thought to be more technical and of minimal use. Findings show that average disclosure compliance score by the sample companies is 31.29% which is generally low compared to other developing countries such as Ghana 52% (Tsamenyi, et al., 2007), Bangladesh 43.53% (Akhtaruddin, 2005), South Africa 56.12% (Patel et al., 2002). However, the result of this study is very close to the situation in Brazil where the score is 32.65% (Patel et al., 2002) and similar to a Malaysian study by Haniffa and Cooke (2002) where disclosure compliance score was 31.3%.

Table 2. Overall disclosure performance.

Item	Disclosure	Possible disclosure score	Actual disclosure score	Percentage
1	Financial transparency disclosure	108	56	51.85
2	Ownership structure and exercise of control rights disclosure	108	26	24.07
3	Board and management structure and process disclosure	228	81	35.53
4	Corporate responsibility and compliance disclosure	84	19	22.62
5	Auditing disclosure	108	17	15.74
Total		636	199	31.29

Table 3. Financial transparency disclosure by the sample PEs.

Disclosure item	Number of enterprises disclosed
Financial and operating results	12
Company objectives	12
Critical accounting estimates	5
Nature, type and elements of related-party transactions	8
Disclosure practices on related party transactions where control exists	2
Board`s responsibilities regarding financial communications	12
Rules and procedures governing extraordinary transactions	0
The decision making process for approving transactions with related parties	5
Impact of alternative accounting decisions	0

Table 4. Ownership structure and exercise of control rights disclosure by the sample PEs.

Disclosure item	Number of enterprises disclosed
Ownership structure	7
Control structure	4
Control and corresponding equity stake	2
Control rights	1
Availability and accessibility of meeting agenda	1
Process for holding annual general meetings	10
Changes in shareholders	0
Rules and procedures governing the acquisition of corporate control in capital markets	1
Anti-Takeover measures	0

Financial transparency disclosure

Findings show that all twelve enterprises followed the international guidelines in disclosing financial and operating results (Table 3). The UN, OECD and the King II corporate governance codes all require entities to disclose their financial and operating results in ways shareholders and stakeholders will understand the nature and current state of affairs of the business (UN, 2006: 3). Table 3 shows that all enterprises disclosed their financial and operating results, corporate objectives, and board responsibilities regarding financial communications. However, there are deficiencies in the disclosure around some other issues including related party transactions; critical accounting estimates, extraordinary transactions, and impact of alternative accounting decisions (Table 3). Poor disclosure is most likely due to poor understanding of these types of transaction and how to identify them. It may also be due to the simple nature of the PEs in Swaziland, in which case they may not have complex transactions to report.

Ownership structure and exercise of control rights disclosure

Findings indicate that the main items disclosed by the enterprises under this heading are process for holding annual general meetings, ownership structure, and control structure (Table 4). While, availability and

Table 5. Board and management structure and process disclosure by the sample PEs.

Disclosure item	Number of enterprises disclosed
Risk management objectives, system and activities	12
Composition of board of directors (executives and non-executives)	10
Qualifications and biographical information on board members	5
Types and duties of outside board and management positions	1
Number of outside board and management position directorships held by the directors	3
"Checks and balances" mechanisms	0
Existence of plan of succession	4
Governance structures, such as committees and other mechanisms to prevent conflict of interest	11
Composition and function of governance committee structures	8
Role and functions of the board of directors	2
Duration of director's contracts	7
Determination and composition of directors` remuneration	1
Independence of the board of directors	2
Professional development and training activities	8
Compensation policy for senior executives departing the firm as a result of a merger or acquisition	0
Existence of procedure(s) for addressing conflicts of interest among board members	0
Availability and use of advisorship facility during reporting period	0
Performance evaluation process	6
Material interests of members of the board and management	1

accessibility of meeting agenda was disclosed by one PE, changes in shareholders and anti-takeover measures were not disclosed by any enterprises (Table 4). Only one enterprise disclosed the rules and procedures governing the acquisition of corporate control in capital markets. According to Table 4, the overall findings show that less attention has been paid to ownership and control related information. This is an important area to potential global investor. It gives the impression that shareholders rights and protection are not high on the corporations' agenda. It may also be reflective of the poor market infrastructure in this context.

Board and management structure and process disclosure

Under the board and management structure and process disclosure category, the highest disclosure item relates to risk management objectives; system and activities (Table 5). This could be because it is a core element of corporate governance in many countries which requires companies to report the different risks that they may be exposed to. However, findings show that the issues of role and functions of the board of directors have not been seriously addressed. Table 5 shows that only two companies disclosed the role and functions of their board of directors. Therefore, it seems that PEs in Swaziland lacks accountability and proper direction. This finding is consistent with Dlamini (2005) who found that due to lack of proper direction, control and management, less attention has been paid to the issues of governance and accountability in the public sector in Swaziland. Furthermore, the corporate governance framework requires companies to disclose sufficient information on remuneration policy and its structure including fees, salary, bonuses and other benefits for board members and key executives (OECD, 2007; UN, 2006). Findings show inherent weakness in the board process and board reporting disclosures. There were poor disclosure scores on board duties, external directorship, check and balances mechanisms, remuneration and compensation, and conflict of interest by board members and management and use of advisors (Table 5). These are partly indicative of how out of line with international requirements are disclosure practices of Swaziland's PEs.

Corporate responsibility and compliance disclosure

According to Table 6, eight of the twelve enterprises in the sample disclosed social responsibility policies. It is a real positive sign for Swaziland since the social development of the country is seriously affected due to the financial crises facing the government. The social responsibility initiative by the enterprises shows that they have social obligation to the society. Further, it implies that organizations operate within the accepted norms of their respective societies and seek to ensure that their activities are accepted by the societies (Deegan, 2000). Apart from this item, other items were less disclosed. Only one PE disclosed information on the impact of

Table 6. Corporate responsibility and compliance disclosure by the sample PEs.

Disclosure item	Number of enterprises disclosed
Policy and performance in connection with environmental and social responsibility	8
Impact of environmental and social responsibility policies on the firm's sustainability	1
Mechanisms protecting the rights of other stakeholders in business	2
A code of ethics for the board and waivers to the ethics code	1
A code of ethics for all company employees	5
The role of employees in corporate governance	0
Policy on "whistle blower" protection for all employees	2

Table 7. Auditing disclosure by the sample PEs.

Disclosure item	Number of enterprises disclosed
Process for interaction with external auditors	4
Process for appointment of internal auditors / Scope of work and responsibilities	5
Board confidence in independence and integrity of external auditors	0
Process for interaction with internal auditors	3
Process for appointment of external auditors	0
Internal control systems	5
Duration of current auditors	0
Rotation of audit partners	0
Auditors` involvement in non-audit work and the fees paid to the auditors	0

environmental and social issues on their sustainability; none of them showed their employees' involvements in corporate governance in the organization and only one disclosed information on code of ethics for board level personnel. Similarly, only two companies disclosed information on whistle blowing policy and on the protection of the right of other stakeholders. Overall, it shows that the PEs in Swaziland is far behind in their disclosure performance on social and environmental issues.

Auditing disclosure

Table 7 shows that auditing is the least disclosed issue by the PEs in the study. A lot of information that could enable users of the financial statement to assess the level of the independence of the auditor is missing. For example, the appointment and selection of the external auditor is not disclosed. None of the PEs disclosed their review of independence of the auditor and whether the partners are being rotated to improve independence in appearance. This result is similar to an Egyptian study conducted by Dahawy (2009) where the category of auditing was the least amount of disclosure among the thirty enterprises studied.

Conclusion

This paper has presented the result of a research that investigated the development and disclosure practices of PEs in Swaziland. The study compares disclosures by the PEs to the suggested guidelines by the UN. The analysis suggests that disclosure levels in Swaziland PEs are very low. This finding is consistent with finding on disclosure in developing economies. The average disclosure for the PEs in the sample is around 31.29% which is far lower than 60% suggested (Tsamenyi et al., 2007). Findings also show that the most important area regarding corporate governance disclosure by the companies in the sample was the financial transparency disclosure issues, while the least important related to auditing disclosure issues. Other categories show mixed results, some items are reported only by a few or even none.

The study found that disclosure items such as impact of alternative accounting decisions, anti-takeover measures, availability and use of advisorship facility during reporting period, compensation policy for senior executives departing the firm as a result of a merger or acquisition, and audit partner's appointment, duration and rotation are uncommon in Swaziland. This may be indicative of the low level of sophistication of the Swaziland economy. In terms of the level of disclosure compliance, the overall corporate governance disclosure performance in Swaziland is far out of line compared to other developing countries. Overall, findings of the present study revealed that there is a lack of awareness of corporate governance disclosure practice in Swaziland. Most of PEs in Swaziland still comply with the corporate governance principles contained in the South African King II and these may not necessarily be suitable to this context since South Africa is significantly more developed than Swaziland. The solution may be that Swaziland should at least adapt the requirements of the King Report to its own context consistent with suggestion by Okike (2007).

The study is important because of the problems facing PEs in Swaziland regarding transparency and accountability. The research contributes to the understanding of the level of corporate governance disclosure practices among the PEs in Swaziland. The findings of the research should therefore, encourage the government and regulatory bodies to focus on improving the governance disclosure levels and for the enhancement of good governance practices in Swaziland. In addition, this study is significant in highlighting the extent and nature of corporate governance and corporate governance disclosure practice in a developing country within the context of Southern African countries.

Finally, the Swaziland government and other regulatory bodies should increase the level of companies' awareness on corporate governance issues through workshops and seminars across the country. It is also important that universities and tertiary institutions in Swaziland and other African countries should develop curriculum in these areas so as to build the necessary knowledge level and manpower to enhance higher level of practice of corporate governance in both private and public enterprises in the country.

It is important to note that, due to a number of limitations, the present study suggests potential future research opportunities. Firstly, this is an exploratory study which aimed to examine the level of corporate governance development and disclosure level in PEs in a less developed African country. The result of this study may not be generalized on the private sector of the economy. Future study could explore similar issues in private and informal sectors of the economy. Secondly, the sample size places a severe limitation on the level of analysis that was possible in the study. This was due to the lack of available data such as the annual reports of the companies. Although the twelve PEs in the study are representative of the most important PEs in the country, it is likely that future studies with larger sample size may be able to deliver stronger and more generalizable findings on corporate governance in Swaziland. Future study could also explore the main drivers of corporate governance developments in this type of context as well as the institutional determinants of corporate governance.

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APPENDIX

Appendix 1. List of Swaziland public enterprises surveyed.

SRL #	Public enterprises	Surveyed	Annual reports used
	Category A public enterprises		
1	Swaziland Dairy Board		
2	National Maize Corporation	√	2009 (Comp 8)
3	Swaziland Cotton Board		
4	National Agriculture Marketing Board		
5	Swaziland Water and Agricultural Development Board		
6	Royal Swazi National Airways Corporation		
7	Swaziland Railway	√	2009 (Comp 3)
8	Central Transport Administration		
9	Swaziland National Provident Fund	√	2008 (Comp 12)
10	Swazi Bank	√	2009 (Comp 6)
11	Swaziland Post & Telecommunications Corporation	√	2009 (Comp 4)
12	Swaziland Water Services Corporation	√	2009 (Comp 5)
13	Small Enterprises Development Company		
14	Swaziland International Trade fair		
15	Swaziland Development Finance Corporation	√	2009 (Comp 7)
16	Piggs Peak Hotel		
17	Swaziland Television Authority		
18	Swaziland National Housing Board		
19	Swaziland National Trust Commission		
20	Swaziland Investment Promotion Authority		
21	Motor Vehicle Accident Fund		
22	Swaziland Komati Project Enterprise		
23	Commission for Arbitration Mediation and Conciliation		
24	University of Swaziland		
25	SEBENTA National Institute		
26	Swaziland Tourism Authority		
	Category B public enterprises		
27	Central Bank of Swaziland	√	2009 (Comp 1)
28	Royal Swaziland Sugar Corporation Limited	√	2008 (Comp 11)
29	Swaziland Industrial Development Company		
30	First National Bank Swaziland		
31	Standard Bank Swaziland	√	2008 (Comp 9)
32	Ned Bank (Swaziland) Limited	√	2009 (Comp 2)
33	Manzini City Council		
34	Mbabane City Council		
35	Swaziland Royal Insurance Corporation	√	2008 (Comp 10)
36	Raleigh Fitkin Memorial Hospit		
37	Public Service Pensions Fund		
38	Swaziland Fruit Canners		
39	Swaziland Building Society		

Appendix 2. Disclosure index adapted from the UN corporate governance guidelines.

Key headings
Financial disclosure
Non- financial disclosures
A: Company objective B: Ownership and shareholder right C: Changes in Control and Transactions Involving D: Governance Structures and Police i) The structure, role and functions of the board ii) Board committee iii) Ethics policy and support structure E: Members of the board and key executives i) Duties and qualifications ii) Evaluation mechanism iii) Directors' remuneration iv) Succession planning v) Conflict of interest F: Material issues regarding stakeholders, and environmental and social stewardship G: Material foreseeable risk factor H: Independence of external auditor I : Internal audit function