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Theory-Praxis: Principals vs. Agents among Namibian Public Enterprises

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ABSTRACT

In Namibia, public enterprise (PE) agents are obligated to prioritize and advance the interests of their principals (namely the government). However, recent trends have seen the proliferation of conflicts arising due to impediments such as information asymmetry, misaligned incentives, and political interference in the management of PEs. These impediments have the tendency to contradict the positive expected standards of accountability and result in a negative disconnect with the principles of the agency theory. The overall lackluster results and performance of PEs in Namibia suggest that some alignment to the positive expectations of the agency theory, while deviations are also observed in the management of PEs. Qualitative research approach was used in this study to analyze secondary data through thematic analysis, interpretivism and theory deduction. The analysis of data led to findings that show that PEs in Namibia struggle with accountability, transparency and performance-driven incentives as outlined by the agency theory. Political influence in the management of PEs was also found to continually skew essential decision-making processes. This misaligns the actions of PE agents with the true interests of the principals via the agency theory. Challenges such as information asymmetry and weak governance frameworks hinder the principal's (government's) ability to oversee PE performance, thereby reducing agency. Addressing the above agency challenges (by reducing political interference, rigorously applying governance frameworks, establishing performance-based incentives, strengthening board autonomy, ensuring personal accountability, and enforcing transparency) in PEs has the prospect to significantly improve agency relationships in Namibian PEs, thereby reducing agency loss.

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1. Introduction

The past century has seen increased research (e.g. (Al-Faryan, 2024; Forster et al., 2025; Khan et al., 2025) that investigate and attempt to draw parallels between theory and praxis, particularly in reference to the agency theory. More so, these studies have investigated the agency theory where there is a clear delegation of responsibilities from a principal (shareholder) to an agent (board of directors/chief executive officer/managing director/senior management) in the running and management of a company or business. Indeed, theory-based deduction inherently informs and accounts for how practices occur, but there are deviations. The agency theory is a key component in the governance of PEs and plays a key role in informing legislations that govern the practical principal-agent relationship in many countries globally, including Namibia.

The ascendance of theory-praxis studies has risen over the years to prominence owing to praxis deviations from theory prescriptions and explanations. This is notably the case in how agents manage PEs on behalf of principals. Indeed, other studies (e.g. (Al-Faryan, 2024; Hill, 2024) have demonstrated this deviation and conformance in some respects and have contributed to the further development of the theory. Such contributions are supported by Bendickson et al. (2016) and Van Thiel et al. (2020) as significant for evidence-based theory-praxis understanding, especially in an ever-evolving landscape of literature. Despite these contributions, they lack perspective from a developing country perspective such as Namibia. Additionally, other studies (e.g. (Dragomir et al., 2021) Gladović, 2023) covering shareholders and agents in a developed country perspective were approached more from a practical perspective and in isolation of the agency theory.

From the above, a developing country perspective like that of Namibia is necessary for providing parallel understanding of the agency theory in relation to praxis. In this case, the multitude of governance, management and administration challenges and successes of Namibian PEs serve to provide important praxis insights on the agency theory. Buttressing this, Marenga (2020, 2024) finds that most Namibian PEs are confronted with governance challenges that often leave principals frustrated and unhappy, while only a few PEs perform as expected. This is because most agents do not manage PEs to the expectations and satisfaction of the principals as supported by the agency theory. This is indeed one of the impetus' that renders the current study relevant for advancing literature. To fill the above-identified paucity in research, the current study aims to use the practical case of Namibian PEs to draw parallels on key conformities and deviations with the agency theory. To achieve this, the study is guided by the following research objective: To analyze the extent to which the practical management of PEs in Namibia conform and deviate from the agency theory. To aid in achieving the objective of this study, the rest of the paper is structured as follows: literature review; methods; results and discussions and conclusions and recommendations.

2. Literature Review

2.1. Understanding the Agency Theory – An Ontological Perspective

The agency theory is a framework in the fields of economics, management, and organizational studies that examines the dynamics between principals (those who possess ownership or control over an organization) and agents (individuals employed to manage or operate within that organization) (Linh, 2024). As seen in the works of Jensen and Meckling (1976); Ross (1973), the agency theory gained recognition as a distinct theoretical framework during the 1970s, with its initial expressions found primarily in the fields of accounting and finance. However, many fundamental elements and concepts associated with the agency theory existed prior to its theoretical development. The idea of agents, principals, and the distinct types of relationships they can establish have been integral to social discourse for centuries, well before the literature of the 1970s (Jensen & Meckling, 1976; Ross, 1973). As found in an article by May (1980) the foundational relationship between principal and agent are traceable to Thomas Hobbes' concept of sovereignty, where a sovereign entity acts on behalf of individuals who have entered a social contract. Each person seeks a secure existence, leading them to relinquish a degree of their freedom in exchange for security by consenting to follow a powerful representative (the sovereign) (May, 1980). In this framework, each citizen functions as a principal, represented by a sovereign to whom they owe obedience (May, 1980).

Per Hobbes' theory, the underlying mechanism of social formation (the social contract) allows for its application to any contractual relationship, including that of principal-agent and in the context of PEs. This is the context in which the ontological understanding of the agency theory is relevant. Ontology serves as a critical framework in various academic inquiries, shaping the perception and comprehension of issues, particularly concerning the interplay among diverse elements that contribute to a cohesive understanding of our world. Ontology is essential for grasping reality through a theoretical lens. Cohen et al. (2002) point out that case studies offer ontological viewpoints that help us contextualize and practically assess a theory, regardless of whether they support or challenge it. Conflicts of interest by agents may arise and refer to *agency loss* or *agency* *problems*. This concept is fundamental to the agency theory, which is the basis for the current study. It investigates the interactions between principals and agents among Namibian PEs, especially in areas where agency loss is particularly significant. Eisenhardt (1989) and Hendrastuti and Harahap (2023) both support the relevance of the agency theory for these types of analyses. The agency theory centers on the interaction between the decision-maker (the agent) and the individual for whom decisions are made (the principal). Figure 1 below provides an illustration of how the principal-agent relationship manifests itself as discussed above.

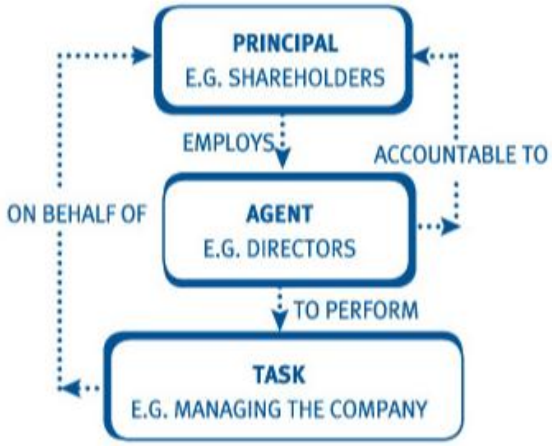

Figure 1: Agency theory - The Separation of Ownership and Control
Source: Kaplan Financial (2012).

Figure 1 above illustrates the grounds on which the relationship between a principal and an agent is founded and operates. Notwithstanding the above, it is essential that the fundamental principles of the agency theory are considered. These are captured in figure 2 below and discussed in the context of PEs in the section that follows there-under.

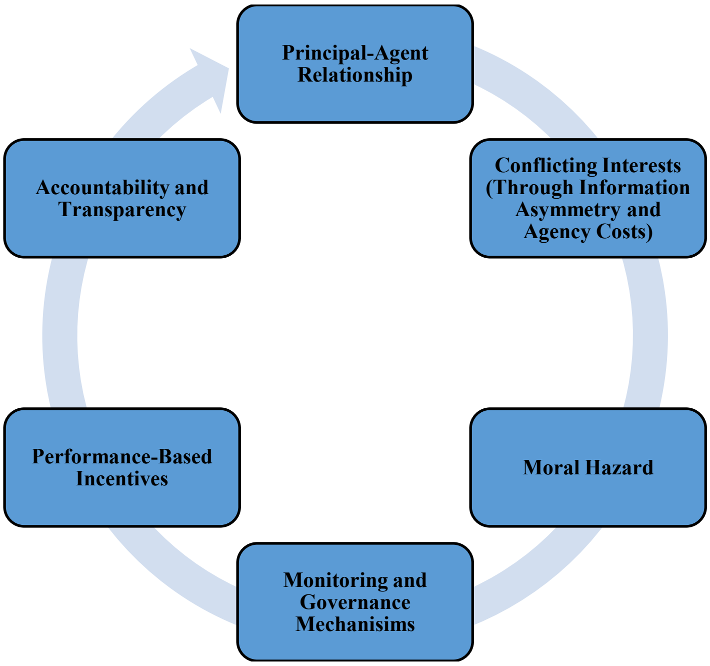

Figure 2: Key Tenets of the Agency Theory
Source: Authors own compilation based on Al-Faryan (2024); Alfalih and Ragmoun (2020); Aluchna (2022); Bendickson et al. (2016); Chakilam (2022); Gailmard (2014); Jensen and Meckling (1976); Joseph (2023); Khandelwal et al. (2023); Panda and Leepsa (2017); Sarwoko (2016); Xia et al. (2022)

2.2. Agency Theory - The Context of PEs

As previously established in this study, the agency theory has its roots founded in the fields of economics, management, and organisational studies and has over the years evolved into other fields such as corporate governance. However, context for public sector corporate governance and specifically that of PEs has not always been provided in literature, albeit its relevance. The table below provides a PE context of the agency theory in terms of its key principles.

Table 1
Key Tenets of the Agency Theory – A PE context

Key Principles of the Agency Theory – A PE context	
Principal-agent Relationship:	In PEs, the government, or the populace, represented by government officials, serves as the principal, while the managers or executives of the PE function as the agents. The government entrusts these managers with the task of overseeing the operations of the PE, with the expectation that they will do so in a manner that is both efficient and beneficial to the public and principal. Nonetheless, there exists an inherent risk that these agents may prioritise their own interests (such as personal profit, job stability, or political agendas) over the goals established by the government.
Conflicting Interests (through information asymmetry and agency costs):	Information Asymmetry: A significant concern in PEs, akin to corporate governance, is the phenomenon of information asymmetry. Typically, the agents, or managers, have access to more comprehensive insights regarding the daily operations, financial status, and strategic direction of the PE compared to the principals. Inherently, this could result in agents pursuing interests that conflict with those of the principal. Likewise, this gap in information might obstruct the government's ability to effectively monitor whether the managers are acting in the best interest of the public. Agency Costs: In PEs, agency costs occur through monitoring and bonding costs as well as residual loss. These costs emerge from the expected conflicts of interests between the principal and agents of PEs.
Moral Hazard:	Under this tenet, PE agents operate and take decisions that do not correspond to public interests. This often happens in the absence of adequate accountability measures for decisions taken and resultant outcomes. This may include undertaking high-risk investments that later brings losses for the PE and thwarting public welfare.
Monitoring and Governance Mechanisms:	Government as a principal need to balance effective oversight and the autonomy granted to agents of PEs. In this regard, intrusive interventions by the principal may prevent PE agents from making critical operational decisions. Similarly, inadequate oversight may breed and environment of poor performance and corruption. The governance of PEs is undertaken by boards of directors with responsibilities to monitor agent's performance. To enhance independence and transparency, the boards include external members. The mitigation of information asymmetry is often done through mandatory and regular performance audits and evaluations of PEs.
Incentive Structures:	PE incentive mechanisms are important for aligning managerial interests with public goals. For instance, introducing remuneration that is performance-based, or bonus schemes can inspire PE agents to hit particular public-focused targets, like lowering costs or boosting service delivery.
Accountability and Transparency:	To ensure PE agents are held accountable for their actions and the results they yield, methods like regular performance assessments, financial reports, and oversight are used. PE agents must clarify how their decisions align with the principal's best interests. Practices that promote transparency, such as open financial reporting, regular updates, and clear decision-making processes, are crucial. They empower the principal to effectively oversee the PE agent's conduct and lessen the risk of any potential abuse of power or resources.

Source: Ahmed et al. (2024); Al-Faryan (2024); Bendickson et al. (2016); Chakilam (2022); Gailmard (2014); Jensen and Meckling (1976); Joseph (2023); Khandelwal et al. (2023); Panda and Leepsa (2017); Ragmoun and Alfalih (2021); Sarwoko (2016); Xia et al. (2022)

Table 1 above provides a PE context of the agency theory and its key principles. This is important for purposes of comprehension and context on the dynamics that exists between PE principals and agents, particularly in a public sector corporate governance perspective. Indeed, the PE context of the agency theory is important because the principal, which is government, accounts to the public as premised in Thomas Hobbes social contract theory that May (1980) fittingly illustrated in elsewhere in this study. This creates a slightly different approach where the buck does not end with the shareholder/principal, but with the members of the public and their interests. Additionally, the above PE context of the agency theory is important as not all PEs are profit driven. For non-commercial PEs, as is the case in Namibia, PEs strive for efficiency and, solvency and liquidity (Marenga, 2020). Two studies (e.g., (Al-Faryan, 2024; Hill, 2024) have highlighted the theory-praxis divergence of the agency theory in various contexts, thereby enriching the agency theoretical framework. Bendickson et al. (2016) and Van Thiel et al. (2020) significantly enhance our understanding of the agency theory and its real-world applications. This is particularly in light of the fast-changing literature surrounding it.

3. Research Methodology

3.1. Research Approach

In this study, we take a qualitative and interpretive approach, inspired by the work of Funta and Horváth (2024). The objective is to delve into the intricate governance issues faced by Namibian PEs through the analysis of secondary data. This qualitative method is a perfect fit for this analysis. It aids the uncovering of the subtleties of PE organizational behavior, the relationships between principals and agents, and the larger institutional and governance frameworks at play in Namibia.

3.2. Secondary Data

The research strategy mentioned earlier is based on secondary data to perform the analysis in the current study. This data encompasses a variety of sources, such as public documents, academic literature, government reports and other pertinent texts that investigate the link between agency theory and the practices of Namibian PEs. There are two main reasons why secondary data is a great fit for this study. Firstly, there's the issue of data availability. There are plenty of reports on PEs in Namibia that outline their governance frameworks and financial statements, which are crucial for understanding their management practices, accountability systems, and the relationships between principals and agents. Secondly, using secondary data is time and cost efficient. This allowed the researcher to gather and analyze a large amount of information on the agency theory and Namibian PEs without the complications that come with collecting primary data.

3.3. Agency Theory – Ontology and Analytical Framework for Theory Deduction

The agency theory is predicated on several key ontological principles that similarly provide a framework on which analysis and theory deduction may be done. Inferring from the work of Kaššaj and Peráček (2024) for the context of the current study, theory deduction using the agency theory entails the application of its foundational principles and assumptions to scenarios and derive insights regarding the conduct of principals and agents. Through deductive reasoning, the agency theory principles (table 1) provide an analytical framework through which a theory-praxis analysis of Namibian PEs can be done.

3.4. Data Analysis and Interpretation

Data has been analyzed and interpreted through thematic analysis. This process encompassed four essential stages:

a) Data familiarization: Initially, the researcher engaged deeply with the secondary data to comprehend the significant themes pertinent to the principal-agent relationship among Namibian PEs.
b) Coding: The researcher pinpointed critical terms, phrases, and recurring patterns in the data that correspond to the principles of the agency theory such as principal-agent relationship; conflict of interest (through information asymmetry and agency costs); moral hazard; monitoring and governance mechanisms; performance-based incentives and accountability and transparency.

c) Theme development: The researcher analyzed the coded data to uncover recurring themes pertinent to the agency theory. This analysis aimed at revealing how governance frameworks among Namibian PEs effectively address or inadequately respond to principal-agent dilemmas, as well as the extent to which these practices conform to or diverge from the expectations set forth by the agency theory.
d) Interpretation and deduction: After identifying the key themes, the researcher analyzed the findings to determine how the agency theory principles matched up with the actual practices in Namibian PEs. This deductive process investigated the relevance of the core principles of the agency theory in Namibia, shedding light on important discrepancies between theory and practice, which led to thoughtful conclusions.

Using the above-outlined research methodology, the section below presents the findings and discussions of the current study.

4. Findings and Discussions: Theory vs Praxis - Principals vs. Agents among Namibian PEs

This section presents the findings and discussions related to the agency theory on the interactions between principals and agents among Namibian PEs. While there are various instances in which PEs in Namibia conform and deviate from the principles of the agency theory, there exists no consolidation of these in a scholarly format. This is the context in which the following objective of the current study is framed: To analyze the extent to which the practical management of PEs in Namibia conform and deviate from the agency theory. The analysis of data led to the emergence of key themes, namely: principal-agent relationship; conflict of interest (through information asymmetry and agency costs); moral hazard; monitoring and governance mechanisms; performance-based incentives and accountability and transparency. These key themes similarly provide the frame in which this section is organized here-below.

4.1. Principal-Agent Relationship

The principal-agent relationship is a fundamental principle derived from the agency theory in the fields of economics and organisational studies. It delineates the interaction between two entities - the principal and the agent. In this dynamic, the principal assigns a specific task, responsibility, or authority to the agent, empowering them to act on the principal's behalf (Kaal, 2020). In the context of Namibia, the government serves as the principal that owns and regulates PEs. As of 2023, Namibia has 81 PEs, a notable increase from the 12 that existed at the time of independence in 1990 (Albertz, 2023, November 13). The management and executives of these PEs act as agents responsible for their daily operations. This study finds that the principal-agent relationship often experiences various forms of conformities and deviations with the agency theory. In this regard, Bendickson et al. (2016) and Chakilam (2022) explain that the principal-agent relationship must be characterised by agents always conducting themselves in a manner that reflects the interests of the principal. The example of Namibia National Reinsurance Corporation (NamibRe) is instrumental in this regard. NamibRe is a PE in Namibia, owned by the government and responsible for providing insurance to insurance companies in the country. Since its establishment in 1998, NamibRe has been characterised as an epitome of good corporate governance, often meeting the expectations of the principal.

The transparency and accountability practices by the management of NamibRe has often appeased the principal, particularly through consistent dividends to the government as a commercial PE, as well as meeting their core business mandate as expected by the principal. The government (as the principal) aims for PEs such as NamibRe to be operated (by agents) efficiently, achieve profitability or at least maintain financial viability, and support national development goals. For instance, NamibRe has provided N$ 10 million and N$ 5 million for the 2020 and 2021 fiscal years respectively (The Brief, 2022, April 12; The Namibian, 2021, April 26). This contributes to the state coffers and enables government to finance development initiatives. Indeed, this study finds that the above case of NamibRe provides an example of how it conforms to the principal-agent relationship expectations of the agency theory, particularly in response to section 21 of the Public Enterprise

Governance Act (PEGA) 1 of 2019 which prescribes that the board of a commercial PEs (such as NamibRe) must declare dividends to the principal (Republic of Namibia, 2019).

However, the agent of a PE may similarly deviate from the prescripts of the agency theory. For instance, this study finds that PE agents may prioritise personal ambitions, including career progression, obtaining financial incentives, or gaining political leverage. Kaal (2020); Sarwoko (2016) agree that this can occasionally result in decisions that are at odds with the government's overarching objectives. For instance, NamPower, the national electricity supplier, is responsible for delivering electricity while maintaining financial viability. Through its National Renewable Energy Policy, the Namibian government aims to provide affordable electricity to the populace, encourage the use of renewable energy sources, and guarantee sustainable practices using PEs such as NamPower (Republic of Namibia, 2017). Conversely, this study finds that management might emphasise immediate revenue generation through elevated tariffs or concentrate on initiatives that enhance visibility and garner political support, potentially at the expense of long-term sustainability. Indeed, Amutenja (2024) confirms that recent tariff increases by NamPower have been unsustainable and unaffordable to the public, which is represented by the government. To mitigate this conflict, this study finds that regulatory agencies may be established to oversee PE performance and implement regulations that align with the public's interests. Indeed, the Electricity Control Board in Namibia serves these purposes in terms of electricity tariff hikes that NamPower applies for. This provides an intervention mechanism that may see a deviation from the agency theory remedied into conformity by a PE as explained above in the case of NamPower.

4.2. Conflict of Interest (Through Information Asymmetry and Agency Costs)

Conflict of interest arises when one party (either the agent or principal) pursues activities or goals that do not correspond to the interests of the other party (Al-Faryan, 2024). In this regard, conflict of interest also occurs because of information asymmetry and agency costs. The agency theory emphasises the critical role of information symmetry, wherein the principal possesses sufficient information to effectively oversee the actions of the agent (Joseph, 2023). However, this study reveals that there are several instances where the practices of Namibian PEs deviate from this state of information symmetry between agents and principals. In the context of Namibian PEs, this study finds that information asymmetry presents a notable challenge, as the government frequently lacks comprehensive, real-time insights into the operations of PEs. This study finds that this deficiency contributes to inadequate oversight by the principal. For instance, consider Telecom Namibia, the government-owned PE telecommunications provider. Although it offers essential services to the public, this study finds that the PE encountered a significant challenge related to IT governance and security. Emphasising information asymmetry, Kangumine (2024, December 16) reports that the Namibian government, as the shareholder of Telecom Namibia launched an investigation in 2024 into Telecom Namibia's IT governance measures after a data leak exposed sensitive information of the PEs clients and its internal operations. Indeed, this study finds that the government was not aware that there are IT governance and security gaps at the PE – thus pointing to a conformity to the agency theory as pertaining to information asymmetry.

A primary concern emerging from this study pertains to the insufficient transparency in Telecom Namibia's reporting and transparency. In this scenario, the deviation from the agency theory is evident as follows. This study finds that the government, acting as the principal, has a restricted view of Telecom Namibia's daily operations. While PE agents may update the government on broad outcomes like finances or customer satisfaction, they frequently hold back on the finer details of operations, such as service delays or how resources are allocated. This creates a gap in information that can lead to decisions based on partial data, enabling PE management to chase short-term profits at the expense of the public good. Without transparent and comprehensive reporting, accountability suffers (evident in cases like Telecom Namibia), leading to subpar performance and a failure to align with national goals. Adding to this, Marenga (2024) problematises the lacklustre publication of annual reports among some PEs in Namibia, despite it being a mandatory requirement per section 22 of the PEGA 1 of 2019. Indeed, this conforms to the agency theory in terms of information asymmetry between principals and agents, as well as the resultant effects.

In terms of agency costs, this refers to the expenses that arise from the divergent interests of principals and agents, encompassing monitoring costs, bonding costs, and residual losses (Jensen & Meckling, 1976). As supported by Joseph (2023), the current study finds that a significant contributor to agency costs is information asymmetry as explained above. This disparity can lead agents to prioritise their personal interests over those of the principal, who lacks comprehensive visibility into the internal dynamics of a PE. For instance, the findings of this study indicate that a PE such as the Roads Contractor Company (RCC) (a PE responsible for roads construction) demonstrated great information asymmetry with its principal when in entered a N$580 million contract with a Chinese firm (Nantong Sanjian) without the consent and approval of the shareholder (The Namibian, 2018, May 24).

4.3. Moral Hazard

Moral hazard plays a crucial role in the agency theory. It refers to scenarios where agents engage in actions that could be detrimental to principals since they don't fully bear the consequences of those actions (Aluchna, 2022; Ansari, 2020, January 28). In certain Namibian PEs, this often manifests when agents opt for their personal interests instead of the public or government goals. This occurs because of weak oversight or minimal government/principal intervention. The agency theory indicates that when goals are misaligned, it can lead to inefficiencies, risk-taking or corruption (Al-Faryan, 2024). Without strong accountability, managers in PEs can end up focusing more on their own perks or status, which can hurt the public and the stakeholders they represent. A clear example of this is Air Namibia, A PE which depended significantly on government bailouts until it was liquidated (Kato, 2021, February 11; Marenga, 2024). This study shows that the Air Namibia agents displayed moral hazard, as they were protected from facing the fallout of driving the PE into long-term losses.

This research connects moral hazard in the agency theory to Air Namibia in several ways: 1) Bailouts from government: The continuous bailouts from the principal (Namibian government) to Air Namibia provided the agents (management) to advance job security and political goals relating to national pride. This is juxtapose focusing on the PEs long-term financial stability. Results suggests that the continuous accessibility to taxpayer funds reduced the agent's motivation to pursue cost-saving or more efficient practices; 2) Risk-taking behavior: Findings show that Air Namibia agents engaged in negligent risk-taking or made suboptimal decisions, knowing that government coffers would be their backing in the face of losses. For instance, this study finds that Air Namibia agents may have opted to pursue unprofitable routes or expanded the fleet without a well-defined long-term financial plan. Such decisions were often undertaken without the typical repercussions that a privately-owned airline would encounter, including bankruptcy or withdrawal from the market; 3) Insufficient accountability: Over the years, Air Namibia has experienced substantial financial deficits, yet its management has not faced the same level of accountability typically expected in the private sector.

This study reveals that the absence of rigorous oversight and the ongoing financial support from the government fostered a situation in which suboptimal decision-making could continue without consequences for the management team. Consequently, the interests of the agents were not adequately aligned with those of the principals, who absorbed the financial burden of these managerial choices. The above shows cases in which the practical management of Air Namibia before its closure conformed to the moral hazard tenet of the agency theory.

However, there are instances wherein PE agents may deviate from moral hazard as a tenet of the agency theory. Within PEs, this study finds that moral hazard often leads to decision-making that is either risky or inefficient, as managers or employees may not prioritise the welfare of the public or stakeholders due to the insulation from the risks associated with their choices. A prominent instance of a Namibian PE that has mitigated moral hazard, is the Namibia Power Corporation (NamPower). It must be noted that, while NamPower was previously noted in this study as having shortcoming in meeting principal interests, it appears to perform favourably in mitigating moral hazard in some respects as shown here forth. As a state-owned utility PE, this study finds that NamPower has endeavoured to maintain a focus on the long-term viability and financial stability of its operations, thereby circumventing the moral hazard challenges commonly observed in other PEs as follows: 1) **Regulatory Oversight**: NamPower functions under rigorous regulation imposed by the Namibian government and the Electricity Control Board (ECB), which diligently observes its operational performance. This regulatory framework serves to reduce the potential for moral hazard, as the management's choices are subject to examination to ensure alignment with overarching principal and national interests; 2) **Financial responsibility**: In contrast to the case of Air Namibia above, NamPower prioritises monetary responsibility. The PE keeps its stakeholders in the loop about its financial health by providing annual reports, setting clear budget guidelines, and conducting thorough investment assessments to steer clear of unnecessary risks; 3) **Public service mandate:** NamPower meets its public service obligations by striking a balance between social responsibility and financial stability, ensuring that community needs take precedence over quick profits by avoiding exploitative tariffs; 4) **Transparency and accountability:** To maintain transparency and accountability, they implement robust reporting systems, which include regular audits and financial disclosures, holding management responsible to both the government and the public, thus minimising moral hazard.

4.4. Monitoring and Governance Mechanisms

The agency theory sheds light on the vital role of governance structures, like boards of directors, in cutting down agency costs and keeping tabs on agents (Panda & Leepsa, 2017). In Namibia, boards appointed by the government oversee PEs to make sure that management actions are in sync with government objectives. Xia et al. (2022) describe boards as the crucial bridge connecting the government (the principal) and management (the agent). For instance, the Namibia Airports Company, where the board's role includes steering strategy, overseeing finances, and ensuring that policies are followed, all while aligning management decisions with the government's interests. This study finds that a board's effectiveness largely hinges on the independence of its members, the quality of oversight they provide, and their comprehension of government strategy.

Lin et al. (2024) argue that board members' effectiveness can be compromised if they don't possess the right expertise or if they're influenced by conflicts of interest, such as political affiliations. In this context, the study indicates that the PEGA 1 of 2019, especially Chapter 2, specifies the criteria and procedures for selecting board members for PEs in Namibia (Republic of Namibia, 2019). This includes appointing a capable and experienced board of directors, who must effectively oversee and enhance governance mechanisms for a PE and its agents. To ensure they can adequately represent the principal's interests, it is vital to avoid conflicts of interest and political ties among candidates seeking board positions. Indeed, these measures enable conformity to the agency theory in terms of monitoring and governance mechanisms. Furthermore, this study finds that the above provisions of the PEGA 1 of 2019 enables conformity to the agency theory in relation to appointing a board of directors that can effectively monitor and advance governance mechanisms over a PE considering the interests of the principal (Namibian government). PEs in Namibia sometimes deviate from the agency theory. For instance, on 6 April 2018, the RCC entered into an agreement with Nantong Sanjian (A Chinese firm) for a N$580 million loan to avoid shutting down (The Namibian, 2018, May 24). This agreement, which was entered into without the knowledge of the principal, was later invalidated by the Namibian Cabinet. In this instance, there was a fundamental deviation of the RCC and its board of directors (including management) from the monitoring and governance mechanism that should have enabled the principal to be in the loop.

4.5. Performance-Based Incentives

A fundamental aspect of the agency theory involves the alignment of the agent's interests with those of the principal through the implementation of performance-based incentives (Khandelwal et al., 2023; Sarwoko, 2016). The analysis of data reveals that agents among Namibian PEs frequently get motivated by a range of performance indicators, including the attainment of revenue goals, cost reduction, and enhancements in service/mandate delivery. By ensuring that these incentives/motivational factors are congruent with governmental objectives, this study finds that PE agents can mitigate agency costs and improve operational efficiency per the interests of the principal. Indeed, Namibian PEs grapple with the dual objectives of maintaining profitability/solvency while ensuring the provision of affordable services to the public (Marenga, 2020, 2024). Ideally, the PE agents must have performance incentives linked to achieving specific profitability benchmarks, alongside fulfilling customer satisfaction and principal expectations. Nevertheless, this study finds that the success of these incentives is contingent upon the government's ability to clearly define and effectively monitor key performance indicators, such as financial outcomes and service quality, to guarantee that management's objectives are in harmony with national development goals. The Namibian government has enhanced the alignment of the above practice(s) to the prescripts of the agency theory by, in certain instances, implementing profit-sharing arrangements, performance incentives/bonuses, and sanctions for inadequate performance, aiming to align management's interests more closely with the wider public interest of PE profitability and efficacy. For instance, NamPower, a state-owned PE responsible for electricity generation and supply in Namibia paid its management and employees performance bonuses in 2024 amounting to more than N$70 million, owing to increased revenue obtained from high rainwater flow at the Ruacana hydroelectric power station (Matthys, 2024, July 7). This context of NamPower indicates that the bonus incentive followed high performance by the PE, thus conforming to the "performance-based incentives" tenet of the agency theory.

Contrastingly, PEs have also deviated from this tenet of the agency theory. In the agency theory, it is essential to align performance-based incentives with the objectives of the principal (Khandelwal et al., 2023; Sarwoko, 2016). Nevertheless, PEs in Namibia experience challenges due to the lack of well-defined performance indicators and ineffective incentive structures, which lead to deviations from the principles of the agency theory. For instance, TransNamib, the state-owned rail operator PE in Namibia, manages rail and road freight services, including passenger rail services, while ensuring financial viability as a commercial PE (TransNamib, 2022). However, this study finds that the absence of strong and clear performance-based incentives for the management of TransNamib has resulted in suboptimal decision-making. Mumbuu (2022, November 21) reports that in 2019, the management of TransNamib paid itself performance bonuses in a fiscal year that they fell short of paying creditors and similar not having a performance management system in place. This points to a deviation from the agency theory in terms of performance-based incentives. Furthermore, the findings of this study reveal that it is not plausible for agents to receive performance-based incentives in the absence of increased PE performance as seen in the case of TransNamib above. Indeed, this points to moral hazard as well. In the absence of a coherent alignment between management incentives and public/principal objectives, PE agents may prioritise their own financial gains over the PE welfare.

4.6. Accountability and Transparency

A fundamental component of the agency theory involves the accountability of agents for their actions (Gailmard, 2014). In Namibia, PEs are governed by accountability frameworks (e.g. PEGA 1 of 2019 and the Companies Act 28 of 2004) aimed at promoting transparency and ensuring that managers prioritise the public's/principal's interests. These frameworks encompass statutory obligations, parliamentary oversight, the establishment of audit committees, and the implementation of routine performance reporting. In this regard, the Roads Authority of Namibia (RA) is tasked with the maintenance of roads and the development of infrastructure within the country (Republic of Namibia, 1999). As a PE, the RA is subject to examination by both the public and governmental bodies, necessitating consistent reporting on budget allocations, project schedules, and maintenance results. The Auditor General in Namibia performs audits to uphold transparency and mitigate the risk of financial mismanagement of public institutions such as the RA as a PE. Furthermore, the management of the RA is obligated to provide comprehensive annual reports to both the Ministry of Finance and Public Enterprises as a commercial PE. Additionally, they frequently need to address public apprehensions regarding delays in road construction projects or the overall quality of infrastructure. These requirements for transparency and accountability serve to reduce the potential for agency problems by ensuring that management is held accountable. This aligns with the prescripts of the agency theory.

Political interference creates challenges for accountability. For instance, Matthys (2024, July 7) reported that in 2024: "*…Swapo presidential candidate Netumbo Nandi-Ndaitwah is under fire for allegedly interfering in the operations of the Electricity Control Board (ECB) after a letter she penned resulted in the reversal of the decision made last week to raise bulk power tariffs by 8%*". This move of a political interference was considered political maneuvering during an election year and the reversal in increasing electricity tariffs may not have been in the best interest of NamPower as a PE. This is notwithstanding that the effectiveness of these accountability measures can be compromised by political interference or inadequate enforcement of transparency regulations, thereby diminishing their overall impact. Furthermore, this study finds that while several PEs in Namibia provide annual reports, this is not done consistently over different fiscal years and not complied with by all PEs as prescribed by the section 22 of the PEGA 1 of 2019. This makes it difficult for the Namibian government to have a clear oversight over all PEs in the country.

5. Conclusion and Recommendations

The connection between principals and agents in Namibian PEs is vital for applying the agency theory in the present inquiry. This theory emphasises the need for effective collaboration, focusing on the principal-agent relationship, conflicts of interest that stem from information gaps and agency costs, moral hazards, monitoring and governance, performance incentives and accountability. When interests are aligned, it fosters better communication and reduces the risks linked to moral hazards and conflicting goals (Eisenhardt, 1989; Hendrastuti & Harahap, 2023). This study analysed how the management of Namibian PEs aligns with the principles of the agency theory. This revealed areas of conformity or deviation of the theory principles in relation to praxis and challenges observed among Namibian PEs. The challenges encountered include political interference, moral hazards, information asymmetry, weak accountability, and misaligned incentives. Nevertheless, some PEs have made progress in improving alignment by enhancing accountability, increasing transparency, minimizing moral hazards and strengthening governance.

Namibia has definitely made progress with governance frameworks such as PEGA 1 of 2019 and performance contracts, but there are still some significant hurdles in applying the agency theory to PEs. The principal-agent relationship among Namibian PEs is facing challenges like political interference, a lack of transparency and weak accountability measures. Issues like moral hazard and goal divergence are still very much in play, which hampers the ability of PEs to meet national development goals in Namibia. These shortcomings pose a real threat to the effectiveness and accountability of Namibia's PEs, restricting their capacity to serve the public interest. From the findings, it can be concluded that, while Namibia's policy and legal framework generally aligns with the agency theory principles, the real-world application of these principles can differ. Some PEs show a stronger sense of resilience and agency in promoting and protecting the principal's interests, despite encountering challenges over the years. To bridge the gap between the agency theory and its application among Namibian PEs, the following recommendations are suggested:

- Limit political interference: The Namibian government ought to delineate clear boundaries between political activities and the management of PEs in Namibia, ensuring that decision-making is aligned with PE objectives and principal interests rather than political agenda. This will enhance political autonomy of PEs in organisational activities, enhance the principal agent relationship and avoid associated conflicts of interests and moral hazard.
- Implement governance frameworks rigorously: The PEGA 1 of 2019 should be applied with greater strictness, ensuring adherence to its stipulations, and holding PEs accountable for any deviations from compliance. This will advance monitoring and governance mechanisms over PEs.
- Develop and implement normative performance-based incentive structures: Align performance-based rewards (including bonuses, promotions, and other benefits) with the attainment of strategic goals, ensuring that the objectives of the government (principal) are congruent with the actions of managers (agents). This

will fortify performance management frameworks and their uniform application across PEs.
- Fortify the autonomy of boards: Boards of PEs must possess the independence necessary to make decisions free from excessive external influence. This entails ensuring that board members are equipped with the requisite expertise and are not swayed by political or external pressures.
- Establish and enforce personal accountability for PE agents: There is a need to implement measures that ensure managers are held responsible for the performance of the PEs they oversee. In cases of mismanagement, consideration should be on imposing financial or operational penalties on PE agents to make sure they take responsibility for their decisions. This approach could help reduce the moral hazard that executives sometimes face when managing PEs.
- Enforce transparency mechanisms: All PEs should be required to produce yearly reports that are not only comprehensive but also clear, covering financial data, performance metrics, and their strategic aims. Executives must be personally held accountable for annual reports not released. These reports should be readily accessible to the public and relevant stakeholders. This will improve transparency and mitigate information asymmetry.

By putting these recommendations into action, Namibia could better and positively align its PE management with the principles of the agency theory. This means ensuring that agents are held accountable to both the government and the public. Such alignment would lead to more efficient, transparent, and responsible management, ultimately supporting the country's development goals. It's essential that governance systems and enforcement mechanisms are designed to tackle the complexities of agency while also adapting to the changing socio-political and economic landscape of the PEs. Owing to the qualitative nature of this study, the findings and conclusions contained herein are limited and can only be generalized to countries that share similar governance frameworks as that of Namibia, particularly frameworks that are entrenched in the principles of the agency theory. From the findings and conclusions above, the current study provides significant novelty in advancing theory-praxis studies, particularly at a time when the divide between theory and praxis is ever widening. This is the context in which this study serves to provide important insights into how agency related challenges among Namibian PEs can be understood and remedied. This study provides impetus for future studies to focus on principal-agent dynamics of PEs in other countries in Africa.

Author Contribution

Ralph Marenga: Is the sole author and contributor of this manuscript.

Conflict of Interests/Disclosures

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