VOLUME 29 ISSUE 2

Administratio Publica

ASSADPAM

Journal of the Association of
Southern African Schools and Departments
of Public Administration and Management

ISSN 1015-4833

About the Journal

Administratio Publica is a double blind, peer-reviewed journal accredited with the South African Department of Higher Education and Training (DoHET) and produced four times a year and aims to promote academic scholarship in public administration and management and related fields. Analytical articles in the form of original theoretical and empirical articles, debates, research viewpoints, review articles and book reviews in English will be considered for publication. Nationally, only contributions of paid-up members of ASSADPAM will be published. International authors are welcome to submit articles for review but page fees must be paid before publication.

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Editorial

D Nel-Sanders
Chief Editor

In **'Leading Digital Transformation and Innovation in Local Government Institutions in South Africa'**, T I Nzimakwe argues that increased economic and societal digitalisation, along with its rapid technological innovations, has changed the environment in which public sector institutions pursue their missions. In line with this, the author states: "There is a need to harness the power of next generation digital technologies to improve efficiencies, cost effectiveness and service delivery".

To this end, this article discusses and analyses digitalisation and innovation in local government. Nzimakwe highlights that, to fast-track service delivery, local government institutions should recognise the value of digital skills and cultivate the digital expert culture. This requires leaders who are skilled, technologically advanced and very innovative.

The Fourth Industrial Revolution (4IR), along with technological advances in various fields, has the potential to improve the lives of millions across the globe. In **'Ethical Public Sector Leadership and Good Governance: Implications for the Fourth Industrial Revolution (4IR)'**, D B Jarbandhan states that, to support the 4IR and maximise its technological developments, "governments as regulators, will need to provide an enabling environment, inclusive of safeguarding the public interest and providing oversight".

The literature review-based article focuses on public sector leadership's role in promoting the 4IR in an ethical fashion. To facilitate this, the author argues that leaders need to embrace disruption, non-linear thinking and instability. In conclusion, the author underscores that, "Leaders who exercise the choice to exercise moral and ethical judgement in the 4IR, will ultimately distinguish between organisations that could be successful or fail in a rapidly changing environment".

In **'Towards a Framework for Anti-corruption and Improved Procurement Governance in Uganda: The Role of Administrative Efficiency'**, B C Basheka and C J Auriacombe highlight that, "When managed effectively and efficiently, public procurement can play a key role in facilitating good governance within the now-complex public sector systems".

The authors argue that encouraging administrative efficiency as a function of implemented governance structures, processes, values and mechanisms, could present a solution to procurement governance-related challenges. Furthermore, the authors highlight that any efforts to bolster public procurement efficiency and

effectiveness should focus on a broader government-wide administrative systems improvement strategy.

As a possible solution, the article develops a framework to address public procurement-related corruption through improved governance. According to Basheka and Auriacombe, "The framework is based on the underlying philosophy that the challenges relating to corruption in public procurement is built on a broader system of corruption within the entire administrative system of government".

In **'Critical Considerations to Strengthen the Internal Audit Function in Public Institutions: The Role of Auditing Committees'**, V T Sambo underscores that South Africa's internal auditing function is still in its early development stages. Despite an inevitable widening of the scope of internal audits, the author argues that the country focuses on compliance and financial audits, as opposed to the wider context of financial management.

The researcher believes that the responsibilities outlined in the article reflect audit committees' important role in creating an enabling environment for forward-thinking internal audit functions. In conclusion, Sambo argues that the discussion points to the importance of having audit committee members who possess the needed skills and personal attributes.

In **'A Funding Process Model for SMMEs and Co-operatives: The Case of Dr Kenneth Kaunda District Municipality'**, M R Rangwetsi and G van der Waldt argue that small-, medium- and micro-enterprises (SMMEs) and co-operatives help enable municipalities to fulfil their developmental mandate and constitutional obligations.

As such, the country's government has created programmes to support SMMEs and co-operatives as a viable solution to unemployment, chronic poverty and inequality. With this approach, district municipalities, such as Dr Kenneth Kaunda District Municipality in the North-West Province provide grant funding for such enterprises in the form of start-up capital and other business growth assistance.

With a specific focus on Dr Kenneth Kaunda District Municipality (including three local municipalities), the study adopted a qualitative case study design, using semi-structured interviews with a sample of 24 municipal officials and enterprise representatives. Based on the findings, the authors propose a funding process model for SMMEs and co-operatives.

In their article, **'Complexity of Implementing Public-Private Partnerships as an Alternative Funding Instrument for Infrastructure Projects'**, T Mandiriza, D J Fourie and O S Madumo argue that, given the well-documented financial constraints within government and municipalities, public-private partnerships (PPPs) have become a popular financing mechanism for infrastructure projects. Despite the promises of efficiency associated with PPPs, as envisaged by New Public Management (NPM), the study found that this approach is complex, it is time consuming, the value for money is questioned and PPPs are subjected to political interference.

To counter this, the authors call for specialised PPP units within South Africa's eight metropolitan municipalities to help develop the needed internal skills, create an extended project pipeline and facilitate close interaction with national and provincial treasuries.

In **'A Thematic Analysis of Social Innovation as an Approach to Local Economic Development'**, P Chomane and M Biljohn highlight that the South African Ministerial Review Committee on Science, Technology and Innovation acknowledges social innovation's importance in addressing unemployment and poverty, both of which are fundamental to local economic development. However, according to the authors, "social innovation is still not prioritised and optimally utilised for local economic development by South African municipalities".

A thematic content analysis was undertaken of research concerning social innovation and local economic development. By applying an inductive approach, emerging, prevalent and common themes relating to the phenomenon were explored. The research found that appropriate partnerships, networks and stakeholders are necessary to facilitate social innovation's role in local economic development. In conclusion, the authors argue that municipalities will only benefit from the aforementioned when steps and practices to exploit this value from an institutional perspective are operationalised.

L E Chigova and G van der Waldt, in their article, **'Civic Crowdfunding as Alternative Urban Renewal Instrument for African Cities'**, explore the emergence of civic crowdfunding and uncover related best practices, success factors and key lessons to be learnt by interrogating seven selected cases in both developed and developing contexts. A qualitative methodology and a case study design, with content analysis as the research design, are used to reach key conclusions.

Specific key operational concerns regarding civic crowdfunding as an alternative for urban renewal are identified. However, the authors underscore that, when utilised correctly, civic crowdfunding holds significant benefits for cities around the world and that has immense potential as an urban renewal financing instrument. In conclusion, Chigova and Van der Waldt call for broader case study analyses of similar projects to obtain a more holistic picture regarding its dimensions, principles, best practices and lessons.

Climate change is one of the threats defining this century and its effects are felt by both developed and developing countries. With this in mind, the *Constitution of the Republic of South Africa, 1996* enshrines the right of all citizens to an environment that is not detrimental to their health and well-being.

In **'Exploring South Africa's National Climate Change Response White Paper, 2011: Challenges and Prospects for Public Policy',** M Madondo and H M Nkwana discuss a key action adopted by South Africa to protect the environment

as stipulated in Section 24(b) of the Constitution – the National Climate Change Response White Paper, 2011.

More specifically, this article examines the Department of Environment, Forestry and Fisheries' implementation of the National Climate Change Response White Paper, 2011. To provide insight, key factors that hamper the implementation of this key White Paper, are outlined. In conclusion, the authors provide recommendations that may improve its overall implementation and success.

In their article, '**SWOT Analysis in Urban Land Administration: Empirical Evidence from Mekelle City, Tigrai, Ethiopia'**, HG Gebrihet and P Pillay state that "Scholarly attention to SWOT (strengths, weaknesses, opportunities and threats) analysis in urban land administration is inadequate in sub-Saharan African countries". To this end, the study contributes to the prevailing literature on applying SWOT analysis in urban land administration from an Ethiopian perspective.

This article investigates the performance of urban land administration using Mekelle City in Ethiopia as a case study. A SWOT analysis was used to evaluate the municipality's land administration, with urban land governance, urban land markets and urban land policies as references. It was found that the main strength for urban land administration institutions in Ethiopia focuses on service delivery reform.

In conclusion, this study argues that, while implementing good governance principles, operating the urban land market, and implementing urban land policies, the municipality's weaknesses and threats exceed its strengths and opportunities.

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Leading Digital Transformation and Innovation in Local Government Institutions in South Africa

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ABSTRACT

The introduction of new digital technologies in communication, production and administration processes has become one of the key drivers of change in economies and societies worldwide. To maximise the quality of public services, local government leaders today must leverage and interact with the fast-moving external technology landscape so that it can inform and capture its value. An efficient and innovative public administration must ensure fast and high-quality services for citizens. The article used a desktop approach in terms of a conceptual and document analysis of relevant literature. The article explores the public sector's digital evolution on a worldwide scale and examines how local governments can accelerate the rate of their progress. It focuses in particular, on the process of digitalisation and innovation in local government and strategies to improve. The article concludes that to accelerate service delivery, local government institutions should recognise the value of digital skills and cultivate the digital expert culture. This requires leaders who are skilled, technologically advanced and very innovative.

INTRODUCTION

The increasing digitalisation of the economy and society coupled with rapid technological innovations is changing the environment in which public sector institutions pursue their missions and is influencing the practices of service delivery. These changes have significant implications for how public sector

institutions enhance service delivery. Unless they prepare themselves to address these changes, they run the risk of being displaced as the main centres in the delivery of services in contemporary societies. The changes also provide significant opportunities for local government institutions which position themselves as leaders able to take advantage of rapid technological innovations and diffusion.

Hence, as noted above, the introduction of new digital technologies in communication, production and administration processes has become one of the key drivers of change in economies and societies worldwide. The spread of smartphones, tablets, sensors, smart devices, chatbots, cloud computing, big data gathering and analytics, blockchain technology, Internet of Things (IoT), machine learning, artificial intelligence (AI) and virtual reality (VR) affects all sectors of the economy including public services, and changes workplaces, job profiles, employment relations and working conditions. Digital technologies can help governments improve public accountability and public service delivery. In practically all local government institutions, there is an urgent need to improve efficiency and quality of services delivered to citizens. In particular, local government institutions must comply with applicable e-government legislation, digitise their infrastructure and workflows, raise cost and process efficiency, improve services provided to citizens, and guarantee data privacy and security.

Information and Communications Technology (ICT) is transforming the economic landscape around the world by increasing the efficiency of transactions that take place in the economy. As noted above, this article primarily focuses on digital service delivery in local government. In a rapidly evolving and connected world, digital technologies are having a major impact on the public sector. The article first, conceptualises the relationship between digitalisation and service delivery. It then discusses digital transformation of local government service delivery and the role of local government in this regard. It discusses how digital transformation in local government can be accelerated. This is followed by a discussion of the potential of digitisation in public service delivery, the role of technology in local government in general and e-government. It also discusses how digitisation and automation can improve local government as well as the use of new technologies.

CONCEPTUALISATION OF THE RELATIONSHIP BETWEEN DIGITALISATION AND SERVICE DELIVERY

Digitalisation refers to the combination of five modern technology components that are combining to change the way people work, shop, communicate, and get around (Eggers and Bellman 2015:30):

- Social: Allowing people to communicate electronically on social platforms in real time;
- Mobility: Connecting with people wherever they are;
- Analytics: Using data to do sophisticated analysis across program
- and policy areas;
- Cloud: Changing how people leverage and pay for technology; and
- Cyber-security: Providing for secure communication and data storage.

In the digital era, tech-savvy organisations no longer view these five components as distinct solutions that address specific needs. Rather, they harness their combined power to target and build confidence with customers and citizens, manage the workforce, reduce cost, and automate processes.

The number of countries providing online services in terms of information and communication with citizens through document exchanges and services by emails, short message service (SMS), mobile apps and downloadable forms is rising. Digitalisation in public services can be generally referred to as the whole range of consequences stemming from the interaction between public service users and workers with new digital technologies. It also refers to the economic, social, employment and workplace transformations such consequences entail (Voss and Rego 2019:4). Digitalisation is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities (Hoy 2020).

In developing countries, digitalisation of processes makes local government services available to people using internet and mobile technologies. This means bypassing poor physical infrastructure bottlenecks, as well as increasing accountability throughout the system. In developed countries, the main objective of digitalisation of local government processes is to reduce costs and the administrative burden (Duneja, Pichai, Lasku and Kilefors 2018:4).

The provision of public services is increasingly challenged by diverse social needs, ageing societies, digitally informed populations, economic pressure, and unequal conditions for public service delivery existing within and across countries. For example, the failure of public service delivery in many developing countries is not just due to the scarcity of resources but also to the problems of incentives, accountability and governance that vary from one context to another. According to Bertot, Estevez and Janowski (2016:2), overcoming such challenges requires innovation in local government. It also requires digitising public services, tailoring them to local needs, and delivering them through digital channels using new social and organisational innovation models.

In the local government sphere, very often e-initiatives by various departments/divisions take place in silos in an uncoordinated fashion. These silos lead to duplication of service provision, inefficiency and an increase in the cost of

governance. Digitisation is often driven for the benefit of the delivery organisation and not the benefit of the end-user. Digitisation as a vehicle for economic growth has had varied results (Koshy 2019:93). It is to solve such challenges that a platform approach to service delivery can release the power of ICT for providing transparent, efficient, accountable, accessible and reliable services; thereby enhancing citizen-centricity, responsiveness, inclusiveness and citizen engagement which are essential ingredients of good governance.

DIGITAL TRANSFORMATION OF LOCAL GOVERNMENT SERVICE DELIVERY

Digital transformation refers to a process of adoption of digital tools and methods by an organisation, typically those that have either not been including the digital factor as part of their core activities or have not kept up with the pace of change in digital technologies (Observatory Public Sector Innovation (OPSI) 2020).

Digitised local government services modernise and simplify the relationships of citizens and public bodies with the administration. According to Saoud (2017), a number of well-identified factors are essential for efficient, secure and durable e-government.

Digital transformation of local government institutions has been accelerated by a convergence of factors. These factors include the widespread adoption of internet-based services, underpinned by internet penetration, increasing expectations for convenient access to government services strengthened by digital-aware citizens, a rising need to manage service delivery costs (both direct and indirect), and the inability of physical delivery channels to serve stakeholders at scale with efficiency (Duneja *et al.* 2018:4). Digitisation is viewed as a new source of growth, efficiency, or relevance in an increasingly digital world. This usually includes new communication and service delivery channels (including via mobile devices) with internal and external users, data-informed decision-making and business processes based on huge volumes of data, enhanced human resources capabilities and new procurement mechanisms (OPSI 2020).

The context within which this digital public services revolution is occurring in local government is the much broader transformation taking place in personal lives and how people conduct business. This is driven by a constant stream of digital technology changes, optimised production practices, and flexible global delivery models. Brown, Fishenden and Thompson (2014:3) argue that there has been a seen change in the way consumers expect to use technology: it has become cheap, easy to use, consumable like a utility, always on, mobile, and open (working seamlessly with everything else): people have become sophisticated consumers and users of such technologies, and of the flexibility and freedoms

these enable. Consequently, there is an increasing demand to see these same benefits realised in local government services as they are everywhere else.

The position of the Organisation for Economic Cooperation and Development (OECD) (2017:202) is that, to achieve digital transformation, local governments need to better map, understand and integrate citizens' demands and needs in the design and delivery of public service strategies. Public data is a powerful asset to move from citizen-centred to citizen-driven approaches, allowing governments to better design and tailor public service delivery processes. While the practice of digital transformation in private sector organisations has more tangible drivers (efficiency gains, market share, and profit) and often more immediate results, the practice of digital transformation in local government must also consider public purpose and involves additional factors of ownership and determination of public data (especially identity), data security and privacy, digital service accessibility for everyone, and public digital literacy (OPSI 2020).

Digitalisation is transforming the way local government services are organised and delivered and their relationship with citizens and users. It is changing the power balance between public and private actors in the delivery and control of public services. Also, it is associated with the replacement of human work by digital processes and devices, robots, new forms of performance and behaviour control at the workplace, as well as with the unregulated collection and use of personal data. The rise of digital platforms for the online intermediation of public service work is enabling the spread of new forms of local government interactions and the access to local government services (Voss and Rego 2019:4).

Digital service delivery platform

The efficiency of service delivery will also depend on the operating procedure followed by each of the departments/divisions providing the service and also the extent of automation of their processes. An integrated service delivery platform built on and around identity (ID) with a streamlined data management and data exchange framework on a common technology stack, can drive efficiency and optimise cost. This digital journey, as indicated in Figure 1, rides on the ability to provide:

- Single source of truth;
- Faster digitisation of government processes;
- Omni channel service delivery;
- Paperless, cashless and contactless processes;
- Joined up and integrated services;
- Data privacy and security; and government strategic control (Koshy 2019:93).

The discussion below starts with analysing the role of local government.

Figure 1: Service Delivery Platform

Source: (Koshy 2019:93)

THE ROLE OF LOCAL GOVERNMENT

The local and regional levels of government are on the frontline of the introduction of new digital technologies and processes in public services: although central governments play a leading role in the decision to launch and roll out digitalisation programmes and initiatives, most public services are delivered at the local or provincial government spheres This is where digitalised public services and administrations interact and communicate the most with citizens and users, and where the largest numbers of public service workers are involved or affected by public service digitalisation (Voss and Rego 2019:7).

If digital technologies in public services, especially at local government level, are to enhance public service efficiency and quality, they should not be introduced in a top-down fashion and guided by cost-cutting considerations only.

Rather, to be successful, they must be designed and implemented with a careful, participative planning and prior impact assessment, that their introduction is progressive, and that implementation and impact are carefully monitored and adjusted throughout. Without these precautions and without the direct involvement and buy-in of users and workers, digital technology projects tend to lose effectiveness and fail. Holtzhausen (in Draai, Van Rooyen and Raga 2016) argues that if local government services are delivered digitally, greater digital access needs to be created for citizens. These services include the use of mobile phones to access services. An example is the Tshwane Metropolitan Municipality, which now offers free Wi-Fi to enable people to access services online.

The Constitution of South Africa prescribes a principle of 'co-operative government', which means the various spheres of government are required to coordinate their actions and legislation. It is the responsibility of government at every level to provide services to the citizens of South Africa and to promote social and economic development. ICT can form an important pillar of this service delivery capability. As access to information and technology becomes increasingly regarded as a right for all citizens, government must develop strategies for rolling out infrastructure and connecting people. As more people become connected and begin utilising digital channels, there is also the opportunity for government to leverage technology to offer more digital services, enable better communication with citizens, increase efficiency and reach more people. Van Jaarsveldt (2010:175) states that the public service is in need of new skills to develop officials' ability to use ICT.

Accelerating digital transformation in local government

In order to accelerate digital transformation, Deloitte recommends local government leaders focus on five major areas (Eggers and Bellman 2015:22):

- **Developing a clear digital strategy**
  The importance of a clear strategy is undeniable. Local government institutions can benefit from a road map that addresses the key elements of digital transformation: culture, leadership, workforce, and procurement. The strategy must be accompanied by a mechanism to track and measure progress against the digital goals.

- **User-centricity**
  A key tenet of digital delivery is to start with the user. Some local government institutions are failing to engage citizens in service design and lack user-centric design skills in their workforce. Exploring inherently user-centric active development methodologies is also critical.

- **Culture**
  As local government institutions mature digitally, they learn to increasingly employ digital trends and technologies to reinforce a culture of innovation and collaboration. Designating space and time for groups to collaboratively work on solutions, ideas, and challenges could go a long way towards building a culture of innovation.

- **Workforce skills**
  Workforce and skills are the most challenging areas for digital evolution. Some local government institutions lack the skills to take full advantage of digital transformation. Digital strategists need to develop a plan that pinpoints what workforce capabilities they need and how they are going to secure them.

- **Procurement**
  Changes in local government require a procurement process that is agile, developmental, less restrictive, and more decentralised. Any proposed procurement reform should consider these issues.

THE POTENTIAL OF DIGITISATION IN PUBLIC SERVICE DELIVERY

The new digital environment offers opportunities for more collaborative and participatory relationships across stakeholders to actively shape local government priorities, collaborate in the design of public services and participate in their delivery, with the public value chain highlighting changes to public sector boundaries. The OECD (2016) states that the new approaches are needed to support a shift from government-centred services, through a focus on citizen-centred approaches, and in partnership with governments (people-driven approaches). These must be supported by new governance frameworks and funding arrangements specific to digital innovation projects considered in a number of the cases. The challenge is not to introduce digital technologies into public administrations (digitisation), but to integrate the use of digital technologies into public sector modernisation efforts (digital government) (OECD 2016).

Haldrup (2018) argues that digital technologies can improve public service delivery in many ways. For simplicity, there are two types of improvements, namely direct and indirect.

- Direct – Digitisation can directly improve the efficiency and effectiveness of service delivery by lowering the costs associated with delivery (for example, by reducing discretion and rent-seeking opportunities) and improving quality

and coverage of services (for example, through the use of tele-medicine or drones); and

- Indirect – Digital technologies can indirectly improve the quality of service delivery by strengthening feedback flows from users to service providers. Such feedback can then be used by providers to improve delivery. Similarly, digital technologies can help citizens connect with each other, fostering voice and collective action, which in turn can incentivise governments to improve the quality of existing services or to deliver new services.

Local governments across the world are attempting a transition from closed, top-down, bureaucratic, and paper-based transactional models towards online, integrated digital offerings that encourage a new kind of interaction between citizens and the state. Brown *et al.* (2014:3) state that this journey towards 'digital public service delivery' appears to be reaching a critical point where the convergence of citizens' demand for greater speed and more transparency in service delivery is being met with increased desire within the public sector to deliver services in more innovative ways.

To demonstrate the potential of digitisation in local government service delivery, Govender and Reddy (2019:5) state that the South African government must ensure the development of a national data policy in order to enable the delivery of 'digitally-enabled services' to the population, as well as provide digital content to users. Furthermore, they argue that local governments will have to transform the way public participation and policy development is undertaken and will also have to adapt to the pace of change by reinventing themselves. Citizens will be able to engage and express their opinions through new digital platforms.

Digitisation and e-government

Overall, the use of digital technologies is moving beyond the back-office and administrative processes and being increasingly applied to direct service delivery and citizen engagement. This progression from digitisation, through e-government to digital government is illustrated in Table 1.

Achieving digitisation, in some areas, requires progression through a period of e-government, the middle stage in digital transformation. Under e-government, governments make greater use of digital technologies, to achieve better government, focusing on delivering services tailored to individuals' needs in a user- or citizen-driven setting, while also achieving improved efficiency and productivity (OECD 2016). Digitisation plays a key role in influencing the transformation of local government at large, given its potential to increase access to services and delivery in public areas.

Table 1: The elements of digital transformation

Information and Communication Technologies		
Digitisation (Greater use of **digital technologies** to improve cross government activities and data/information management)	**E-Government** (Use by governments of **digital technologies**, particularly the Internet, to achieve better government)	**Digital Government** (**Digital technologies** and user preferences integrated in the design and receipt of services and broad public sector reform – integral part of governments' modernisation strategies to create public value)

Source: (OECD 2016)

In the future, cities will have to be smarter and more connected. The urban environment will need to harness the power of technology and innovation, to become more sustainable, and more citizen-friendly. This includes creating streamlined, digitised workflows, and launching e-government services. The overriding goal is to create simpler, user-friendly services and more efficient workflows within local government, and to save time and money. The results benefit all stakeholders: businesses, citizens and local government institutions. Within a digital government agency, information is always up-to-the-minute, administrative tasks can be performed with greater speed and reliability, and collaboration within and across agencies is easier and better. According to Sibanda and Von Solms (2019), if national and provincial Cooperative Governance and Traditional Affairs (CoGTA) and the Government Information Technology Officers Council (GITOC) work in a concerted manner, adequate IT governance and management support can be provided to municipalities.

TECHNOLOGY AND LOCAL GOVERNMENT

As ICT evolves and becomes a more prominent part of everyday society, municipalities are attempting to digitalise services in order to serve citizens better in a new, more connected world.

Traditional government processes are being replaced with new systems that are designed to enable seamless operations across a number of services, in order to better serve the needs of citizens. ICT provides opportunities for simplifying internal local government processes, thereby increasing efficiency and effectiveness. These technologies also increase and extend the reach of desired services beyond traditional delivery mechanisms. This enhances the access to, and delivery of local government information and services to citizens, business partners, employees and government entities. Van der Waldt (2016) notes that the South

African government makes provision for the use of ICT to deliver particular services electronically.

ICT provides essential tools in the implementation of national development plans and supports local government's efforts to uplift its citizens. Any approach to e-governance and digitalisation in local government must therefore also look at enabling access to ICT for citizens. When leveraging ICT in order to improve efficiency and service delivery, it is important for local government to have a three-pronged approach (Business Connexion (Pty) Ltd (BCX) 2016; Dassah 2014):

Digitally enabled communities

This includes any initiative to reduce the digital divide and enhance the digital connectivity of citizens. Examples include the roll-out of broadband, providing free public access to Wi-Fi or connecting schools or libraries. These connected citizens can then engage with local government on a digital level.

Increased e-governance utilisation

This includes increasing the ways in which citizens can use technology to access and utilise local government services.

Improved e-government services

As a result of greater connectivity, digitalised processes and integrated systems, local government services will become more streamlined and easy to use. Local government will be able to make more informed decisions on how to operate its departments. This in turn allows it to serve citizens better.

ADDRESSING THE NEEDS OF LOCAL GOVERNMENT

The effective management of information, information systems and communications, is of critical importance to the success of the local government sphere. The South African Local Government Association (SALGA) recently released guidelines on how to improve the status of ICT governance within municipalities. The association's aim is to raise the profile of ICT as a strategic enabler for effective administration and service delivery.

According to SALGA (2012), some of South Africa's local government objectives, with regard to ICT, include:

- a focus on access, i.e. the provision and maintenance of ICT infrastructure to ensure universal access at a local level;

- to facilitate the effectiveness of e-government services and content at local level;
- to contribute to municipal transformation and improved service delivery through the effective use of ICT; and
- ICT skills development and capacity building.

The Auditor-General also highlighted five areas that municipalities should focus on in order to improve Information Technology (IT) controls (BCX 2016):

- Information technology governance – effective IT governance ensures that the organisation's IT control environment functions well and enables service delivery;
- Security management – a secure IT environment ensures the confidentiality, integrity and availability of critical IT systems and business processes;
- User access management – user access controls are measures designed to prevent or detect the risk of unauthorised access to, and the creation of financial and performance information stored in the application systems;
- Information technology service continuity – IT service continuity controls enable institutions to recover critical business operations and application systems that would be affected by disasters or major system disruptions within reasonable time frames; and
- Formal control over information technology systems – it is necessary to have skills in place to appropriately design and implement controls for IT systems to regulate security management, user access management and IT service continuity.

Digitisation and e-government in local government

South Africa's e-government strategy shows evidence of growing progress. Analysts believe that, although there is room for improvement, the South African government's use of ICT to deliver basic services to its citizens has progressed. Having realised that ICT plays a key role in modernising government services and has benefits for service delivery, the South African government developed its own e-government policy framework. The framework proposed using ICT to improve government's efficiency and effectiveness, and to enhance citizens' convenience and their access to government services (Mzekandaba 2018:14).

Local government departments have also introduced specific initiatives such as Gauteng's e-invoicing service, the City of Ekurhuleni's online system for paying rates, and the City of Cape Town's digitised government information system to enable easy access for its citizens. Major e-government goals include reducing costs while enhancing service delivery, expanding the national broadband roll-out, particularly to rural marginalised communities, and improving national computer literacy and ICT skills. Metros like Cape Town, Johannesburg and Tshwane have implemented local government e-strategies and, in doing so, have allowed their

constituents unparalleled access and connectivity to the internet economy and its inherent benefits.

According to Holdsworth (2018:17) governments have traditionally relied on nationwide networks of fixed and mobile infrastructure, postal mail and call centres to provide services and information to their citizens. However, both the speed and the impact of technological changes on societies are forcing local government institutions to reinvent new ones to better interact and serve citizens. The intention is for citizens and service users to be able to access services and information irrespective of the service channels that are used. Citizens will be able to submit information electronically and be able to apply for services online or transact online.

Digitisation and automation to improve local government service delivery

Government's digitalisation efforts have traditionally been driven by individual departments within each institution trying to become more efficient by automating existing processes. Duneja *et al.* (2018:8) contend that many local governments' visions for digitalisation of their services have remained the same over the years. However, in order to provide better services to citizens and enhance service delivery, local government is increasingly aware of the benefits of digitalisation. The drivers for digitalisation have been increasing workforce and process efficiency and effectiveness, and these have provided better governance in delivering public services.

South African local government service delivery is challenged on many fronts, but not least of them is the fact that much of it still depends on manual, paper-based processes. Numerous local government institutions have revealed that they still use paper-based processes. This slows operations, adds to costs and increases the potential for fraud. For example, if one person is away from the office, a file sits on their desk until they return. When people change jobs, replacements must be appointed and trained, which can slow processes. When paper-based records are used to track maintenance and performance of critical infrastructure, it becomes very difficult to ensure that proactive maintenance takes place (Burrows 2015).

There has been a sharp increase in the use of digital local government services by individuals over the past decade, which has tripled on average among the developing countries since 2006. This reflects a good impact of local governments' digitisation efforts and citizens' progressive adoption of digital service delivery channels. However, there are persisting differences in the use of digital government services across various population groups. The OECD (2017:202) cautions that governments need to be aware of these differences in order to develop tailored public service delivery approaches and avoid creating new forms of digital exclusion as the digitisation of the public sector progresses.

Digitisation and automation can significantly improve local government service delivery by increasing accuracy and efficiency, reducing costs and the risk of fraud, and allowing local government to accurately predict infrastructure breakdowns, social needs or other changes in the environment. Burrows (2015) states that further afield, local government has used digitisation and automation to underpin new applications and systems that improve every aspect of public service operation. This can be from reducing operational costs to enhancing the efficiency of utilities, improving revenue collection, combating crime and fraud more effectively and gathering and analysing data more accurately.

The Digital Public Service Innovation Framework introduced by the United Nations considers the four-stage model as 'standard' and foundational to seven identified innovations in digital public service delivery identified in the literature. The innovations are (Bertot, Estevez and Janowski 2016:9–11):

- Transparent Digital Public Services – citizens know about service decisions made by government;
- Participatory Digital Public Services – citizens participate in decisions;
- Anticipatory Digital Public Services – government initiates service delivery to citizens;
- Personalised Digital Public Services – citizens can choose how they wish to receive services;
- Cocreated Digital Public Services – government and citizens engage in collaborative service delivery;
- Context-aware Digital Public Services – service providers are aware of the service delivery context; and
- Context-smart Digital Public Services – service providers utilise context awareness for better service delivery.

THE USE OF NEW TECHNOLOGIES

Mainstreaming the use of new technologies for citizen and stakeholder engagement, and business process transformation in local government reform efforts provides a clean break from past practices to accelerate the move towards more transparent, efficient, and effective public services (Karippacheril 2013:12). According to Marshall (2017), local government technology functions must leverage the fast-moving external technology landscape so that people inform it, capture its value and bring it in.

Voss and Rego (2019:4) argue that digitalisation policies are strongly supported by many national governments. Some see new technologies as an opportunity to enhance service quality and access while reducing costs and headcount. Others view the digitalisation of public services as a major avenue to enhance

local government service delivery. Many local governments have an entrenched interest to support digital technology corporations and businesses that are either based under their jurisdiction or have significant influence in their policymaking systems. Digitalisation in public services is often associated to "smart" and to the prefix "e-": smart administration, smart cities, smart metering, smart legislation, e-government, e-citizenship, and e-health.

Local governments worldwide have started putting in place foundational elements to help serve citizens and businesses better. Duneja *et al.* (2018:14) cite *three key aspects*: legal underpinnings for digitalisation; building secure and trusted data and identity platforms; and ensuring citizens get on board. In many cases, these foundational elements have delivered completely new ecosystems in addition to delivering at-scale efficiencies. However, rolling these out requires continually ensuring public trust and confidence.

Legal underpinnings for digitalisation

Since legislation is one of the key inputs in the design and delivery of local government processes, legal implications in digitalisation need to be validated from a holistic perspective. Since many legal instruments are based on the technology existing at the time such legislation is issued, digitalisation makes many of the legislative requirements unnecessary.

Secure and quality data/identity platforms

The success of digitalised local government services relies on having secure and quality data.

Adoption and awareness by way of incentives

A crucial element that complements prioritised projects is the effective support provided to citizens by incentivising adoption and awareness. Very often, well-thought-out local government services are launched on digital channels with little to no usage, underachieving targets and underwhelming impact.

Research and innovation

Research and innovation are key interventions if South Africa wants to keep up with the rest of the world. Local government institutions need to be supported on how to change the way they do business without impacting the livelihood of communities. It is not as simple as machines replacing people. Local government interventions of lifelong learning should be introduced to encourage municipalities

and individuals to make the digital shift alongside each other. Further, most local government institutions in South Africa are moving to digitisation, automation and more effective use of digital solutions (Burrows 2015). New digital technologies are entering local government functions and have become the only way to interact and access local government services without a human backup. However, questions arise about the digital divide and exclusion of some citizens/users from essential public service access, and the challenge for local government to predict and control costs for private digitalisation technology providers.

Innovation in service delivery orientation refers to an organisation's openness to new ideas and propensity to change through adopting new technologies, resources, skills and administrative systems. Service delivery innovation is also described as an overall process of developing new service offerings in the organisation (Martins and Ledimo 2015:575). Innovation drivers are similar in product and service contexts, at most differing in relative importance between the two environments.

In addition to the above, service delivery innovation is valuable in organisations because it improves or enhances the following (Martins and Ledimo 2015:576):

- Service operation: The way in which the service is delivered;
- Service experience: The customer's direct experience of the service;
- Service outcome: The benefits and results of the service for the customer or clients; and
- Value of the service: The benefits the customer perceives as inherent in the service weighed against the cost of the service.

Innovation is an important aspect of local government service delivery. The suggestion is that employees should be encouraged to be innovative and use digital technologies to enhance service delivery.

Fourth Industrial Revolution in a digital context

Innovations in digital, biological and science realms drive the Fourth Industrial Revolution (4IR). The larger topic is the technological emancipation of people in any country. This is necessary if South Africa hopes to be a competitive society. According to Francis (2020:13) there needs to be more action following policy, more collaboration among various stakeholders from the state to networks to educators, and acceptance that the digital divide has grown. Technology cannot save the society. Only a determination to empower people through technology can change the picture.

The South African local government has identified the need to roll out processes and strategies to address the potential of the 4IR. However, of concern is the lack of focus at a municipal level. Municipalities have no choice but to

develop processes at local levels to deal with the potential of digitalisation. Each municipal environment is developing its own digital platforms, and municipalities are currently operating in a competitive environment within South Africa. Each level of government, as well as each entity within the three spheres of government, is embarking on technological efforts towards the 4IR (Govender and Reddy 2019:7).

Local governments will also, as per current trends, be able to use new and evolving online technologies to better serve citizens directly. Local governments could deliver services effectively and at a reasonable cost as a result of advances in robotics. Robotics, coupled with the IoT could, for instance, enhance water and sanitation and electricity service delivery. Frontline and service delivery jobs could easily be done by robots, and citizens could easily be accommodated via the internet. At the municipal level, to highlight a simple example, robots could in the not-so-distant future do much of the maintenance work for parks and recreation. The 4IR could lead to a more effective, leaner and cheaper local government. Local governments may be able to provide more and better services for less. The 4IR could, thus, lead to improved policymaking and policy, increased effectiveness and efficiency and better programmes and services for citizens (Roberge 2018:9).

The use of digital communications has changed society in ways that are not yet fully understood and this is ably assisted through e-government. The National Development Plan identified that through e-government (Simons 2018:11):

- Technology could be used to solve some of the biggest challenges in education and health;
- Educational materials could be delivered electronically to remote villages;
- The national health information system could link to secure, online, electronic patient records and other databases, such as for financial, pharmacy, laboratory and supply chain management data;
- Focused digital information could be accessed on web-based and mobile data entry and retrieval, and linked to the existing district health information system, which would be continuously and incrementally modernised;
- Efficient cellular phone networks and technology could provide a range of services, break new frontiers in fighting diseases and lower the cost of water purification.

DIGITAL GOVERNMENT INNOVATION

Local government service innovation combines both the notion of innovation and what it means to innovate in the public sector. Public sector innovation with digital technology equals digital government innovation.

Bertot *et al*. (2016:2) contend that the trajectory of the digital local government suggests that at every stage, local governments are under pressure from economic, social, political and other factors. They respond to them by innovating with digital technologies available at the time. In the process, municipalities institutionalise innovations to become a standard part of local government practice, and transform digital government innovation into government practice.

The baseline for innovation in digital public services includes:

- Local government's ability to interact with citizens and other service recipients, thus providing a foundation of engagement;
- The ability to engage in cross-agency or even whole-of-government service design, production and delivery; and
- The ability of local governments to deliver, and of citizens to use digital public services on multiple technology platforms (Bertot *et al.* 2016:2).

As the pace of digitalisation has gained momentum, local government institutions are increasingly forced to create broader visions in order to deliver integrated, seamless services across all municipalities. This is driven by a few key factors (Duneja *et al.* 2018:8):

- Citizens want a seamless digital experience, as digitalised services are becoming the preferred choice across all demographics;
- IT resources and data used across local government show significant commonality;
- Pooling data allows for increased effectiveness in governance;
- Other sectors are increasing their demands to leverage data held by local government to meet regulatory requirements with lower costs; and
- The debate on digital public services also observes that new technological inventions are gradually being assimilated, giving rise to case-by-case innovation in the provision of services in the process to be institutionalised (Bertot *et al.* 2016:16).

Exploring new business models for digital public service delivery

Many local government institutions appear overwhelmed by the breadth and depth of the changes in public service delivery that they face. Their challenge is to develop a high-level framework against which they can focus their activities and investments across this sphere of government. Brown *et al.* (2014:6–7) have found it helpful to consider digital public service delivery across four layers:

- People, communities, and clients;
- Organisation and delivery;
- Platforms and interfaces; and
- Infrastructure and technology.

People, communities, and clients: The first layer of this framework concerns end customers, namely people, communities, and clients. These are the people that set the expectations for digitally-enabled services. The transformation required for digital service delivery at the 'people' level is a transition from managing people to managing the things that help or hinder them in delivering results. The 'communities' part of the first layer refers to the opening of public data for public use, while simultaneously becoming much smarter about the unique custodianship that local government has of highly personal data that needs high standards of protection. The 'client' elements refer to the need for digital local government to be driven by the needs and feedback of their customers and users (not their own internal needs).

Organisation and delivery: At the organisation and delivery layer of this framework, new, lighter-touch governance and assurance arrangements, a change to budgeting practices and flatter structures must be designed and implemented. These are a prerequisite for local government moving quickly in its execution, responding flexibly to changed circumstances and pushing decision-making and solutions further down the organisation.

Platforms and interfaces: The third layer in this framework, platforms and interfaces, is about creating an ecosystem comprising reusable technology components as well as a marketplace of open integration and innovative suppliers' expertise within the local government environment. While digital local government will still deploy some custom components and applications, the significant majority of basic functionality can adapt and reuse capabilities which are already available.

Infrastructure and technology: The fourth layer in the framework, infrastructure and technology, enables the others by providing the computing power and networking capability to support appropriately flexible, scalable and elastic solutions to fulfil local government needs.

Voss and Rego (2019:14) are of the view that the introduction of new digital technologies in local government services where a digital divide, lack of infrastructures, low computer literacy, income and education inequalities already exist can contribute to widen and deepen user access inequality within and across countries (for example, poor vs affluent neighbourhoods; urban vs rural areas). This can cause the exclusion of older people, people with disabilities, people in low-income groups, people affected by illiteracy and other vulnerable categories of public service users.

In addition to the above, the OECD (2016) has recommended the following as part of digital transformation of local government public services. There is a need to engage citizens and open government to maintain public trust and

- Ensure greater transparency, openness and inclusiveness of local government processes and operations;

- Encourage engagement and participation of public, private and civil society stakeholders in policymaking and public service design and delivery;
- Create a data-driven culture in local government. Improve governance for better collaboration and results;
- Reflect a risk management approach to addressing digital security and privacy issues, and include the adoption of effective and appropriate security measures, so as to increase confidence on local government services;
- Secure leadership and political commitment to the strategy, through a combination of efforts aimed to promote coordination and collaboration, set priorities and facilitate engagement and coordination of relevant agencies across all municipalities in pursuing the digital local government agenda;
- Ensure coherent use of digital technologies across policy areas and local government;
- Establish effective organisational and governance frameworks to coordinate the implementation of the digital strategy within and across all municipalities;
- Strengthen international cooperation within local government to better serve citizens and businesses across borders, and maximise the benefits that can emerge from early knowledge sharing and coordination of digital strategies internationally; and
- Procure digital technologies based on assessment of existing assets including digital skills, job profiles, technologies, contracts, agreements to increase efficiency, support innovation, and best sustain objectives stated in the overall local government modernisation agenda (OCED 2016).

Overall, there is no doubt that the digitisation of processes is a key strategic tool in the battle to overcome the challenges facing local government. To implement digital government, local government institutions must upgrade their IT. Above all, this will require investment in digital infrastructure, even before they move on to developing concrete solutions and establishing security mechanisms and data protection. This calls for partnerships with proven experts and organisations that have hands-on experience of local government and digital transformation.

CONCLUSION

The article has highlighted that the journey to offering digitalised government services is different for every local government and not always smooth. Failures occur not only because of technological reasons, but also process, people and structural issues within local government institutions. There is a need to harness the power of next generation digital technologies to improve efficiencies, cost effectiveness and service delivery. While rapid digitalisation is starting to eliminate a

number of physical requirements to interact with local government, today's local governments still have a significant opportunity to enhance delivery, especially where physical presence is mandatory. While the overall impact of digitalisation on local government is complex and multifaceted, the positive side is that digital technologies can improve local government service quality and access; contribute to improve democratic accountability and citizens/users' trust in local government institutions. If used in an appropriate way, within an adapted framework geared towards reaching common goals, new digital technologies in public services can enhance local government service quality and efficiency.

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Ethical Public Sector Leadership and Good Governance

Implications for the Fourth Industrial Revolution (4IR)

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ABSTRACT

The Fourth Industrial Revolution (4IR) has immense potential to improve the lives of millions across the globe. The last two decades has seen technology rapidly transforming our world. Technological advances in artificial intelligence (AI), the internet of things (IoT), block-chain technology, autonomous land-based vehicles, cloud computing and the like are intended to improve the lot of humanity in the 21st century and beyond. For governments to support the 4IR and to reap its intended benefits, governments as regulators, will need to provide an enabling environment, inclusive of safeguarding the public interest and providing oversight so that the technological benefits can be realised. The intensity and pace of the 4IR has placed public sector leadership squarely in the spotlight, as these leaders will have to provide policy directives by having a sound and ethical knowledge of the 4IR. The rapid pace of change requires governments to understand the technological domain and its consequences for society. An ethically adept government which can comprehend complicated issues such as the personal ownership of data, security of social infrastructure and the rights and responsibilities attached to it, requires a new cohort of public leaders. These leaders will have to comprehensively understand who benefits from the 4IR, the possible global financial disparities as a consequence of the 4IR, and the type of workforce needed in the 4IR. Given the above background, this article poses the following pressing question, namely: *What leadership roles and values are required of public sector leaders to promote good governance in*

the 4IR? The methodology to answer this question will be a literature review, which will aggregate all existing evidence to address the question posed. The research question will be enriched by exploring the current knowledge, views, trends, and approaches to leadership to promote good governance, in the disruptive era of the 4IR.

INTRODUCTION

The 4IR, like the ones that have preceded it, has enormous benefits for humankind. Technology can enhance service delivery by, for example, using drone technology to deliver medical supplies to under-developed rural areas, to enhance citizen communication or to even utilise big data analysis to enhance policymaking. However, the converse also rings true in that technology in the hands of unethical governments and individuals can pose a major threat to peace and stability across the globe. Cyber-criminals and hackers could very easily hack into government websites and hold to ransom personal information, or at times hackers could interfere in the elections and referenda of foreign powers. This article casts some light on the role of ethical leadership to promote good governance in the 4IR. Consequently, the article argues that the 4IR requires an ethical public sector leader, one who embraces agility, humility, open-mindedness and a penchant to serve communities. Finally, the article proposes a model for ethical leadership in the public sector.

CONCEPTUALISING LEADERSHIP

The concept of leadership is difficult to define. Stogdill (1974:259) indicates that there are "almost as many definitions of leadership as there are persons who have attempted to define the concept". To underscore this definition, the *Washington Leadership Scan* in Oswald-Herold, Elbert and Feit (2018:3) is of the view that leadership can be defined differently, "depending on cultural lens, situation or context".

Any conceptual analysis of leadership cannot be complete without explaining its relationship with management. Access to the processes and knowledge of management is central to good leadership. It is often argued that leadership and management are parts of the same process in enhancing organisational effectiveness and capacity. For the intent of this article much attention will not be devoted to the concept of management.

To further explore the concept of leadership the key question to explore is: *What makes an effective leader?* This question has raised considerable interest because the notion of leadership conjures up powerful and romantic images. In fact, due to rapid change and environmental complexity, leadership has taken on a greater importance than ever before (Van Seters and Field 1990:29). The conclusion from analysing thousands of personal-best leadership experiences is that everyone has a story to tell. These stories are more similar in terms of actions, behaviour and processes than they are different (Van Seters and Field 1990:29).

To most people, the importance of leadership is self-evident, regardless of the setting within which it occurs. In organisations, effective leadership provides higher quality and more efficient goods and services, a sense of cohesion, personal development and higher levels of satisfaction among employees, an overarching sense of direction and vision, alignment with the environment, a healthy mechanism for innovation and creativity and a resource for invigorating the organisational culture. This is no small task, especially in contemporary times (Van Wart 2003:214).

Although leadership has always been challenging, today's leaders face additional obstacles. While the shared power environment created in the second half of the 20th century bolstered many aspects of democracy, it also complicated leadership (Henton, Melville and Walesh 1997:14). Today, there are greater levels of public awareness, as citizens have more access to leaders (especially public sector leaders) through electronic means, social platforms and rapid connectivity. As scepticism grows, so does the public's tolerance for leaders' mistakes, shortcomings and structural challenges (Yankelovich 1991). Furthermore, evidence suggests that competition on an organisational level has intensified in the new global economy. Due to pressure among public sector organisations, the range of necessary leadership skills has grown exponentially (Bass 1990 and Van Wart 2003:214–215).

Leadership is conceived as a power relationship, a form of influence or persuasion and as a function of individual personality. It is also associated with a formal position in an organised system or an informal relationship between individuals who action things or with those who provide implicit or explicit support (Kellerman 1986:xiii). It can be conceived that "different perspectives on leadership tend to emphasise different activities that are essential to leadership and also have different perspectives on innovation" (Lewis, Richard and Klijn 2017:7). The literature points to the fact that leadership and leadership activities are important for change and innovation in organisations, both public and private.

It is certain that leadership will play a crucial role in the 4IR. An astute, technologically savvy leader and ethically adept leader is central to promoting the gains and challenges inherent in the 4IR.

CONCEPTUALISING THE NOTION OF GOOD GOVERNANCE

The concept of good governance is difficult to explain; put succinctly, Gisselquist (Online source: 2012) concludes that "it is an extremely elusive object". Governance is often used within a wide context and hence it has come to mean corporate governance, international governance, national and local governance. According to Prinsloo (2012:3) governance "is the process of decision-making and the process by which decisions are implemented or not implemented". It is perceived that in order to maintain good governance, a number of principles must be upheld. These principles are briefly outlined below.

Participation

Participation by citizens is the cornerstone of good governance. It is imperative that governments maintain contact with residents and with civil society in order to develop and create conduits of public participation for effective decision-making. Citizen participation could take numerous forms such as, trade unions, non-governmental organisations and political parties. Public participation is a strong imperative to underpin the legality of government.

Rule of law and respect for human rights

Prinsloo, citing *What is Good Governance?* (2012) indicates that "Good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force".

The rule of law encompasses well-defined rights and duties, as well as mechanisms for enforcing them, and settling disputes in an impartial manner. An additional requirement is that of respect for human rights, especially for minorities.

Openness and transparency

Transparency is an important element of good governance in that it promotes reporting and feedback. It helps decision-makers to justify decisions made, it helps in disseminating information effectively and makes reporting accessible. Openness and transparency help ensure protection against government errors.

Responsiveness

The need of government to serve all citizens and stakeholders within an acceptable time frame is an important imperative of good governance.

Consensus orientation

It is important that government mediate in the best interest of a heterogeneous society. Building consensus among all role players, including minorities, serves in the best interest of achieving community values and the ultimate goal of democracy.

Equity an inclusiveness

Dealing in the best interest of societal issues underpins good governance. This implies that people must have the opportunity to contest elections freely, respect for basic human rights, and the absence of gender discrimination. Without these components of political freedom, many other political goods that collectively compose good governance are difficult to exercise (Auriacombe 2020:187).

Effectiveness and efficiency

Governments function with limited resources and consequently a government should utilise scare resources optimally to the benefit of all citizens. Everything and everybody involved in translating resources into service delivery, must perform effectively and efficiently. Concepts of efficiency and effectiveness in the context of good governance also cover the sustainable use of natural resources and the protection of the environment (Prinsloo 2012:12; Auriacombe 2020:188).

Accountability

Accountability is a central pillar of good governance. According to Rodinelli and Cheeman in Prinsloo (2012:7) accountability "forces the state, private sector and the civil society to focus on results and to monitor and report on performance". Moreover, accountability has three important dimensions, namely financial accountability, political accountability and administrative accountability. Accountability ensures that public officials are answerable for decisions that they take. Accountability cannot be enforced without transparency and the rule of law.

Finally, expanding Gerring's (1999:367) "eight criteria for conceptual goodness", four are important for good governance. First, good governance lacks parsimony due to the endless definitions associated with it. Second, it lacks differentiation in that differentiating among the different forms of democracy (well-functioning and

liberal democracies could be examples) is unclear. Third, it lacks coherence in that its focus is too broad and finally, lacks theoretical utility "due to the fluidity of the concept" (Gisselquist Online Source: 2012).

CONCEPTUALISING ETHICS

The discipline of ethics dates back to antiquity when scholars of the classical period tried to understand the impact of human behaviour and action. From a public administration perspective, it is expected of civil servants to have a "bureaucratic ethos and a democratic ethos–associated with such values" (Goss 1996:575). Consequently, Josephson in Goss (1996:575) concludes that ethics is a "system or code of conduct based on universal moral duties and obligations which indicate how one should behave; it deals with the ability to distinguish good from evil, right from wrong and propriety from impropriety". To add to the ethical debate the words of Elinor Ostrom, a Nobel Laureate rings true in that "institutions are tools that offer incentives to enable humans to overcome social dilemmas. Such social dilemmas arise whenever selfish interests threaten the public good. Social contracts offer a way out. By punishing free-riders, institutions curb the behaviour of selfish individuals and promote the welfare of the community, ideally enhancing the long-term benefit of all participants" (Lee, Iwasa, Dieckmann and Sigmund 2019:1).

Chapman in Mello, Phago, Makumu, Dorasamy, Holtzhausen, Mothusi, Mpbanga and Tonchi (2020:2) is of the view that ethics in the public sector "concerns the application of moral standards in the performance of official duties". Central to ethics is the role of values. The public service ethos that public officials are bound by is characterised by a set of values. Values, according to Goss (1996:576), are "core beliefs or desires that guide or motivate attitudes and actions. Some values, such as the importance persons attach to honesty, fairness, and loyalty, are ethical in nature because they are concerned with the notion of moral duty; they reflect attitudes about what is right, good, or proper rather than what is pleasurable, useful, or desirable". Moreover, a discussion of values ought to be premised on an understanding of what Goss (1996:577) dichotomises as a bureaucratic and a democratic ethos. A bureaucratic ethos as related to public administration includes a set of core values such as accountability, neutral and professional competence, efficiency, effectiveness, economy, impartiality, objectivity, loyalty and obedience to elected officials and superiors, honesty and integrity, consistency and predictability, reliability, diligence and prudence, avoidance of partisanship, and respect and courtesy to both the public and elected officials. Conversely, a democratic ethos includes a set of core values such as obligation to use administrative discretion to advance certain social values, political principles, and the public interest. Under this ethos bureaucrats are responsible for

substantive due process and social equity and they must participate in defining, even codifying, regime values through personal ethics (Goss 1996:577). Table 1 indicates examples of bureaucratic and democratic values for each ethos.

Table 1: Examples of bureaucratic and democratic values for each ethos

Bureaucratic ethos	Democratic ethos
Accountable	Advocate
Economic	Compassionate
Competent	Confidentiality
Impartial	Individual rights
Predictable	Politically aware
Trustworthy	Public interest

Source: (Goss 1996)

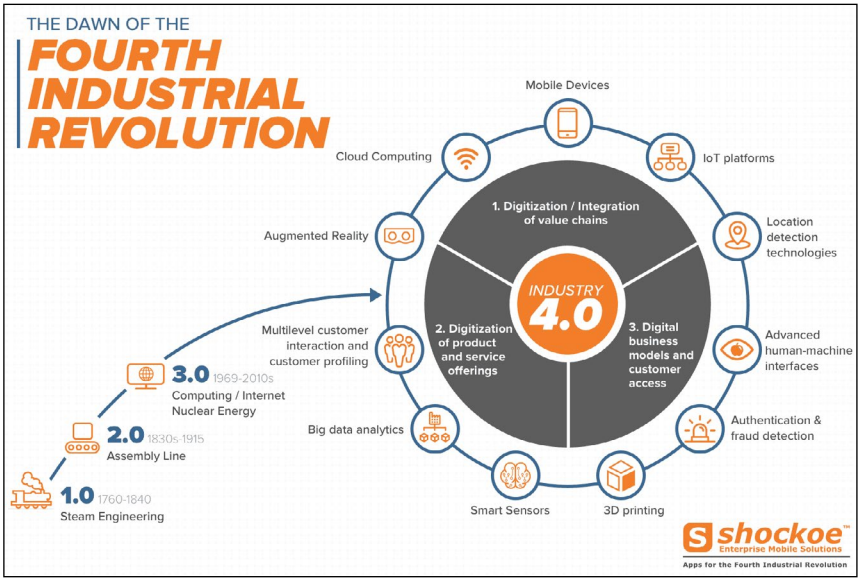
Holtzhausen citing Brytting, Minogue and Morino in Mello *et al.* (2020:107) is of the view that ethical values are the core of any organisation and senior managers need to establish organisational values. Having a strong value system, especially in the era of rapidly changing technology, is paramount to support effective decision-making and good governance. As Goss (1996:596) put it in the 1990s, "as an increasingly professional public administration enters the twenty-first century, with all the accompanying technological metamorphosis and changing governmental structures that progression may suggest, we must necessarily ask ourselves the extent to which ethical expectations for public administrators should differ among citizens, elected officials, and the career bureaucracy itself".

Given the rapid development of technology in the 21st century, as experienced in the 4IR, the ethical dilemma becomes more real. Governments as the custodians of the policy process, need to have a firm grip on how technology will shape the world that we live in. The perplexing challenge for public administration is to establish whether it is equipped to set the policy framework in an ethical manner to lead in the 4IR. Policymakers therefore need to be robust in analysing the safety, privacy and transparency of technology in improving the lot of society.

THE FOURTH INDUSTRIAL REVOLUTION (4IR)

It is argued that the 4IR took root some 40 years ago. The developments in genetics, robotics, nanotechnology, 3D printing, biotechnology, smart system applications and supply chains have underpinned the 4IR (Schwab and Samans in the Future of

Figure 1: The 4IR



Source: (Shockoe Online source: n.d.)

Jobs Report 2016:v). The 4IR does not entail how the future is going to be, but it is a call for action. The 4IR can help an organisation to realise its vision for governing technologies in ways that promote even more human empowerment, collaborative, developing, diffusing, and sustainable foundations for social and economic development, intergenerational stewardship, as well as human dignity (Richards 2019:51). The 4IR provides countless opportunities to improve the lot of mankind; however, this need not be done at the expense of dabbling in immoral activities, the likes that we have seen recently; for example, countries meddling in the elections of others, cyber-crime and data hacking, and job losses within both the private and public sectors. As Bill Gates put it "technology is amoral", it is therefore up to humans to judge how to use it (Dalmia and Sharma [World Economic Forum] Online Source: 2017). Figure 1 captures the dawn of the 4IR.

THEORIES RELATING TO LEADERSHIP, ETHICS AND 4IR

The link between leadership and the 4IR in the public sector is not yet well developed. One certainty is that leaders will have to embrace the complexity and change that is offered by the 4IR. This section will focus on the theoretical and philosophical underpinning to this study.

Complexity theory and change

Complexity theory has its origins in the natural sciences, however, it has been successfully adapted to the social sciences in the areas of, for example, organisation theory and management (Stacey, Maguire and McKelvey in Klijn 2008:2). From a public administration perspective, complexity theory drew much attention due to the turmoil that was faced within the discipline in earlier years. Initially, it was believed that public organisations were dominated by "unified, rational actors" (Braybrooke and Lindblom in Klijn 2008:2). However, as time went by it became evident that public administration, more so, the public policymaking process was a complex government function, that required a multi-actor approach (Pressman and Wildavsky in Klijn 2008:2). Of importance for this study is that complex systems could be either linear or non-linear. The 4IR challenges the linear assumptions in which we live and operate in, and it challenges traditional leadership to embrace disruption, non-linearity and instability.

The following are three important management concepts that enrich themselves from complexity theory. First, the complexity of systems will make these systems *unmanageable*, adaptation to the change (in this instance the 4IR) is therefore an imperative. Second, "*smart interventions*" is where managers act as facilitators of the change process. Third, management is viewed as "*riding the fitness landscape*", where the "task of the manager is to be aware of the opportunities in that landscape, as well as the positions of the actors, and use them to realise interesting policy proposals or to adapt proposals and actor coalitions, in such a way that they fit the landscape" (Klijn 2008:14).

Public organisations need radical leaders who are willing to break from conventional wisdom. Public organisations will have to be led by individuals who "require nothing short of a personal conversion" on managing change and transformation (Lewin and Regine in Jarbandhan 2012:11). The 4IR presents an environment for astute leaders with agile mindsets to manage the change.

Theory of Change (ToC)

The roots of the ToC can be traced back to the field of theory-driven evaluation and practice in the field of community initiatives which became popular in the 1990s (Reinholz and Andrews 2020:7; Stein and Valters 2012:3). From an evaluation perspective the ToC is informed by social practice and from a development perspective it "grew out of the tradition of logic planning models such as the logical framework approach developed from the 1970s onwards" (Vogel in Stein and Valters 2012:3). ToC provides a roadmap to practitioners to engage in the change process in a frank manner (Stein and Valters 2012:4). Moreover, ToC helps in unravelling the complexity that change brings.

ETHICAL LEADERSHIP

The 4IR promises to change the trajectory of civilization for the better. From driverless cars, to gene therapy, 3D printing and the use of drones to deliver medical supplies in rural areas. However, the opposite side of the conundrum also rings true in that drones can enhance warfare techniques, cyber-crime can become commonplace and gene therapy can be used unethically to promote a 'super race'. What is needed is an ethically and morally astute leader to manage the disruption caused by the 4IR.

Oswald-Herold *et al.* (2018:14) argue that an ethical character and ethical decision-making are central pillars to a leader's effectiveness. Furthermore, ethical leaders are vested in a strong value system, both personal and organisational. Oswald-Herold *et al.* (2018:14) further posit that "leaders who know their values, practice aligning their mission and values, and communicate with stakeholders the ethical standards they are upholding, are more likely to make ethically sound decisions. This builds trust and fosters a positive perception of the organization and the sector". Given that most of the literature on ethical leadership focuses on the normative debates around the subject, it is worth presenting the definition of leadership as posited by Brown *et al.* in Shakeel, Kruyen and Van Thiel (2019:614), who contend that ethical leadership is "the demonstration of normatively appropriate conduct through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and decision making".

Table 2: Characteristics of ethical and unethical behaviour

The ethical leader	The unethical leader
Is humble	Is arrogant and self-serving
Is concerned for the greater good	Excessively promotes self-interest
Is honest and straightforward	Practices deception
Fulfils commitments	Breaches agreements
Strives for fairness	Deals unfairly
Takes responsibility	Shifts blame to others
Shows respect for each individual	Dimishes others' dignity
Encourage and develops others	Neglects follower development
Serves others	Withholds help and support
Shows courage to stand up for what is right	Lacks courage to confront unjust acts

Source: (Zanderer in Mihelic *et al.* 2010)

Table 3: Criteria for the evaluation of unethical behaviour

Criterion	Ethical leadership	Unethical leadership
Use of leader power and influence	Serves followers and the organization	Satisfies personal needs and career objectives
Handling diverse interests of multiple stakeholders	Attempts to balance and integrate them	Favours coalition partners who offer the most benefits
Development of a vision for the organization	Develops a vision based on follower input about their needs, values and ideas	Attempts to sell a personal vision as the only way for the organization to succeed
Integrity of leader behaviour	Acts consistent with espoused values	Does what is expedient to attain personal objectives
Risk taking in leader decisions and actions	Is willing to take personal risks and make necessary decisions	Avoids necessary decisions or actions that involve personal risk to the leader
Communication of relevant information operations	Makes a complete and timely disclosure of information about events, problems and actions	Uses deception and distortion to bias follower perceptions about problems and progress
Response to criticism and dissent by followers	Encourages critical evaluation to find better solutions	Discourages and suppresses criticism or dissent
Development of follower skills and self-confidence	Uses coaching mentoring and training to develop followers	Deemphasizes development to keep followers weak and dependent on the leader

Source: (Yukl and Yukl in Mihelic *et al.* 2010)

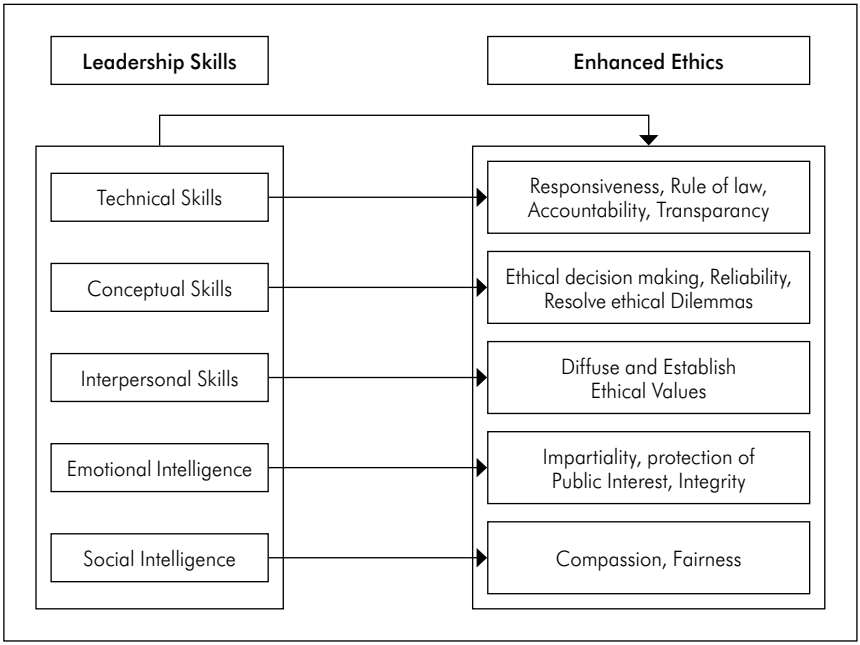
Yukl in Mihelic, Lipicnik and Tekavcic (2010:35) is of the view that in judging the ethical behaviour of leaders which include individual values, conscious intentions, freedom of choice, stage of moral development, types of influence used and use of ethical as well as unethical behaviour are essential criteria. Table 2 indicates predominant characteristics of ethical and unethical leadership.

It is crucial that leadership in both public and private organisations strives to minimise conditions for unethical and recalcitrant behaviour. Yukl and Yukl in Mihelic *et al.* (2010:38) provide a framework for the evaluation of unethical leadership, this is captured in Table 3.

The 4IR requires strong ethical leaders who are capable of taking decisions in the best interest of the citizenry. A compact in understanding the value and utility of technology for the human good is a strong ethical imperative. Ethical leaders will have to develop strong international networks in an interconnected world to take ethical decisions. A silo-based approach to the 4IR will not serve the purpose of ethical leaders.

Haq (2011:2794) presents a scenario in her research where the different types of leadership skills (for example, technical skills, conceptual skills and interpersonal

Figure 2: Leadership skills enhancing public service ethics



Source: (Haq 2011)

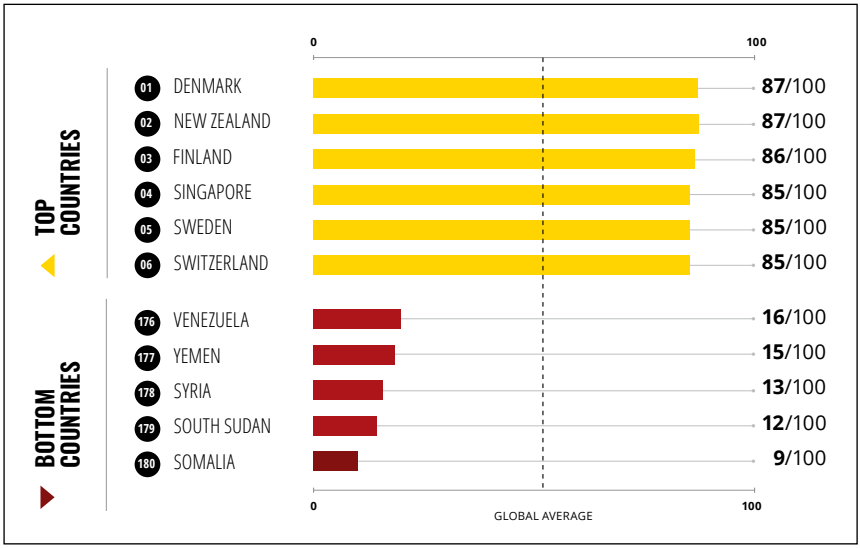
skills) can enrich both the individual and organisation's skills in a public service setting. Figure 2 presents this adequately.

The skills alluded to in Figure 2 enhance the ethical grounding of public service leaders. The 4IR requires leaders who can embrace these skills to build a better society. For example, a public servant must be emotionally intelligent to understand that decisions made, must protect the public interest (data security).

CURRENT CHALLENGES WITH UNETHICAL CONDUCT IN THE PUBLIC SECTOR

The 2019 Corruption Perceptions Index (CPI) as published by *Transparency International*, reveals that almost all countries globally are showing little to no progress in tackling corruption. The CPI also reveals that corruption is becoming more entrenched in countries where large donors contribute to election campaigns and by doing so have their voices heard over that of the general citizenry (CPI 2019 Global Highlights Online source: 2019). The results are listed in Figure 3. A score closer to 100 indicates excellent relatively clean governance and scores lower

Figure 3: 2019 CPI snapshot



Source: (CPI 2019 Global Highlights 2019: Online source)

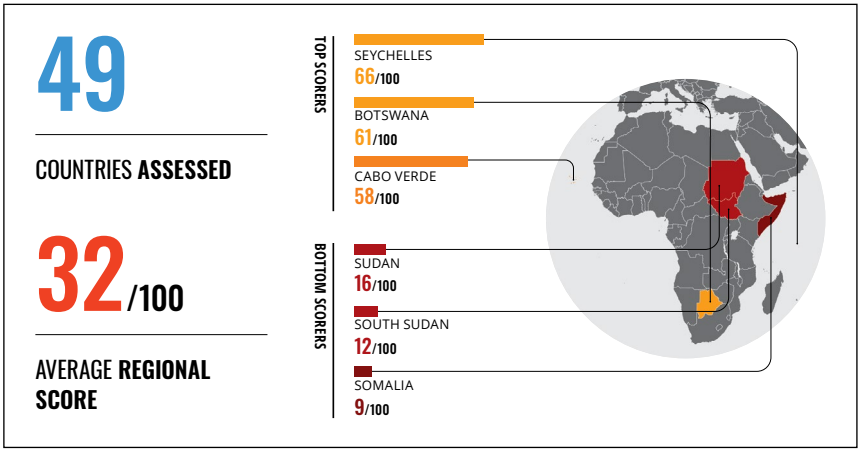
to 0 indicate alarming levels of corruption. Indications are that Nordic countries have the least likelihood of being involved in corrupt practices. New Zealand and Singapore are also viewed as 'least corrupt'. On the other end of the spectrum some countries in the Middle East, South America and Africa have a propensity to indulge in corrupt practices. Furthermore, it must be noted that countries that fare poorly are mostly engaged in some form of conflict.

The data set also points to the fact that sub-Saharan African countries form the lowest scoring region, while Western Europe and the European Union (EU) region score favourably as being 'least corrupt' (CPI 2019 Global Highlights Online source: 2019). Country scores in sub-Saharan Africa indicate that the Seychelles, Botswana, Cabo Verde, Rwanda and Mauritius score relatively well, while Somalia, Sudan, South Sudan and Equatorial Guinea score poorly. Of interest is that South Africa was ranked 70 out of 198 countries surveyed with a score of 44 (CPI 2019 Global Highlights Online source: 2019). Figure 4 captures the ranking.

MANIFESTATION OF UNETHICAL BEHAVIOUR IN THE PUBLIC SECTOR

In an attempt to understand the ethical impact of the 4IR on government, it is important to unpack the current manifestations of unethical conduct. Unethical

Figure 4: Corruption perception across sub-Saharan Africa



Source: (CPI 2019 Global Highlights 2019: Online source)

behaviour can take on numerous guises and therefore becomes difficult to control. Below is a snapshot of the broad categories of unethical behaviour and examples in the public sector.

Bribery

Whether done overtly or discreetly, bribery has become entrenched in society. According to Desta (2019:26), "bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of a public servant", and furthermore, it is described as the most common type of unethical practice. Bribery may occur in various forms, but centres mainly in the form of special privileges such as financial benefits. Receivers of bribes can also be paid huge sums of money, most of which has been embezzled from taxpayers' money or comes from shady privatisation contracts, where these individuals are referred to as *"tenderpreneurs"*. Put simply a *"tenderpreneur"* is a person who uses political connections to secure government contracts for personal gain. Mynit as cited in Desta (2019:27) indicates that bribes can manifest as follows:

- Influence who gets government contracts and sub-contracts in projects.
- Influence the allocation of monetary benefits such as credit subsidies and exchange controls.
- Speedily allocate permission for the granting of licences and permits.
- Encourage public officials to work for individual benefit rather than the well-being of the community.

Extortion

This involves enticing an individual or an institution to provide a benefit to a public servant in order to act (or not) in a particular manner. According to Varga-Hernandez in Desta (2019:28) extortion is "similar to bribery only that the money is extracted using violence or threat of violence to extract money".

Favouritism and nepotism

According to Suleiman and Othman in Desta (2019:28) "favoritism denotes bestowal of preferential treatment or favour by an entrusted office holder on the basis of prejudices such as family relationship, ethnic, party or religious affiliation, or even friendship". Favouritism is further propagated when the job seeker knows some high-ranking official who has the ability to influence the decision to hire. A special form of favouritism is nepotism, where for instance, administrators or political representatives will only appoint their relatives, friends and family members to take on positions they are clearly not qualified for (nepotism), while for the qualified candidates, some employers will ask for favours or bribes (for example, money) if they wish to be appointed.

Abuse of power

Abuse of power is another manifestation of unethical behaviour. It involves public servants using their authority or discretionary power to improperly benefit another public servant, person or entity.

Maladministration

Maladministration is the term used to describe when government (municipal) actions or inactions result in a customer experiencing a service which does not match the quality and quantity expected of government. This may include wrong advice, discourtesy, mistakes in administration and financial transactions, and delays in services. Maladministration is further a legal term that refers to a failure by a government institution to carry out its duties and responsibilities properly and fully. Maladministration may be unintentional or intentional. It may stem from inefficiency or waste, administrative errors or mistakes, incompetence, negligence, or carelessness. On the other hand, bureaucratic corruption in the form of bribes, kickbacks, bartering for favour, illegal activity, or misappropriation of public resources for personal use constitutes intentional maladministration.

Obstruction of justice

According to Desta (2019:29) obstruction of justice "occurs when the natural process of justice or fairness is subverted to the benefit of few wealthy, well-connected, and powerful individuals and groups to the detriment of the wider public. The selective application of laws would be a case in point. In most developing countries the people who are rich and well-connected to powerful government officials do not face justice or penalty for serious infarctions of the law".

Delivering low-quality materials

Mle (2012:29) describes the delivery of low-quality material as a further manifestation of unethical conduct. This occurs when contractors inflate the prices of material; for example, material for the building of infrastructure, to complete government contracts. Quality is often compromised, and the value-for-money principle is often overlooked. Poor infrastructure delivery is often the result of low- quality materials. These are some of the examples of unethical behaviour in the public sector. Acts of unfettered corruption will lead to a loss of public trust and a poor ethos within the public sector.

UNETHICAL PRACTICES THAT COULD EMANATE FROM THE 4IR

The 4IR could deliver immense value to the public sector. It could make government supply chains more effective with the use of AI technology, big data could be used to enhance policy decisions and hyper-communication and social media platforms could bring government closer to the people. Despite the benefits of the 4IR, many concerns surrounding unethical dilemmas in the use of technology still remain. Society is concerned about the use and protection of data, cyber-crime, and the ramifications of gene editing, robots taking over human tasks. Will the promised technology be available to all citizens or just the rich and how does technology enable people to be stewards over the planet? All stakeholders, including government, will have to apply their diligence in ethically implementing technology. Over the last decade there has been an increase in the activity of cyber-criminals (hackers) who have breached both private and public sector sites. A global technology response to these challenges, with government playing an instrumental role, is now overdue. Table 4 captures examples of cyber-crimes in South Africa over the last nine years.

Table 4: Examples of cyber-crimes in South Africa

Year	Site hacked	Outcome
December 2012	The Department of Social Development; The Presidential Planning Commission; National Population Unit	No sensitive information was reportedly accessed or released
January 2012	Postbank	Estimated loss of R30 million
June 2016	Standard Bank of SA	R300 million in ATM fraud
July 2016	Armscor	Sensitive military-related documents compromised
July 2016	SABC	Flooding of servers
2016	University of Limpopo	Defaced the website and released a trove of student records
December 2016/ 2017	KFC	Breach of the KFC customer loyalty information resulting in 30% revenue loss
2017	Old Mutual	Unauthorised entry to one of its systems which led to some customer information being accessed
June 2017	Buffalo City Municipality and Eastern Cape Basic Education Department	Website/s defaced
June 2018	Liberty	Hackers accessed their email servers and had mostly obtained emails of clients
October 2019	City of Joburg	City received a bitcoin ransom note, which if not paid could result in customer details being posted on the web

Source: (Adapted from Grove Applied Intelligence 2018: Online source; News 24 2019: Online source)

Government response to the ethical challenges in the 4IR

As indicated earlier the 4IR has great promise to improve the lot of society. On the contrary, if not used ethically, the 4IR could challenge the very existence of humankind. Currently, the private sector has taken the lead in advancing its ethical response to the 4IR. A study published in the *Deloitte Insights* (Murphy, Carg, Sniderman and Buckley 2019:2); found that there is a "positive correlation between organisations that strongly consider the ethics of the 4IR technologies and company growth rates" than those who do not strongly consider the role

of technology in business. Given that governments set the policy direction for the implementation and adaptation to technology, it is incumbent on them to fully understand the ethical dilemmas of the 4IR. Put succinctly, Carrasco, Geluk and Peters (Online Source: 2018) indicate that "with the gap widening between expectations and what's being delivered, governments need to fundamentally transform the public-sector operating model". Solomons (Online source: 2016) is of the view that governments, together with stakeholders, need to answer the following four questions in response to the ethical and social use of technology. This is captured in Table 5.

Table 5: Key questions and considerations in deploying new technology

Key question	Considerations
1. Should technology be developed in the first place?	Moral answers need to be found to this question. For example, do we need autonomous weapons? Or can technology, such as geo-engineering, be used to prevent climate change?
2. If technology is going to be used, to what extent should it be deployed?	Each type of technological advancement needs to be identified case-by-case for its utility in improving the lot of mankind.
3. If technology is to go forward, how should it proceed?	A well-planned, balanced approach is essential to roll out technology. Consideration for humanity is essential.
4. Once norms have been set, how will they be monitored?	Currently, ethical guidelines exist for research. With the adaptation of new technology governments will have to consider the areas that need mandatory regulation and means to enforce them.

Source: (Solomons 2016: Online source)

It is imperative that governments adapt to the changes in their internal and external environments as a response to evolving technology. As a response, governments have had to quickly learn how to implement changes to their current operating practices, by adopting agile approaches to manage the future.

The European Union guidelines on the ethical use of artificial intelligence

Many governments have invested in AI technologies to improve decision-making and service delivery (Deloitte Insights, Government Trends 2020:9). AI works well in government institutions as it relies heavily on data sets, something that is abundant in public institutions. If AI is applied wisely, it can be a source of improved decision- making, improved policymaking and ultimately improves service delivery. Given the benefits of AI, Germany allocated US$3.4 billion for AI in its national strategy in 2018, with France intending to spend US$1.8 billion on AI in the same

year. Despite the benefits of AI, the concern remains that if AI is not well managed and planned for, it could have unethical consequences such as, fake-news generating algorithms, autonomous weapons and data breaches (EU Guidelines Online Source: 2019). Given the possible unethical consequences of AI, the EU released "*trustworthy guidelines*" for the ethical use of AI in 2019. These guidelines were not meant to supersede the policy or regulatory framework, but to supplement it.

The EU's ethical guidelines on AI have been premised on the following principles:

- Fairness
- Accountability
- Preventing humans from harm
- Respect for human autonomy
- Privacy over data governance
- Diversity, non-discrimination
- Protection of vulnerable groups
- Allowing the state and its citizens to have control over their data (EU Guidelines Online Source: 2019).

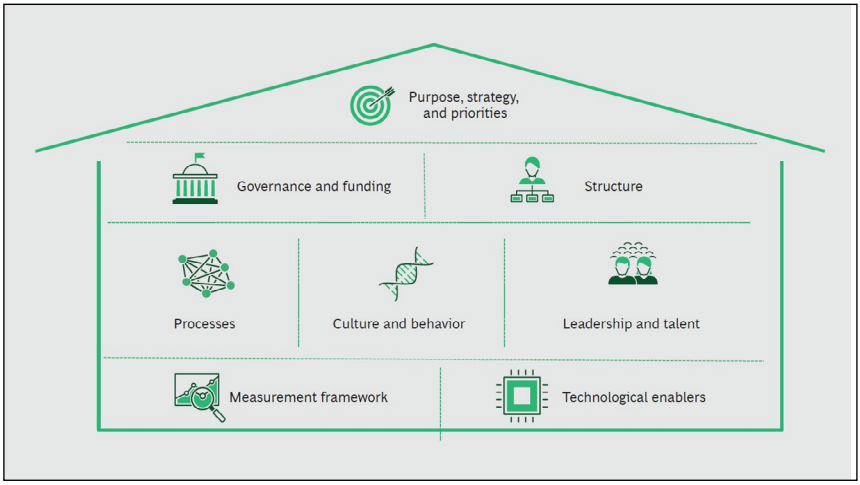
An expert team was appointed to stimulate dialogue and gather the views of stakeholders to eventually produce a comprehensive report on the strategic use of AI. The steps taken by the EU could form the basis for global government actors to follow when deciding on the depth and breadth of using technology such as AI. With large tracts of the developing world showing an interest in AI it is imperative that the potential benefits and risks are carefully considered in improving the lot of society.

AGILE GOVERNANCE AS A RESPONSE TO THE 4IR

The concept of agile governance as a response to the 4IR was popularised by Klaus Schwab (Solomons Online Source: 2016). The approach to agile governance is borrowed from the field of software engineering that emerged in the early 2000s, and was speedily adapted to organisations. An agile government is achieved through collaborative means such as public-private, collaboration between government, non-governmental actors, science and academia. Agility is closely linked to change (Solomons Online Source: 2016; Carrasco *et al.* Online Source: 2018; Hadden Online Source: 2019). Put succinctly, Carrasco *et al.* (Online Source: 2019) indicate that "when scaled up, agile breaks down functional silos, increases transparency and accountability, and empowers employees".

The notion of agility has been successfully implemented in the private sector (the motor vehicle industry is an example – Nissan, Mithsubishi and Renault) and is now slowly being adapted by the public sector. For example, the World Bank

Figure 5: Agile operating model



Source: (BCG in Carrasco *et al.* 2018: Online source)

has used it, so has the UK's Digital Government Services, and some of the US Administrations (Carrasco *et al.* Online Source: 2018). The World Bank has used 'agile' to effectively tackle entrenched problems within the organisation. It can be used to enable the policy process by helping to "set clear policy goals needed to prioritise and structure the work" (Carrasco *et al.* Online Source: 2018; Hadden Online source: 2019). It also improves services by focusing on customer-centric approaches, averts risks, builds trust and holds role players accountable. The benefit of an agile government is "that [it] make[s] these things possible [governments] will find that they can unlock the latent potential currently trapped inside the public-sector workforce, while reaping the benefits of greater operational efficiencies and a new, more effective relationship with their citizens" (Carrasco *et al.* Online Source: 2018). The Boston Consulting Group (BCG) in Carrasco *et al.* (Online Source: 2018), has produced an agile operating model framework, this is depicted in Figure 5.

The model is underpinned by the organisation having a **purpose, strategy and priorities.** The buy-in of all stakeholders is crucial to ensuring that the purpose, strategy and priorities of the organisation are met. All stakeholders must be on board, and there must be a clear understanding of how the proposed organisational change will be cascaded in the organisation. Second, **governance and funding** calls for organisations to be flexible and adopt a capacity-based approach, which re-evaluates initiatives to ensure merit and funding. Third, **structure** warrants flatter organisations with a wider span of control, clear lines of accountability in decision-making and "problem solving where line managers become coaches

rather than bosses". Fourth, **processes** emphasise the multi-disciplinarity of teams who work in close cooperation with citizens. Fifth, **culture and behaviour** are essential to agile organisations as long as teams work towards a common strategy, with clear leadership guidelines and communication. Sixth, **leadership and talent** are essential to promote the mission, purpose and underlying principle of the organisation. Essential to the organisation is having a talent pool to support agility. Seventh, is **measurement and framework** which is essential to ensure that the goals and data are analysed accurately. Data must be widely available throughout the organisation and transparency is a strong underpinning for organisational success. Finally, **technological enablers** (programs, enabling tools, software development and operation) are important to the organisation's success (Carrasco *et al.* Online Source: 2018; Hadden Online Source: 2019).

Agility in government is built through involving all stakeholders in decision-making, and empowering all stakeholders through openness and transparency in delivering services. Open and transparent decision-making allows for ethical governance and change in times of implementing new technology as offered by the 4IR.

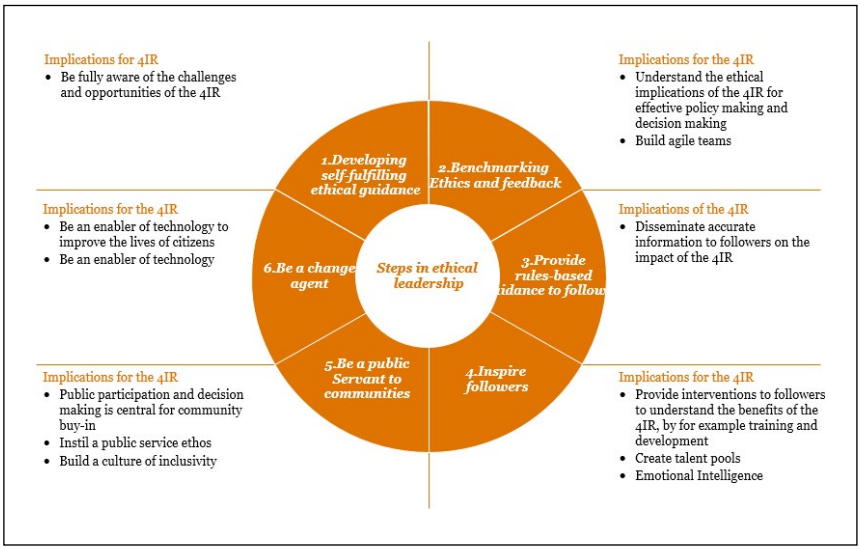
A PROPOSED MODEL FOR ETHICAL PUBLIC SECTOR LEADERSHIP

In order to express ethical leadership in the 4IR, the following model is proposed. The model is based on six key enablers (steps) that leaders need to consider when adopting technology. The leader will have to be ethically astute and understand how technology will impact all stakeholders, including the leader. Leaders must also use ethical frameworks for developing and implementing technology-enabled solutions to problems by using agile teams to deliver on solutions. Leaders must be aware of the rules of engaging technology where public participation in technology investment could be an important guideline. Leaders need to inspire followers by acting ethically and being emotionally astute to the needs of followers. In the responsible use of technology, leaders need to serve the interest of the public and put public need over self-interest. Finally, leaders need to be agents of change, where technology is used to positively improve the lot of the citizens that they serve. Figure 6 proposes a model for ethical leadership in the 4IR.

CONCLUSION

It is incontrovertible that the 4IR will impact all of humanity in some way or the other. This article set out to understand how public sector leadership could be harnessed to promote the 4IR in an ethical manner. Simply put, ethics is about making

Figure 6: A proposed model for ethical leadership in the public sector: Implications of the 4IR



Source: (Author's own interpretation)

choices. If public servants make poor choices based on poor morals and values, public trust will be concomitantly eroded. Leading in the 4IR provides an opportunity for leaders to 'do the right thing'. The need for a leader who can adapt to the use of technology to better the lot of those that they serve is crucial to the survival of organisations. Leaders in the 4IR will have to embrace disruption, non-linearity in their thinking and instability. Those leaders who manage to embrace this will create organisations that are resilient. Leaders exercise choice, the choice to exercise moral and ethical judgement in the 4IR will ultimately distinguish between organisations that could be successful or fail in a rapidly changing environment.

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Towards a Framework for Anti-corruption and Improved Procurement Governance in Uganda

The Role of Administrative Efficiency

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ABSTRACT

Public procurement has been and remains a core function of the public sector. When it is managed effectively and efficiently, it can contribute immensely towards attaining good governance within the now-complex public sector systems. This is due to a number of reasons. First, public procurement is a large contributor to government resource expenditure. When such resources are put to good use, it is expected to render a positive impact. Second, public procurement facilitates the attainment of broader government goals through its acquisition functions. Third, in most countries, public procurement as a key of corruption has been perpetuated, which has led to a leakage of public resources that would otherwise be devoted to service delivery. This article argues that promoting administrative efficiency, which will be a function of implemented governance structures, processes, values and mechanisms, is a likely panacea to procurement governance challenges. To this end, the article develops a framework to address public procurement-related corruption through improved governance. The framework is based on the underlying philosophy that the challenges relating to corruption in public procurement are built on a broader system of corruption within the entire administrative system of government. As such, any

efforts to improve the efficiency and effectiveness of the public procurement function ultimately needs to be anchored on a broader government-wide administrative systems improvement strategy.

INTRODUCTION

In most developing countries, especially within the African context, public procurement reforms have been undertaken as part of broader public sector reforms driven by the New Public Management (NPM) ideologies of the 1980s. The reforms were based on the broad ideology of the state's role in service delivery *vis-a-vis* the role of the private sector (Basheka 2018:1). Specifically, the aim of instituting public procurement reform programmes was to establish a strong and well-functioning public procurement system. Such a system needed to be corruption-free because of the well-known dangers of this practice within the public procurement function. Corruption takes many forms. In the *Bible*, Exodus 23:8 states that a bribe can corrupt the conscience of mankind. Moreover, the *Bible* also warns that bribes bring chaos (Amos 5:12) and they thus merit punishment (Amos 2:6).

In a democratic-led government, citizens and inhabitants of every country deserve quality public services. When corruption takes place, governments fall short of citizens' service delivery expectations. When procurement reforms were being undertaken in most countries, it became evident that the anticipated system needed to be governed by a clear legal framework and established rules and procedures that promoted transparency, efficiency and related enforcement mechanisms, as well as value for money, accountability and non-discrimination. Improved administrative efficiency is promoted through governance systems, processes, values and structures. It was argued that once this was promoted, public procurement corruption would be addressed. The procurement system needed to have an institutional arrangement that ensured consistency in overall policy formulation and implementation (Hunja 2003; Arrowsmith 2010). Public reforms were also seen as an important feature in anti-corruption efforts to help promote good governance (Thai 2008; Basheka 2014). Unfortunately, these expectations have not been met as procurement-related corruption and poor procurement governance have remained a key feature of most African public procurement systems. Corruption has become a major obstacle in the quest for good governance and public service delivery. As key components in a governance framework, public procurement laws and policies are aimed at addressing public procurement corruption.

Governments have always acquired goods, works and services to perform many functions. Trionfetti (2000) and Brulhart and Trionfetti (2004) have documented the historical role of public procurement in facilitating the running of governments in both developed and developing countries. In this regard, Errigde and Mcllroy (2002) highlight that governments use public procurement to undertake public works, build roads, provide healthcare, and provide education and public order. As public procurement supports all government functions (Coe 1989; McCue & Gianakis 2001), it is an important area of Public Administration scholarship.

To undertake empirical studies in public procurement within the Public Administration discipline is not out of context. In *Principles of Public Administration*, WF Willoughby (1927) argued that the teaching of Public Administration needed to be divided into the following five areas of specialisation: general administration, organisational theory, personnel, finance and supply. Procurement, as part of the supply chain, was conceived as an important specialty area within Public Administration. While noticeable scholarly progress has been made on the first four specialisations, the supply field in Public Administration research has been neglected. Studies have assessed the role of rules and institutions and the scope for privatising public sector activities (Persson & Tabellini 2001; Rodrik 2000; Strauch & Von Hagen 2000) to improve performance within the public sector. However, there is limited information on the development of frameworks on the likely benefits of improved procurement governance and corruption-reduced systems. The limited research on this key topic is regrettable, as policymakers require sound information and empirical evidence to design performance improvement-oriented procurement policies.

PROBLEM STATEMENT

Throughout the ages, numerous governmental reforms have largely focused on efficiency, or the lack thereof (Peters 2004). Despite these governmental reforms, there continues to be a deficit in the functioning of administrative systems (Anitha 2007). Within this context, corruption is now regarded as a key contributor to governments' poor performance. In Africa, the public sector has failed to ensure efficient, effective service delivery (Ngowi 2007) and, as a result, its inhabitants often bear the brunt (Nabatchi, Goerdel, & Peffer 2011). Mukandala (2000) argues that African governments suffer from several well-known bureaucratic pathologies, such as inefficiency, centralisation, fragmentation, poor leadership, lack of capacity, patrimonialism, rent seeking, corruption, as well as poor accountability and legitimacy. In this regard, Mukandala (2000) cautions that reversing the trend demands a confrontation-based approach within institutions. Indeed, many

would agree with Mukandala's diagnosis on the institutional crisis in most public sectors.

In Uganda, the crisis within institutions manifests itself in rampant corruption, poor public services, unresponsive systems and wasteful public expenditure that disregard the urgent needs of poor citizens. Smith and Street (2004) state that variations in efficiency may lead to unequal service quality. This leads to a perception of unfairness, which, in turn, undermines the public's support for the tax funding of public services. Uganda's five-year National Development Plan (NDP) (2010) acknowledges this 'crisis'. As such, public procurement-related improvements were proposed as some of the urgent strategies to address inefficiency (National Development Plan (NDP) 2010). While scholars are yet to agree on clear and conclusive ways to define and assess efficiency and effectiveness (Rainey 2003), authors like Misztal (1999) favour trust in institutions and systems as a critical variable. Governance has also been viewed as useful in reversing the crisis. However, a lack of frameworks for improved public procurement remains a major issue.

A potential limitation of existing public procurement literature has been the tendency to focus on traditional private-sector procurement aspects, as opposed to fully exploring the uniqueness of public procurement (Murray 2008). Within public procurement research, political scientists are interested in the political forces that come into play during these processes. As such, there is a focus on who gets what, when and how. Furthermore, political scientists attempt to understand the process-related issues of government procurement policymaking, as opposed to the output – a contract. Political scientists therefore focus on the internal and external political forces that may influence a procurement decision to award a contract to a particular bidder. Here, politics is used in the context that every decision is a political decision that involves the influence of power from its various dimensions.

An important objective of governance research should be to identify the determinants of government performance to inform administrative improvements. While procurement is a well-known central function in the running of government, little empirical research has been conducted on this subject. This article aims to contribute to the body of knowledge on public procurement within public administration research. To this end, it addresses the central problem of the lack of empirical research on applying public administration theories to establish any causal association between procurement governance and administrative efficiency within the context of the changing character of the state. The article examines how and why improved government acquisition has been proposed as a solution to the administrative inefficiencies within Uganda's public sector. More specifically, the article investigates how and why procurement governance structures, mechanisms, values and processes influence administrative efficiency within the Ugandan public sector. In addition, it focuses on devising strategies on how this function can be used to promote efficiency.

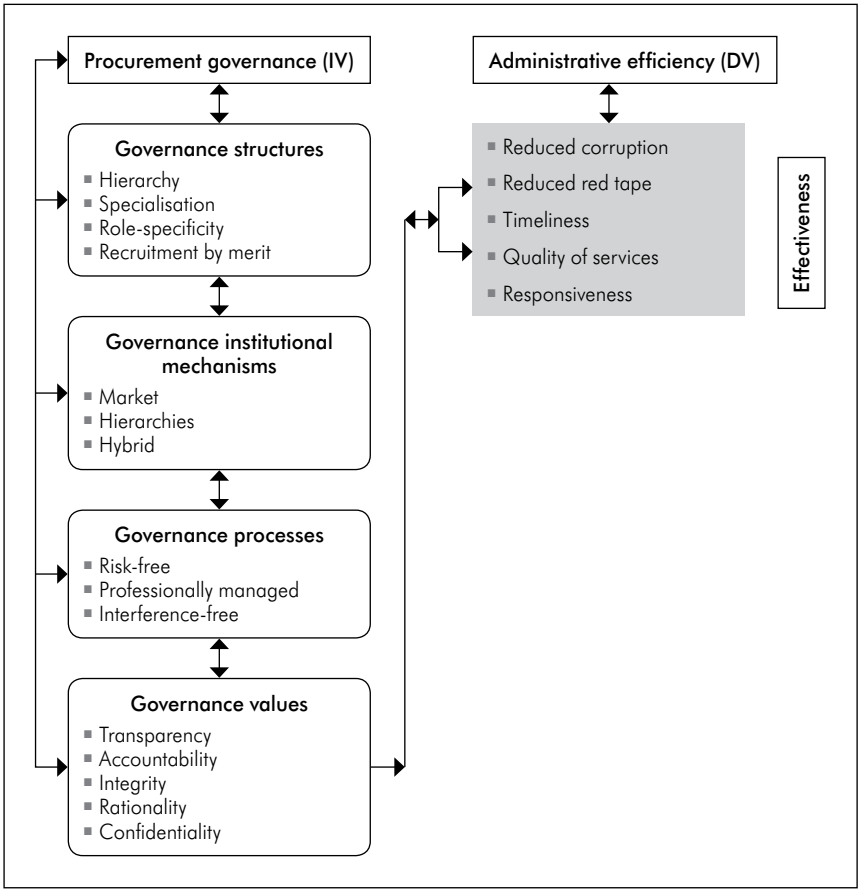
CONCEPTUAL FRAMEWORK

Public procurement takes place within the law. Since the 1990s, most African countries have passed new public procurement laws and new institutional arrangements to manage public procurement that have emerged. In some countries like South Africa, public procurement has been granted constitutional status and is used as a policy instrument to address past discriminatory policies and practices (Bolton 2006:193). In Uganda, most of the public procurement reforms have focused on decentralising public procurement management to so-called Procuring and Disposing Entices (PDEs) in different ministries, departments and agencies (MDAs). The same approach was followed with local governments, since the government runs a decentralised structure of governance. Corruption appears to have correspondingly been decentralised.

Good governance is based on respect for the rule of law and public procurement is viewed as a highly regulated function of government (Basheka & Sabbiti 2019; Thai 2008). In this regard, Sementeli (2011) argues that public procurement tends to rely heavily, but not exclusively, on the professions of law, economics and, in some cases, operations management – particularly at a micro-level. Schubert (2012:6) suggests that the rule of law exists to resolve disputes and to control government officials. New institutions such as public procurement authorities and procurement appeals and complaints-handling panels, which have been set up to formalise and improve procurement performance (Honkaniemi 2010), need to comply with the procurement laws and the general principles of fairness and justice. Cooper (1997:118), a notable leading public administration scholar, argues that public administration's grounding in law is a "simple truth" and that "the law provides the tools that are used to make the most important, and often the most challenging public decisions".

Purchasing entities are created to purchase goods, works or services for other public administrations (Caranta 2015), while having to comply with the public procurement rules (Cavallo Perin & Casalini 2009; Comba & Treumer 2010). It is also believed that the more professional the procurement, the more funds can be saved. Public procurement officials who manage the technical processes of government acquisition are expected to undertake their professional mandates by following the provisions of public procurement laws and broader laws that guide conduct of public management. In countries like Kenya and South Africa, public procurement has been elevated to be a constitutional matter. As such, public officials who manage public procurement have more leverage to operate within the ambit of the law and have constitutional protection. Kakwezi and Nyeko (2010) state that, due to the poor performance of the procurement function, it has attracted considerable attention from practitioners, academics and researchers. Every government utility and agency at any level must procure according to

Figure 1: Conceptual model



international and national rules, depending on the case (Arrowsmith 2005). Such entities must carry out procurement and ensure that the necessary professional skills sets are available to carry out related process (Burgi 2010). Based on the aforementioned, the following conceptual framework serves as a guideline for the current research.

Conceptually, transaction cost economics theory reasoning enabled the researchers to identify four dimensions of procurement governance which were subjected to empirical examination. These include: (1) 'governance structures', (2) 'governance mechanisms', (3) 'governance processes' and (4) 'governance values'. The study hypothesised that, if there are appropriate well-functioning procurement governance structures, mechanisms, processes and values in place, public

sector organisations are likely to be administratively efficient, given that all government activities rely on some acquired form of goods, services and works.

The conceptual model depicts a perceived relationship between public procurement governance and administrative efficiency, with possible implications on effectiveness. The model shows procurement governance as a predictor variable, administrative efficiency as the dependent variable, while effectiveness is regarded as an outcome variable. Procurement governance is studied under four dimensions of governance (structures, mechanisms, processes and values) that have specific indicators, as shown in Figure 1. Effectiveness has long been one of the most pervasive yet least delineated organisational constructs (Goodman & Pennings 1977). One of the 'big questions' in public management has always been how public managers measure achievement (Behn 1995). However, some scholars suggest few questions have challenged what constitutes organisational performance or effectiveness (Selden & Sowa 2004).

There is a distinctive gap in public administration research on the "outcome measures of institutional performance at the jurisdictional level" within organisations (Kirlin 2001) at a national, state and local government level (Yang & Holzer 2006). As such, little consensus has been reached on what constitutes organisational effectiveness and how to assess it (Cameron & Whetten 1983). Procurement has three key components. First, it is a legal matter because it is governed by specific rules and regulations. Second, as an economic matter, it involves efficient financial spending that follows government-set rules. In this regard, government ideology determines the areas where finances must be spent. Third, procurement is also an organisational matter because the institutions that are mandated by law to manage financial spending are guided by a clear set of rigid processes. Within this context, value systems emerge as a critical dimension.

Hughes (2010) reminds us that governance has recently re-emerged as a prominent research area in Political Science/Public Administration literature. As such, it offers scholars an opportunity to adopt such a concept in different contexts. Because governance is a power word and a dominant descriptor within academic research, it has also been applied to other discourses such as public procurement and public procurement governance (Frederickson 2005). Governance operates at household, village, municipal, national, regional or global levels and each of these elements has its own contexts and complexities. Moreover, governance also operates on a ministerial and departmental level. Within the context of this study, governance was investigated on a ministerial, departmental and agency level.

The term 'governance' has several meanings (Rhodes 1997). According to Peters (2004:31), 'governance' implies changes in the public sector to minimise the role of formal governmental actors. In turn, Williamson (1979) defines governance as "alternative institutional modes for organising transactions" and "the institutional matrix within which transactions are negotiated and executed". Given the

character of government, a public procurement system cannot function without a formal government actor being involved in procurement-related decisions. As such, governments have traditional roles of establishing and implementing laws that also apply to public procurement.

The institutional arrangements or frameworks through which governmental procurement activity in Uganda is undertaken constitute the nomenclature advanced by the authors. In line with this, Kooiman (1993) suggests that a description of the governance phenomenon should include the pattern or structure that emerges within a socio-political system as a common outcome of the interaction involving different actors. This indirectly suggests that governance requires an appropriate structure. Brinkerhoff (2006:270) recommends that a framework on government analysis should include accountability as a critical element. In addition, the author highlights that such an effort would not be complete without focus on transparency and responsiveness (Brinkerhoff 2006:270). To gain a holistic picture of governance values, the study will focus on the fourth dimension of procurement governance values.

Governments work on the logic of input-process-output and an outcomes-based framework. Inputs constitute three elements namely labour, the procurement of goods and services and capital consumption (Atkinson 2005). When positively implemented inputs produce outputs, which, in turn, generate outcomes. Within this context, public procurement is viewed as an input, which, if well managed, results in improved, more effective administrative processes. In practice, measuring each of these elements may pose challenges. While there are many approaches to defining efficiency and effectiveness, researchers and practitioners have concurred that the two concepts share some common attributes as far as performance improvement is concerned. Economic approaches to the study and analysis of organisations, including transaction cost analysis, generally focus on efficiency (Williamson 1985). Oliver (1992) likens this approach to "institutional theorists who place particular emphasis on legitimating processes and the tendency for institutionalised organisational structures and procedures to be taken for granted". In this regard, Roberts and Greenwood (1997) argue that both transactional cost and institutional perspectives complement each other.

The term 'efficiency' is usually defined as the quality of doing something well with no wastage of time or money (Hoerr 1999), while 'effectiveness' is defined as producing a required or intended result (Ngowi 2007). 'Efficiency', which is often found in the economic terminology, has two distinct meanings. First, it pertains to performance (the positive outcomes of an activity) and second, it pertains to the maximum effects of an activity related to the allocated or consumed resources (Ani & Carmen 2009). The former meaning of efficiency was applied to this study, since it has a direct relevance to public administration. As such, 'administrative efficiency' was used to imply the performance of administrative

functions that render outcomes. The public sector is considered as efficient when it makes maximum provision of public goods and services, within the limits of available resources. Performance indicators, which focus on specific aspects, are readily measured and validated. They are easy to interpret and might be useful from a local managerial perspective. However, from a more strategic regulatory perspective, performance indicators provide only an indirect or partial indication of efficiency (Smith & Street 2004).

Based on the nature of the phenomenon under study, it is challenging to identify a straightforward process to measure efficiency. Smith and Street (2004) argue that inefficiency is inherently unobservable. Estimates of inefficiency must therefore be derived indirectly after taking account of the observable phenomena. In its most basic form, inefficiency measurement involves the following process:

- Measuring observable phenomena (outputs, inputs, costs and prices);
- specifying some form of relationship between these phenomena;
- defining 'efficient' behaviour;
- calculating the difference between each organisation's observed data and the maximum achievable outcome, as defined by the specified relationship; and
- judging to which extent the difference is attributable to inefficiency.

METHODOLOGY

The current research used both primary and secondary data sources. The primary data collection method for the study was through a questionnaire survey, which was designed to elicit responses on items that measured the governance dimensions and administrative efficiency. Secondary sources included existing procurement data collected by regulatory bodies like the Public Procurement and Disposal Authority (PPDA), governmental funding agencies, Auditor-General's Office and Parliamentary Public Accounts Committee, as well as civil society organisations (CSOs) like Transparency International (Uganda Chapter). These were examined to provide a state of procurement performance and the magnitude of procurement-based corruption.

The researchers reviewed reports such as procurement audit and assessment reports by the PPDA, parliamentary sector reports, and donor assessment reports on the procurement sector to gain insight into the perceived positions on the state of corruption and procurement governance. Other documents reviewed included integrity survey study reports by the Inspectorate of Government (IG). Locating these sources and retrieving the information was a sound starting point for the primary data collection process. While reviewing the documents, key governance issues and cases of administrative inefficiency linked to procurement were identified. The study used some in-depth interviews

with key informants to gain deeper insights on procurement governance and administrative efficiency aspects.

For the questionnaire survey, the study respondents were from different organisations that operated at different levels of organisational hierarchy and they had various academic backgrounds. This shaped the researcher's understanding of the respondents' perceptions of the likely influence of procurement governance on administrative efficiency and on strategies to address procurement corruption in Uganda. Using a sample of 175 out of the 270 expected respondents (a response rate of 65%), findings demonstrate a strong basis for better procurement governance in terms of structures, mechanisms, values and processes to address administrative inefficiencies. In the researchers' view, this homogenous group of respondents presented a sound picture on the dynamics involved in the study variables. Table 1 outlines the distribution of respondents:

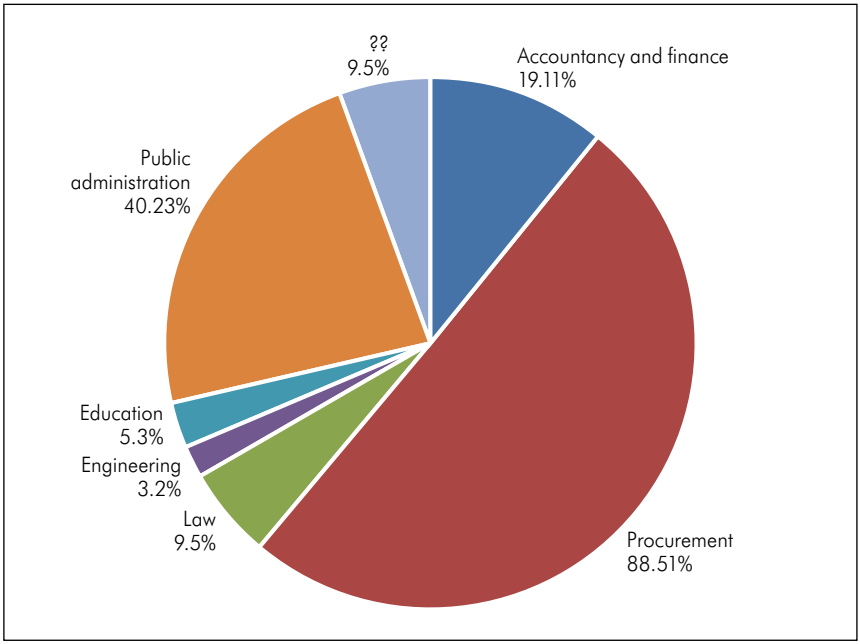
Table 1: Summary distribution of the respondent's classification

Category	Frequency	Percentage
Accounting officers	6	3.4%
Members of the contracts committees	52	29.7%
Staff of the Procurement and Disposal Units	84	48.0%
User departments	9	5.2%
Members of parliament	5	2.9%
Development partners	3	1.7%%
Staff of PPDA	13	7.4%
Ministry of Finance (policymakers)	2	1.1%

Source: (Authors' own construction)

Most of the respondents (48.0%) were procurement staff who managed procurement processes and were presumed to be knowledgeable about the current state of the public procurement functional governance issues. Of the respondents 29.7% were members of the Contracts Committees, a key public procurement-related governance organ in Uganda. The staff of the PPDA, the country's procurement regulatory body, constituted 7.4%, while user departments constituted 5.2% of the respondents. Accounting officers, who are another key governance organ, constituted only 3.4% of the study respondents. From a technical perspective, most of the procurement decisions, as provided for in the country's procurement legal framework, are managed by the procurement and disposal units manned by procurement professionals and the contracts committees, while the accounting officers approve lower-level recommendations.

Figure 2: The disciplines of the study respondents



Source: (Authors' own construction)

Members of the Contracts Committee and procurement staff, who constituted most of the respondents, were all senior staff in their respective ministries and understood the public procurement operations in their areas of jurisdiction. However, Snider (2006:275) points out that a significant amount of procurement literature reflects concern over the perceptions that the field is merely a clerical or tactical function. Undeniably, this conclusion ignores extensive literature which highlights that procurement has now moved to a strategic level. In this regard, Snider (2006:275) argues that related literature is generally introspective, as it is produced by members of the procurement community in procurement-related publications, where target readers belong to the same community.

Similarly, Murray (2008:7) argues that, to improve the validity of public procurement strategy and management research, procurement managers must take on a more critical stance when reviewing procurement managers' potential responses of other actors, particularly those of respective politicians. The current research triangulates the findings, as a significant number of contract committee members, who are technically not considered as procurement professionals, emerged among the major respondents in the study. Responses from other categories, as represented in Table 1, equally offer useful insights for generating

views on the current study subject, instead of relying solely on procurement professionals' views.

This article addresses a potential limitation within existing public sector research, with specific reference to public procurement. In this regard, related research has focused on traditional, private sector procurement aspects, as opposed to fully exploring the uniqueness of public procurement (Murray 2008:6). In a further attempt to address specific limitations caused by a reliance on procurement professionals, the authors included a background variable of respondents' academic fields of specialisation, as reflected in Figure 2.

In the study, the researchers' views in the study represent the major professional areas within the public sector. Public procurement is an interdisciplinary field of practice. Even the academic study of Public Procurement relies on insights from well-established disciplines. In this study, 88 (50.3%) of the respondents were procurement professionals; 40 (22.9%) were from public administration; 19 (10.9%) were professionals in accountancy and finance; nine (5.1%) had a legal background; five (2.9%) were from education; three (1.7%) were from the engineering profession; and other specialisation areas constituted 10 (5.3%).

Moser and Kalton, (1971) contend that reliability and validity are two attributes that are needed in a scale. Here, validity refers to the scale's ability to measure what it sets out to measure. This is to ensure that differences between individual scores can be taken as representing true differences in the characteristics under study. Reliability is the consistency of a measurement, or the degree to which an instrument has the same measurement outcomes each time it is used under the same conditions with the same subjects (Trochim 2002). Crocker and Algina (1986) argue that the term 'reliability' refers to the degree to which individuals' standard scores remain relatively consistent when the same test or alternate forms

Table 2: Variables, measures and reliability coefficient for the study variables

Variable	Items	Cronbach's alpha
Biographic variables	Questions from 1 to 7 (8 items)	-
Governance structures	Questions from 8 to 23(16 items)	0.80
Governance mechanisms	Questions from 24 to 32 (9 items)	0.72
Governance processes	Questions from 33 to 49 (17 items)	0.79
Governance values	Questions from 50 to 74 (25 items)	0.83
Administrative efficiency	Questions from 75 to 109 (35 items)	0.92

Source: (Authors' own construction)

of the test are administered repeatedly. According to Trochim (2002), there are two ways that reliability is normally estimated – through the test/retest method and the demonstration of internal consistency. Cronbach's alpha measures how well a set of items (or variables) measures a single unidimensional latent construct. When data has a multidimensional structure, the Cronbach's alpha will usually be low.

Correlation analysis studies the joint variation of two or more variables to determine the degree of correlation between them. The Pearson product moment correlation technique (r), which is the type of correlation used when both variables are measured at ratio or interval scales and are continuous variables (Mugenda & Mugenda 1999), was used in this study. The correlation helped highlight the direction of the relationship among the variables. Where the correlation coefficient was positive (+), it pointed to a positive relationship between the two variables. A positive relationship meant that when variable X increases, variable Y increases in equal proportion, or when variable X decreases, variable Y decreases in equal proportion. On the other hand, a negative (-) relationship means that as variable X decreases, variable Y increases, and vice versa. As such, there is an inverse correlation between such variables.

FINDINGS

Governance and administrative efficiency: Relationship analysis

Correlation analysis was conducted to establish the relationships between procurement governance measures and administrative efficiency, and the perceived contribution towards improved administrative efficiency. A Pearson product moment correlation was used to determine the relationship among the various measures of administrative efficiency within public procurement governance. This style of correlation is used when both variables that the researcher wishes to study are measured at continuous ratio or interval scales (Mugenda & Mugenda 1999:32). The authors suggest that if the obtained correlation coefficient has a positive sign, it implies that there is a positive relationship between the two variables (Mugenda & Mugenda 1999:32). This also implies that as variable X increases, variable Y increases in equal proportion, and vice versa. It confirms that a correlation is very low if the coefficient has a value under 0.20, low if the correlation value is between 0.21 and 0.40, moderate if the coefficient has a value between 0.41 and 0.70, high if the coefficient has a value between 0.71 and 0.91 and is very high if the correlation is over 0.91.

The results present overall positive relationships among all the measures of procurement governance and administrative efficiency. For the first independent

Table 3: Governance dimensions and administrative efficiency (N=175)

Variables	1	2	3	4	5	R^2
Governance structures	1	.242** .001	.576** .000	.512** .000	.333** .000	0.110
Governance mechanisms		1	.316** .000	.258** .001	.206** .006	0.042
Governance values			1	.542** .000	.391** .000	0.152
Governance processes				1	.387** .000	0.149
Administrative efficiency					1	
** Correlation is significant at the 0.01 level (2-tailed)						

Source: (Authors' own construction)

variable (governance structures), the correlation between public procurement governance structures and administrative efficiency is r=.333** (sig, 0.000), at a 99% confidence level. This implies that any improvements in the governance structures of public procurement in Uganda are likely to have a similar positive contribution towards improved administrative efficiency. Table 3 also points to a positive association between governance mechanisms and administrative efficiency (r=.206**, sig=0.006) at a 95% confidence level. The link between governance values and administrative efficiency is also confirmed to be positive (r=.391**, sig.0.000), at 99% confidence level. Finally, the results also support a positive link between public procurement governance structures and administrative efficiency (r=.387**, sig=0.000), at a 99% confidence level. The existence of relationships among procurement governance and administrative efficiency measures does not imply causation. The coefficient of determination is therefore used to assess the likely impact of each of the independent variables on administrative efficiency.

The coefficient of determination, which describes the common variance (the degree of variability shared by two variables), is the square of the coefficient of correlation (r^2) and offers an index of predictability (Sarantakos 2005:381). It is useful because it provides the proportion of the variance (fluctuation) of one variable that is predictable from the other variable. Moreover, it is a measure that helps determine the level of certainty when making predictions from a certain model/graph. For example, if *r* for procurement governance structure = 0.333, then r^2=0.110. This implies that 11% of the total variation in *y* (administrative efficiency) can be explained by the governance indicators. Using the same logic, governance mechanisms would account for a variation of only 4.2%, governance

values would account for 15.3%, while governance processes would account for 15% of the variations in administrative efficiency.

By combining all the independent variables, they accounted for a total variance of 45.5%. This implies that 54.5% of efficiency-related variations could not be explained by public procurement governance alone, but by other factors. This calls for broadening the governance framework to address corruption, as proposed in this article. However, the findings still portray the significance of better public procurement governance in improving administrative efficiency in Uganda, as a 45% explanation from one government function, as perceived by study respondents, is no small feat. The Auditor-General's reports, as well as regulatory bodies' compliance assessment reports point to a need to improve this critical governmental function. It therefore becomes a matter of urgent policy attention to address the impairments in the public procurement governance regimes if improvements in public services are to be expected. Indeed, within this context, other factors must also be addressed. The research findings also confirm that the most important public procurement governance measure relates to governance values, followed by the governance processes. Undeniably, these key elements are at the heart of any fight against procurement-related corruption. The environmental influences, as depicted in the proposed conceptual framework, offers a possible guideline on the contribution of other factors.

Measuring administrative efficiency in Uganda's public sector

The term 'efficiency' is widely used within the public and private sectors. From a bureaucratic perspective, it refers to the ability to fulfil the given objectives with the optimum use of resources (Anitha 2007). This study measured administrative efficiency using the following dimensions:

As indicated above, 35 items were used to seek stakeholders' views on the appropriate measures of administrative efficiency in Uganda's public sector context to which an improved public procurement governance regime would contribute. All the variables as seen from the Table, received a high degree of rating by the respondents. A comparative analysis of the item scores reveals useful information on what respondents perceived as critical benchmarks on which they judged the efficiency of the public sector as well as areas that ought to receive adequate attention by policymakers. Moreover, the highest-rated measures of administrative efficiency based on the mean score, namely the need for government to encourage professionalism and ethics in its activities; limited interference from politicians in decision-making; need to have serious monitoring of government activities; and good coordination of all government functions, play a central role for the efficient functioning of any contemporary administrative system. However, to develop a conceptual categorisation for administrative efficiency measures, 35 items were subjected to exploratory factor analysis.

Table 4: Measures of administrative efficiency in Uganda

Items	M	SD	%A
Length of procurement complaints in courts	3.30	1.175	46.3%
The functionality of the technology used in procurements	3.90	.833	74.8%
The lead time for service delivery related to procurements	4.26	.773	88.6%
The amount of time a customer spends in need of a service	4.13	.891	83.5%
Well-functioning administrative review procedures	4.28	.718	90.3%
Adequate policies for all government functions	4.21	.787	88.0%
Responsive systems to customer needs	4.34	.632	94.8%
Fully functional government systems of operations	4.32	.645	93.8%
Public servants being competent in their work	4.53	.555	97.2%
Government finances being released on time for procurement	4.61	.556	97.1%
Decision-making in government being based on careful analysis	4.44	.666	94.9%
Involvement of stakeholders in decisions	4.26	.758	89.1%
Limited interference from politicians in decision-making	4.55	.667	96.6%
Good coordination of all government functions	4.52	.596	95.4.%
Innovative systems of government administration	4.42	.571	96.5%
Efficient management of policymaking in government	4.47	.605	96.0%
Decentralised systems of management	4.20	.840	84.0%
The public sector appreciating the potential of its human resources	4.25	.731	90.8%
Communication in government being well coordinated	4.48	.596	96.5%
There being rationalised payroll management	4.31	.694	92.0%
Public administration expenditure being under control	4.42	.709	92.0%
Government building capacity in all areas	4.44	.631	94.3%
Civil service leadership being encouraged in government	4.35	.617	92.6%
Process improvement initiatives being mandatory	4.31	.668	88.5%
There being serious monitoring of government activities	4.53	.534	97.7%
There being alignment of sectoral policies with government strategy	4.37	.582	93.1%
Inter-ministerial consultations being highly encouraged	4.29	.715	87.4%
There being good capacity for negotiating government contracts	4.40	.646	93.2%
Government has effective systems of handling conflicts	4.41	.705	93.2.%
Civil servants access their performance appraisal	4.35	.774	92.0%
Equal training opportunities to all employees	4.46	.677	94.2%
Government using applied research in making decisions	4.32	.713	88.5%
Government encouraging professionalism and ethics in its activities	4.61	.489	99.4%
Government believing in harnessing diversity in workforce	4.40	.646	91.4%
Government departments encourage inter-collaboration	4.40	.608	93.7%

Source: (Authors' own construction)

A FRAMEWORK FOR PUBLIC PROCUREMENT GOVERNANCE

Public procurement governance requires the application of well-known best practices and principles within the public procurement domain. These aspects must be implemented alongside the governance benchmarks of a broader public administration structure. Public procurement continues to evolve both conceptually and organisationally (Thai 2007:1) and, at times, it tends to be more complex than ever before. This implies that officials must now deal with a broad range of issues to fulfil procurement-related government objectives and to meet the professional expectations of the field. As such, an agreed framework to guide both the academic study and professional practice is necessary. It is appreciated that public procurement is a lucrative academic field and area of practice which has increased debate among policymakers (Basheka 2013:290).

Corruption in public procurement undoubtedly affects every governmental function and its corrosive effects can be felt beyond the ambit of the procurement process. Corruption stands in the way of every effort to ensure effective service delivery. Society at the broader level thus suffers from the activities of a few individuals who engaged in corrupt public procurement processes.

The proposed framework to address corruption in public procurement needs to adopt a network-based system that includes laws, policies as well as the various role-players. To ensure that every member of society has a shared understanding of the dangers of corruption, the framework needs to be grounded in cultural beliefs, value-based attitudes and practices. As such, communities would need to play a key role in ensuring this cultural mindset. Furthermore, the framework must acknowledge that government, through its agencies, remains the legitimate institution to manage societal affairs. Government, working through its three arms (the legislature, judiciary and the executive), establishes the rules and processes through which public procurement policies are implemented. An effective governance framework requires fair rules that are subject to public scrutiny and that encourage competition, value for money, participation and transparency. The government, as the primary agent of the people, must create systems and structures to serve the greater common good.

Most public procurement systems in Africa were conceived and implemented based on the models that had presumably worked or were experimented with in the developed world and now needed to be benchmarked to Africa. While public procurement systems in different countries share some common knowledge and practices (Thai 2007:12), the environment in Africa presents a unique set of circumstances due to the absence of strong systems and political interference. Development partners have always played a supportive role in most public procurement reforms in Africa. In developing a public procurement governance

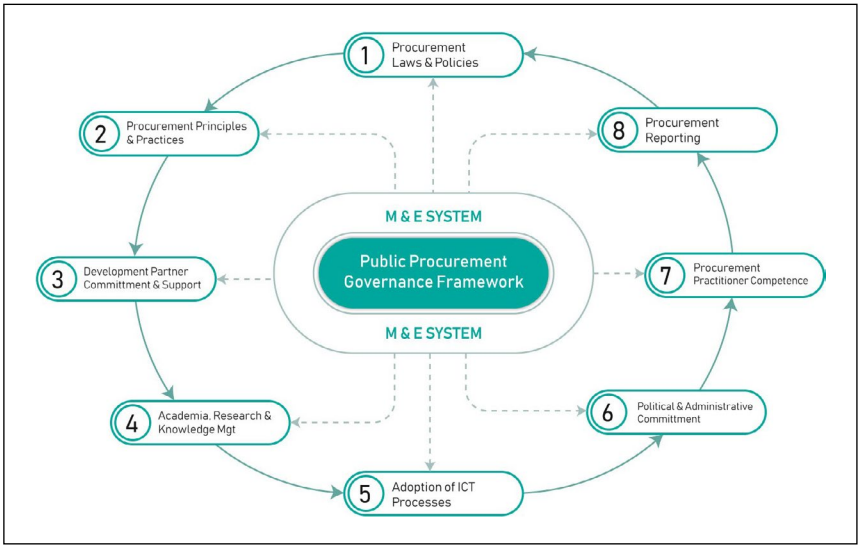
framework to address the gaps that create a fertile ground for public procurement corruption, these development partners will need to nurture and develop procurement systems that consider the African context. Most governance projects have failed to attain the intended goals because the 'one-size-fits-all' approach that has been applied to Africa failed to consider unique contextual factors. Development partners can help build transparent procedures to attract more investment by lowering risks. The resulting transparent procurement system should allow competing private enterprises to judge the risk of doing business with the government. In addition, they need local partners who understand the unique and country-specific challenges and opportunities that could promote or inhibit procurement efficiency.

To address public procurement corruption, government actors must have a strategic view of the public procurement function. Despite its potential to help attain government goals (McCue & Gianiks 2001), very few governments have used public procurement as a tool to unleash the vast economic potential to a number of actors, including women entrepreneurs (International Trade Centre 2014). To harness the potential of women-owned businesses, procurement policies must be gender sensitive (Basheka 2017). To achieve various policy objectives, governments must carefully structure the rules that govern procurement processes (Anderson 2013). Thus, an increased emphasis on legislation that encourages the participation of women entrepreneurs in public procurement is a key policy agenda. The argument is that, while public procurement's main goal is to buy goods and services for governments, it should also be used to promote socio-economic objectives (Quinot 2013).

Public procurement laws and policies play a key role in a governance framework to address public procurement corruption. Importantly, procurement law will need to be imbedded in the teaching of public procurement courses and in professional workshops. Furthermore, procurement policies and laws should aspire to create institutions, processes and systems that are driven by the need to meet governmental goals, as well as the professional standing of the public procurement profession. Such institutions, processes and systems should be based on public service values that champion the greater common good and harmony of society. The public procurement governance framework presented in Figure 3 should be based on sound monitoring and evaluation systems and should rely on information and communication technology (ICT).

Procurement practitioners should play a central role in creating confidence among the different role-players. Furthermore, they should ensure that the rules of public procurement are fair. This is to help ensure that every provider who competes for a government tender is assured of competitively participating and that market-based systems work best with less pressure and fewer instances of corrupt tendencies. The state and its subsidiary organs need to adhere to domestic public

Figure 3: Public procurement governance framework



Source: (Basheka 2013:292)

procurement laws and various international agreements to transact procurement in a fair, transparent and non-discriminatory manner. The role of procurement associations and capacity building interventions will play a central role in creating a cultural shift of thinking among the professionals.

Academics and think-tanks will play a fundamental role by conducting regular research and managing the knowledge systems created from such research findings. Public procurement needs to be divided into the academic study and the area of practice (Basheka 2013:292) and the two should reinforce each other. The academic study should advance knowledge and impart the skills necessary to improve public procurement functions. This academic component prepares people from academia to work in public procurement. The practice component, which translates theory into practice, implements the policies of government regarding public procurement.

Addressing public procurement corruption requires that all actors be accountable and a sound procurement-based framework should be based on adequate procurement reporting that promotes information sharing. Progress reports should be prepared and disseminated to various stakeholders. To help counter corruption and fraud, progress reports should focus on government agencies' application of public procurement to achieve government's economic objectives. Furthermore, the reports should capture the extent to which public procurement has been used to involve the participation of marginalised groups like women.

The procurement-related governance framework will need champions from both the academic and practice areas. The politicians, good service providers, procurement professionals, bureaucrats and development partners will play a key role in creating such a public procurement system. Moreover, the private sector, CSOs, religious and cultural institutions will all need to work towards this collective goal. Ultimately, this will help realise the true goal of governance – a shift from reliance on government to all other role-players.

As reflected in Figure 3, there are eight mutually reinforcing elements proposed for the governance framework; the ninth element – monitoring and evaluation – should be imbedded in each of the other elements. There is a need for appropriate procurement laws and policies which are driven by the desire to address corruption in public procurement. The laws and policies need to be supported by internationally recognised procurement principles and practices. The system will need champions and committed political and administrative actors, as well as the support of academics, development partners and communities. Notably, competent procurement professionals should have the needed skills, knowledge and attitudes to drive the process. Furthermore, the system should adopt an ICT-based approach and sound procurement reporting systems will be critical.

The framework is based on the underlying philosophy that the corruption in public procurement forms part of a broader problem within the government administrative system. Given the critical role of public procurement in government performance, efforts to improve the efficiency and effectiveness of this function has potential to generate broader dividends. Furthermore, the framework is grounded in an understanding and use of cultural societal norms, which when applied effectively, could help produce quality public procurement process actors.

CRITICAL SUCCESS FACTORS FOR IMPLEMENTATION

To implement the framework to address public procurement corruption and ensure better governance, the following critical success factors (CSFs) are necessary:

- Encouraging professionalism and values
- Efficiency in policymaking
- Communicated coordination
- Effective monitoring
- Innovative systems
- Good coordination
- Competent public servants
- Government financing of procurement

CONCLUSIONS AND POLICY IMPLICATIONS

Throughout the development of the modern state, scholars have been concerned with structures and institutions. This was the primary concern of the classical authorities. Second, administrative efficiency has been argued to be determined by certain values. The earliest scholars, especially those who supported the governance paradigm, have emphasised these values. Third, certain efficiency-based processes are promoted as key contributing factors in a successful government. Lastly, there are mechanisms to apply these processes. It has been debated whether the public sector, the private sector, partnerships, networks, centralised and decentralised systems, and agencies can better promote efficiency and effectiveness.

NOTE

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Critical Considerations to Strengthen the Internal Audit Function in Public Institutions

The Role of Auditing Committees

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UNISA

ABSTRACT

There is an inevitable widening of the scope of the internal audit function, however, in South Africa the internal audit function is still in its early development stages and focuses mainly on compliance and financial audits, as opposed to the wider context of financial management. The role of audit committees is to enhance good governance and accountability and to strengthen the internal and external audit functions, financial management as well as the overall governance of public institutions. Consequently, it strengthens the position of the internal audit function by acting as an independent forum internal auditors could consult with on matters affecting financial management. The article found that internal auditing reporting improved in public institutions where the audit committee has a strong influence on internal auditing practices and audit reports clearly detailed audit findings and explained thoroughly how the internal auditor reached certain conclusions and/or opinions. If an audit committee carries out its work effectively, it serves as an effective means of monitoring and promoting a system of good governance within any institution. Hence, audit committees are not merely passive watchdogs when it comes to governance issues – they are expected to take an active lead in ensuring sound financial governance in a public institution.

INTRODUCTION, BACKGROUND AND RATIONALE

As noted above, there is an inevitable widening of the scope of the internal audit function, however, developing countries, such as South Africa, where the internal

audit function is still in its early development stages, may still define the internal audit function narrowly, focusing only on compliance and financial audits, as opposed to wider management issues (Allen *et al.* 2013:378). Furthermore, Papageorgiou, Yasseen and Padia (2012:11829) indicate that in South Africa, the internal audit profession was only formally introduced in 1984, with the formation of the Institute of Internal Auditors of South Africa (IIA SA). The academic and professional research on the practice of internal auditing has thus been sporadic.

Several authors asserted that the role of audit committees is to promote accountability and to strengthen the internal and external audit functions, financial management and overall governance (Sarens & De Beelde 2006:459; Badara & Saidin 2014b:178; Nevondwe, Odeku and Tshoose 2014:268). Allen, Hemming and Potter (2013:390) cite that a strong internal audit function in the public sector is dependent on an effective audit committee. Furthermore, the presence of audit committees creates the perception that the internal audit function is independent, which may lead to more reliable financial reporting (Christopher, Sarens and Leung 2009:204; Vafaei & Christopher 2014:15).

In addition, Allen *et al.* (2013:374) posit that the internal audit function is an important part of internal management controls, and it functions by reviewing, evaluating and making recommendations for the improvement of other internal controls within an institution. The role of internal auditing is thus two-fold. First, it provides a leader of a public institution with an objective and independent opinion on the trustworthiness of operations of the institution. Second, the findings and recommendations of an internal audit function should provide management of a public institution with input that enables them to take corrective action in an effort to improve the effectiveness of the operations of the institution and its overall internal controls. This reiterates the importance of the role of an audit committee as an enabler to the audit function. A strong working relationship between an audit committee and internal audit function members is critical, to enable each to fulfil their responsibilities to senior management and other stakeholders. Hence, regular review meetings between members of an audit committee and internal audit function members are necessary in order to ensure that audit committee members stay informed about issues related to their monitoring responsibilities (Christopher *et al.* 2009:204; Vafaei & Christopher 2014:15).

In terms of the reporting line of the chief audit executive (CAE) (i.e. an executive who is responsible for the overall functioning of an internal audit function), this incumbent should report to the audit committee. Moreover, if the CAE reports to senior management instead of an audit committee, it has the potential to result in internal auditors failing in their duty to recommend adequate controls that will protect a public institution against fraudulent activities (Sarens & De Beelde 2006:459–460; Christopher *et al.* 2009:208; Alzeban & Sawan 2013:446). Furthermore, the independence of an internal audit function is compromised if

management is responsible for appointing and dismissing the CAE. In the same vein, if management influences the budget of the internal audit function, its independence may be compromised. The audit committee should thus be the one that approves the budget for the internal audit function (Christopher *et al.* 2009:208). It is believed that if an audit committee has the executive responsibility for the management of its internal audit function, instead of this role residing with the accounting authority, this could go a long way in promoting the independence of the internal audit function.

As noted above, it has been found that in public institutions where the audit committee has a strong influence on internal auditing practices, such as influencing the audit plan instead of management playing this role, audit reports clearly detail audit findings as well as explain thoroughly how the internal auditor reached certain conclusions and/or opinions (Sarens & De Beelde 2006:459–460; Christopher *et al.* 2009:208). This, however, does not take away the fact that a chief executive officer (CEO) and/or a chief financial officer (CFO), that is, the executive who is responsible for the overall financial planning, record keeping, and financial reporting of an institution, should provide input to the internal audit function, given that they are able to identify high-risk areas that have to be considered by the internal audit function. However, the CAE and the audit committee should still have a final say in the audit plan (Sarens & De Beelde 2006:459; Christopher *et al.* 2009:208).

Several authors have explained the role of an internal audit function using agency as well as communication theories. First, an agency relationship is regarded as a contract that is entered into between leaders of an institution and its management (Al Mamun, Yasser & Rahman 2013:38; Khaled & Mustafa 2013:92). Managers are regarded as agents of the leaders, and as such, perform work on behalf of the leaders. However, there is a possibility that the managers may deviate from conducting their duties in the manner expected, and instead pursue their own interests. This situation can be monitored by the presence of corporate governance mechanisms, such as audit committees, external and internal auditors who can ensure that managers perform their duties as expected by the leaders (Al Mamun *et al.* 2013:38; Vafaei & Christopher 2014:7).

Second, communication theory argues that the existence of effective communication between internal auditors and auditees, and between members of a public institution at large is important in strengthening internal audit effectiveness. To this end, the manner in which internal auditors communicate their findings is critical. For example, if internal auditors communicate their findings in a way that auditees perceive as accusatory or only identifying weaknesses, this may break trust between internal auditors and auditees, which may in turn create communication barriers. Effective communication is thus critical, and the communication process should focus on relaying only necessary information, in a clear, simple

and meaningful way, as well as on creating mechanisms for feedback (Alzeban & Sawan 2013:445; Khaled & Mustafa 2013:94–95).

In addition, the Institute of Internal Auditors (IIA is an organisation that was founded in the United States of America in 1941 (IIA 2018:1). It is a professional association that promotes the development of the practice of internal auditing, and it has over 76 400 members in 141 countries, including South Africa. It is also the recognised authority, chief educator, and acknowledged leader in standards, certification, research and technological guidance for the internal audit profession throughout the world (Institute of Internal Auditors Research Foundation (IIARF) 2003:2). Furthermore, the Treasury Regulations of 2005, stipulate that, internal audits in the public sector must be carried out in accordance with the standards of the IIA (National Treasury 2005:9).

Khaled and Mustafa (2013:92) highlight that there is a lack of research that evaluates the effectiveness of the internal audit function, when compared to external auditing. Furthermore, there is a need for research in this area, especially in developing countries, where the internal audit function could play a critical role in preventing unethical conduct, such as fraud (Badara & Saidin 2014b:177; Khaled & Mustafa 2013:92). This article aims to address this gap. In this context, the article is structured as follows: first, it provides conceptual clarification of the terms relevant to the context of this study; second, it addresses the statutory and regulatory framework for the internal auditing function; third, it discusses the membership and composition of audit committees; fourth, it explains the functions of audit committees; and fifth, it highlights aspects related to the audit committee charter. It then discusses the effectiveness of the review function of audit committees followed by the need for expertise and skills of audit committee members.

CONCEPTUAL CLARIFICATIONS

Internal auditing for the purposes of this article is defined as an independent appraisal function established to examine and evaluate institutional activities, with the objective of promoting effective control and assisting institutions, including management, to discharge their responsibilities effectively (Willson & Root 1984:2; D'Silva & Ridley 2007:117). Willson and Root (1984:3) further define internal auditing as a function that is responsible to the owners of an institution, and which provides a service to senior management. The services provided include, inter alia, monitoring management controls as well as being proactive in identifying and assessing risks to institutional assets and activities. Other services are investigating lapses in controls that have occurred and those that have a potential of occurring and making recommendations for improving responses to risk and achieving institutional objectives.

If a public entity has a board or other controlling body, the board or controlling body is the **accounting authority** for that entity. If the public entity does not have a controlling body, as is the case with SASSA, the CEO of the public entity is the accounting authority (RSA 1999a:46).

Other terms used for the additional aspects that are now part of the internal audit function, as highlighted above are 'management' or 'operational auditing' and in some instances, 'performance auditing' or 'value-for-money auditing'. An operational audit aims to assist management in improving the operations of an institution, as well as in achieving efficiency, effectiveness and economy in their delivery of goods and services (Pollitt & Bouckaert 2011:86; Allen *et al.* 2013:378; Vafaei & Christopher 2014:4–6). In this article, '**effectiveness**' relates to the extent to which a public institution achieves its predetermined objectives (Prowle 2010:257). **Efficiency** entails the ratio of resource inputs compared to service outputs, that is, doing well and comprehensively, without wasting time and/or resources (Prowle 2010:257).

The term '**internal audit effectiveness'**, however, refers to the ability of internal auditors to achieve set objectives of the internal audit function (Badara & Saidin 2014a:76; 2014b:180). Similarly, Cohen and Sayag (2010:297–298) cite that the effectiveness of internal auditing is determined by the subjective evaluations given to the function by management. Enofe, Mgbame, Osa-Erhabor and Ehiorobo (2013:163) posit that the internal auditor's work is not done until shortcomings have been corrected and remain corrected. Internal audit effectiveness in the public sector should thus be evaluated by the extent to which it contributes to the demonstration of effective and efficient service delivery, as this contributes to driving demand for improved internal audit services. Effective internal auditing is thus necessary in undertaking independent evaluations of financial and operating information and of systems and procedures, as well as in providing useful recommendations for improvements when deemed necessary.

Badara and Saidin (2014b:176) emphasise the importance of having an effective and efficient internal audit function, by citing that if an internal audit function carries out its work well, it serves as an effective means of monitoring and promoting a system of good governance within any institution.

STATUTORY AND REGULATORY FRAMEWORK GOVERNING THE INTERNAL AUDITING FUNCTION

This section focuses, inter alia, on the internal audit sections of the Public Finance Management Act 1 of 1999 (PFMA) (sections 76 and 77) and considers the role that an internal audit function could play. The promulgation of the PFMA was a positive step in promoting fiscal discipline and transparency in the management

of public finances. The PFMA, read together with the Treasury Regulations of 2005 on the implementation of the Act and the Public Audit Act 25 of 2004 (RSA 2004b) provide the necessary requirements for effective financial management. The consequences of not adhering to the PFMA are also stated in the Act itself. The PFMA is clear in its intention to legislate for an efficient and effective public financial management system. The rules-driven and prescriptive nature of financial legislation thus necessitated the passing of Acts that provide a framework for an efficient and effective public financial management system that eliminates waste in the use of public financial resources and corruption (Bekker 2009:11).

The main objectives of the PFMA, therefore, are to streamline the system of financial management in the public sector and empower public sector managers to manage, but at the same time to be held more accountable. In addition, the aim of the PFMA is to ensure that the financial information provided by public institutions is of high quality, is provided on time, and that waste and corruption in the use of public finances are eliminated (RSA 1999a:1). The PFMA, thus, aims to promote the effective and efficient use of financial resources.

Bekker (2009:15) emphasises that the PFMA has played a key role in better and consistent reporting, improved financial management, and detailed reports that provide additional information on how public funds are spent within the national and provincial spheres of government. This is because the PFMA is performance- and output-orientated, among other things. The PFMA stipulates that accounting officers in departments and accounting authorities in public entities are required to submit measurable objectives for each main division within a departmental budget vote. In addition, the accounting officers and accounting authorities are required to account for progress made on the aforementioned measurable objectives in their annual reports. This should assist in ensuring accountability and service delivery.

The PFMA, therefore, is one of the most important pieces of legislation that the democratic government has promulgated, as it legislates for the effective and efficient use of public financial resources, in order to enable the provision of public services to all South Africans (Bekker 2009:15).

One of the objectives of the PFMA is to promote accountability in the public institutions to which the Act applies (RSA 1999a:12). In this regard, section 51(1) of the PFMA requires accounting authorities of public entities to establish a system of internal audit that is managed by an audit committee. Section 51(1) of the PFMA lists the general responsibilities of accounting authorities of public entities, and one of these is that accounting authorities must as noted above establish a system of internal audit, which is managed by an audit committee. The system of internal audit should comply with and operate according to regulations and instructions stipulated in sections 76 and 77 of the PFMA. Section 76 of the PFMA lists all the matters on which the National Treasury may make regulations or issue

instructions. Section 77 stipulates the composition of audit committees. Sections 76 and 77 of the PFMA are described briefly below.

Sections 76(1) and 76(2) list the circumstances under which the National Treasury must make regulations or issue instructions applicable to public institutions. These are regulations pertaining to financial misconduct (legal definition: fruitless, wasteful, unauthorised and irregular expenditure), financial management, internal control and audit committees. Additionally, the appointment of audit committees and their functioning as well as the running of internal audit functions are stipulated in sections 76(1) and 76(2) of the PFMA (RSA 1999a:61–63).

In terms of the Treasury Regulations of 2005, Regulation 27.2 (Internal controls and internal audit) deals with the implementation of sections 51(1)(a)(ii) and 76(4)(b) and (e) of the PFMA and requires the following (National Treasury 2005:81–82):

> "27.2.1. The accounting authority of a public entity must ensure that a risk assessment is conducted regularly to identify emerging risks in the public entity. A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit efforts and priority and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all employees to ensure that the risk management strategy is incorporated into the operations of a public entity.
>
> 27.2.2. All public entities to which these regulations apply must have an internal audit function.
>
> 27.2.3. A public entity and subsidiaries under the ownership control of the entity may have a shared internal audit function.
>
> 27.2.4. The purpose, authority and responsibility of the internal audit function must, in consultation with the board (if there is one), be formally defined in an audit charter and be consistent with the definition of internal auditing according to the IIA.
>
> 27.2.6. Internal audits must be conducted in accordance with the standards set by the IIA.
>
> 27.2.7. The internal audit function must, in consultation with the audit committee, prepare:
>
> (a) A rolling three-year strategic internal audit plan based on its assessment of key areas of risk for the public entity, having regard to its current operations, the operations proposed in its corporate or strategic plan and its risk management strategy.
>
> (b) An internal audit plan for the first year of the rolling plan.
>
> (c) Plans indicating the scope of each audit in the annual internal audit plan.

(d) Reports to the audit committee detailing its performance against the plan, to allow effective monitoring and intervention when necessary.

27.2.8. The internal audit function must report directly to the accounting authority and shall report at all audit committee meetings. The function must be independent of activities that are audited, with no limitation on its access to information.

27.2.9. The internal audit function must co-ordinate with other internal and external providers of assurance to ensure proper coverage, and to minimise duplication of effort.

27.2.10. The internal audit function must assist the accounting authority in maintaining effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the information systems environment, the reliability and integrity of financial and operational information, the effectiveness of operations, safeguarding of assets; and compliance with laws, regulations and controls.

27.2.11. The internal audit function must assist the accounting authority in achieving the objectives of the institution by evaluating and developing recommendations for the enhancement or improvement of the processes through which objectives and values are established and communicated. Furthermore, the accomplishment of objectives must be monitored, accountability ensured and organisational values preserved".

Regulation 27.1 (Audit committees) of the Treasury Regulations deals with the implementation of sections 51(1)(a)(ii) and 76(4)(d) of the PFMA (National Treasury 2005:80–81) and requires that:

"27.1.1. The accounting authority of a public entity must establish an audit committee as a sub-committee of the accounting authority.

27.1.2 A shared audit committee may be established for a public entity and any subsidiaries under the ownership and control of that entity.

27.1.3. The chairperson of the audit committee must be independent, be knowledgeable, that is, have the requisite business, financial and leadership skills. Additionally, the chairperson of an audit committee may not be a person who fulfils an executive function in the public entity.

27.1.4. The majority of the members of an audit committee must consist of non-executive members appointed by the accounting authority,

and they must be financially literate. The audit committee members, therefore, need not all be employees of the public institution. The Institute of Internal Auditors (2014:12) cites that various governments have expressed independence requirements of audit committee members. This can be seen in Australia's state of New South Wales, where audit committees are required to have a majority of independent members and that these independent members must not hold any other public sector roles in that state. The Auditor-General of New Zealand and the International Federation of Accountants, recommend that most audit committee members should be external appointments. Furthermore, the Canadian government requires that a majority of audit committee members be from outside government.

27.1.5. The relevant political office-bearer must agree to any premature termination of services of a member of an audit committee.

27.1.6. The audit committee must operate in terms of written terms of reference, which must deal adequately with its membership, authority and responsibilities. The terms of reference must be reviewed at least annually to ensure relevance.

27.1.7. It must be disclosed in the public entity's annual report whether or not the audit committee has adopted formal terms of reference and if so, whether the committee satisfied its responsibilities for the year, in compliance with its terms of reference.

27.1.8. The audit committee must, amongst other things review the following:

(a) The effectiveness of the internal control systems;
(b) The effectiveness of internal audit;
(c) The risk areas of the public entity's operations to be covered in the scope of internal and external audits;
(d) The adequacy, reliability and accuracy of financial information provided to management and other users of such information;
(e) Any accounting and auditing concerns identified as a result of internal and external audits;
(f) The public entity's compliance with legal and regulatory provisions;
(g) The activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
(h) Where relevant, the independence and objectivity of the external auditors.

27.1.9. The audit committee must have explicit authority to investigate matters within its powers, as identified in the written terms of reference. The audit committee must be provided with the resources it needs to investigate the matters and must have full access to information. Furthermore, the audit committee must safeguard all information supplied to it within the ambit of the law.

27.1.10. The audit committee must –

(a) Report and make recommendations to the accounting authority;

(b) Report on the effectiveness of internal controls in the annual report of the public institution; and

(c) Comment on its evaluation of the financial statements in the annual report.

27.1.11. Should a report from internal audit (or any other source) to the audit committee implicate the accounting authority or any other officials in fraud or gross negligence, the chairperson of the audit committee must promptly report this to the relevant political office-bearer and the Auditor-General.

27.1.12. The audit committee must communicate any concerns it deems necessary to the political office-bearer, the Auditor-General and if appropriate, to the external auditor.

27.1.13. The audit committee must meet at least annually with the Auditor-General or the external auditor, whichever is applicable, to ensure that there are no unresolved issues of concern".

Furthermore, as noted above, the Treasury Regulations: PFMA stipulate that, internal audits in the public sector must be carried out in accordance with the standards of the IIA (National Treasury 2005:9).

In terms of the local sphere of government, the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) (Section 166) states that every municipality and municipal entity must have an audit committee, but provides that a single audit committee may be established for a district municipality and its local municipalities in that district, or for a municipality and its municipal entities. However, as administratively expedient as such joint audit committees may be, one submits that they lose some of their effectiveness because they become too broadly focused. Ideally, therefore, municipalities will strive to establish their own dedicated audit committees which can give the necessary attention to local governance and risk management issues (Auriacombe and Fourie 2019:54).

Regulation 9 of the Municipal Planning and Performance Management Regulations promulgated in 2001 under the Local Government: Municipal Systems Act 32 of 2000 (cited in Auriacombe and Fourie 2019) obliges a municipality to appoint a separate Municipal Performance Audit Committee to conduct

the internal audit of the municipality's performance. The Regulations (cited in Auriacombe and Fourie 2019) further provide clear guidelines on how municipal performance audits must be conducted namely:

- "review the quarterly reports submitted to it;
- review the municipality's performance management system and make recommendations in this regard to the council of the municipality; and
- at least twice during a financial year submit an audit report to the municipal council concerned" (Municipal Planning and Performance Regulation 2001 Regulation 4(a)(i)-(iii) in Auriacombe and Fourie 2019).

The Municipal Performance Audit Committee is critical in improving the oversight role of the municipal council, as it reviews the performance of management and determines whether management in their execution of municipal projects adhered to the legislative framework governing performance management. The committee may access municipal records for the purpose of auditing, may summon anyone and may request information from anyone (Municipal Planning and Performance Regulation, 2001 Regulation 14(4)(iii) in Auriacombe and Fourie 2019).

In terms of the Municipal Planning and Performance Management Regulations a municipality (presumably, the council) must annually appoint and budget for a performance audit committee, consisting of at least three members, the majority of whom may not be involved in the municipality as a councillor or an employee. The performance audit committee must include at least one person who has expertise in performance management, and the council must designate a member of the performance audit committee, who is not a councillor or an employee of the municipality, as chairperson of such committee (Auriacombe and Fourie 2021:45).

A performance audit committee must, according to Auriacombe and Fourie (2021:46):

- review the quarterly reports submitted to it in terms of these regulations;
- must review the municipality's performance management system and make recommendations in this regard to the council; and
- must at least twice during each financial year submit an audit report to the council.

In reviewing the municipality's performance management system, the committee must focus on economy, efficiency, effectiveness and impact, as far as the key performance indicators and performance targets set by the municipality are concerned (Auriacombe and Fourie 2021:45).

Auriacombe and Fourie (2021:45), state that to perform the foregoing duties, the committee may:

- communicate directly with the council, municipal manager and the internal and external auditors;

- access any municipal record containing information necessary to perform its duties or exercise its powers;
- request any person to attend any of its meetings and, if necessary, provide information requested by the committee; and
- investigate any matter it deems necessary for the performance of its duties and the exercise of its powers (Auriacombe and Fourie 2021:46).

MEMBERSHIP AND COMPOSITION

It is obvious from all the foregoing requirements that the membership of the audit committee is a key element in the determination of its effectiveness. The key to the effectiveness of an audit committee is having members with an appropriate mix of skills and experience relevant to the responsibilities of the organisation. The ideal composition of an audit committee and attributes of its members depend on different factors, such as the size, complexity and responsibilities of the institution. In the main, audit committees have between three and eight members with typical audit committees having four or five members. Generally, the minimum number of members for an effective audit committee is three, as this ensures that a sufficient range of skills and experience are available (IIA 2014:10).

Section 77 of the PFMA states the following about audit committees (RSA 1999a:63):

a) Audit committees must comprise of at least three persons of whom:(a)
   i) One must be from outside the public service,
   ii) The majority may not be persons in the employ of the public institution, except with the approval of the relevant treasury, and
   iii) The chairperson may not be in the employ of the public institution.
b) Must meet at least twice a year, and
c) May be established for two or more departments or institutions, if the relevant treasury considers it more economical.

The board or the accounting authority should elect an audit committee chair. The chair of an audit committee is the central point of communication, and is key to an effective and independent audit committee. The personal attributes of the audit committee chair are important. They must have leadership skills and the courage to raise and tackle difficult issues and encourage others to do the same. They must also understand the importance of relationships with key stakeholders, and should have the interpersonal skills to nurture those relationships as well as build and maintain effective working relationships (IIA 2014:13).

In terms of the MFMA, the members of the audit committee need to have an extensive knowledge of municipal finance and accounting, of the administration

of municipalities generally and of the compulsory legal framework within which municipalities operate. Here, according to Auriacombe and Fourie (2019:58) "perhaps, the Act does not go far enough. It provides that the audit committee must comprise at least three persons with appropriate experience, the majority of whom must not be in the employ of the municipality…The question which is immediately begged is how any employee member of such a committee can truly and transparently claim to be independent of the municipality which functions as his or her employer…Sensibly, the Act provides that no councillor may be a member of an audit committee, but it would have best served the interests of good corporate governance and incisive risk management if this prohibition had also extended to municipal employees…This does not mean, of course, that the municipal manager and chief financial officer, and other members of senior management, should not routinely attend meetings of the audit committee – though mainly in an elucidatory role".

The MFMA also provides that the chairperson of the committee must be appointed from one of the members who is not in the employ of the municipality, which is a useful approach consistent with the dictates of good corporate governance, but here again it will have to be ensured that such chairperson has independent knowledge, skills and expertise as far as municipal activities are concerned. If the chairperson is dependent on the municipal manager or the CFO for guidance in the compilation, discussion and evaluation of the reports serving before the committee their independence is fatally compromised, and the whole purpose of the committee significantly undermined (Auriacombe and Fourie 2019:59).

The council, if it is a local municipality, may, instead of appointing a performance audit committee, elect to make use of the performance audit committee of the district municipality in whose area it falls, and that performance audit committee will then be regarded as the performance audit committee of the local municipality. If the local municipality elects to make use of the performance audit committee of the district municipality, it must notify that district municipality of its decision, and make suitable arrangements with the district municipality regarding the availability of its performance audit committee. The council may use any audit committee established in terms of other applicable legislation as its performance audit committee (Auriacombe and Fourie 2019:60).

Auriacombe and Fourie (2019:59) argue that "given that the foregoing Regulations were drafted a few years before the enactment of the MFMA it is perhaps understandable that there may be some discrepancies between the approach followed in the Regulations and that adopted in the Act in regard to audit committees…The most important difference lies in the fact that the Regulations allow the council to appoint a councillor to serve on its performance audit committee, whereas this is pertinently prohibited in the case of an audit committee… If the council therefore wishes to make use of its audit committee, as constituted

in terms of the Act, also to serve as its performance audit committee – an approach which makes eminent sense, given that the audit committee is charged with the responsibility of evaluating the municipality's performance management, and that a separate performance audit committee may constitute, an unnecessary duplication of resources and give rise to a possible conflict of duties – the council will have to adhere to the requirements of the Act and appoint only outside parties and (if absolutely necessary) its officials to serve on its audit/performance audit committee".

FUNCTIONS OF AUDIT COMMITTEES

The IIA (2014:6) highlights that audit committees play an important role, which includes improving and providing transparency on matters of governance, risk management and internal control practices in public sector institutions. Part of the function of an audit committee in relation to risk management is to oversee the information technology (IT) risks and fraud risks as these relate to financial reporting and internal financial controls, which includes reporting to the board on the effectiveness thereof (KPMG Advisory 2009:2). Other typical audit committee responsibilities are:

- reviewing and providing oversight on the systems and practices established by management to set and sustain high ethical standards; and
- monitoring compliance with laws, regulations, policies and standards of ethical conduct (IIA 2014:9).

Audit committees thus play an independent oversight and advisory role, leaving the responsibility for decision-making to management. This points to the fact that audit committees do not make executive decisions. If an audit committee is involved in making decisions, this may affect its objectivity and ability to remain independent, negatively. An audit committee is a key component of the governance structure of a public institution, and effective committees are able to assist boards or accounting authorities and a CAE in ensuring high-quality internal and external reporting. Effective audit committees are also able to strengthen the independence of the audit activity (KPMG Advisory 2009:7; IIA 2014:6).

In terms of local governance, the MFMA further stipulates that an audit committee must be an independent advisory body that must do the following:

- Advise the council, its political office bearers, the accounting officer and senior management on matters relating to:
  - internal financial controls;
  - internal audits;
  - risk management;

  - accounting policies;
  - the adequacy, reliability and accuracy of financial reporting and information;
  - performance management;
  - effective governance;
  - compliance with the MFMA, the Annual Division of Revenue Act 2 of 2013, and other applicable legislation;
  - performance evaluation; and
  - any issues referred to it by the municipality.
- Review the annual financial statements of the municipality to provide the council with authoritative and credible views on its financial position, its efficiency, effectiveness and overall level of compliance with applicable legislation;
- Respond to the council on issues raised by the Auditor-General in the annual audit report;
- Carry on investigations into the financial affairs of the municipality as requested by the council; and
- Perform such other functions as may be prescribed.

THE AUDIT COMMITTEE CHARTER

An audit committee charter should establish an audit committee mandate, and outline the roles and responsibilities of an audit committee and its members. Such charter should establish the authority to obtain information and required resources, and outline the respective roles and responsibilities of internal and external stakeholders who have an obligation to interact with the audit committee. The process for developing, reviewing and updating the charter and the frequency of review must also be outlined in the charter. Best practice suggests that a charter must be reviewed annually and modified as required. The board of an institution should review and approve the charter. Once established, the charter should be maintained and communicated within the institution. Best practice further suggests that an audit committee charter should be published in publicly available material and on the website of the institution. This would enable key stakeholders to have easy access to the charter (IIA 2014:8).

In the context of local governance, it is also important for the sake of both the council and the audit committee that the council adopts an audit charter, which regulates the activities of the committee. This is done according to Auriacombe and Fourie (2019:63) by setting out the following:

- overall objectives;
- duties and responsibilities;
- authority; and
- organisational arrangements.

INDEPENDENCE OF THE AUDIT COMMITTEE

It is necessary to consider in this section, first, the meaning of an independent audit committee in the public sector according to the IIA. The IIA (2014:4) regards an independent audit committee in the public sector as a board-level committee, which is made up of a majority of independent members with a responsibility to provide oversight of management practices in key governance areas. Allen *et al.* (2013:390) highlight that the control environment of a public institution is likely to improve, and reported errors are likely to reduce when an audit committee has a strong influence on the activities of the internal audit function. Independence through an appropriate reporting line is thus considered the most important criterion for objectivity. Independence is further improved if the audit committee has the necessary technical expertise in fields such as accounting and budgeting, in order to understand the work of the internal audit function.

Furthermore, an audit committee member is deemed independent if they are not employed by or providing any services to the public institution beyond their duties as a committee member. The composition of an audit committee is critical, and a committee should be made up of a majority of external members. Its chair and members should demonstrate inquisitiveness, outspokenness and courageousness. Best practice personal attributes of audit committee members include sound judgement, objectivity and integrity, a healthy constructive scepticism, a high level of ethics, and strong communication skills. Audit committees thus support public sector institution boards or accounting authorities by providing oversight of governance, risk management and internal control practices, as well as help build trust and confidence in how public institutions are managed (IIA 2014:6–7).

For example, in terms of the local sphere of government, as an independent advisory body, an audit committee must not be susceptible to influence from the council, its structures, political office bearers or its officials. The independence of the committee will be best assured by appointing persons who have no connection whatsoever with the council in its current operations (Auriacombe and Fourie 2021:70).

EFFECTIVENESS OF THE REVIEW FUNCTION OF AUDIT COMMITTEES

D'Silva and Ridley (2007:120) posit that audit committees should review and approve the activities of the internal audit function, as well as monitor and review its effectiveness. It is believed that this will contribute to establishing a good working relationship between an audit committee and an internal audit function in the latter's roles of assurance and consulting and its processes of risk management,

control and governance. An audit committee will only be able to review the work of the internal audit function if the members of the committee have the necessary technical understanding of the function's work.

The establishment of audit committees in public institutions is also promoted by the IIA, which in its efforts to improve the effectiveness of internal auditing issued a statement in 1991 entitled *The audit committee in the public sector* (IIA 1991), which stipulates that all public sector institutions should establish audit committees in order to ensure the effectiveness of internal auditors. Once established, as noted before, it is important that the audit committee be independent. An independent audit committee plays a key role in promoting good governance, and in ensuring that there is integrity in reporting and financial controls as well as in ensuring that financial and other risks facing a public institution are identified and managed (Nevondwe *et al.* 2014:268–270). Moreover, an audit committee has to support the internal audit function by ensuring that the latter conforms to the standards of the IIA, clear performance indicators are set, and that the function is sufficiently resourced and skilled. The previously mentioned support is necessary in order for the internal audit function to discharge its responsibilities effectively (Badara & Saidin 2014a:76; 2014b:176).

Auriacombe and Fourie (2021:71) state that "to enable the audit committee to perform its functions effectively, it must have access to the financial records and other relevant information of the municipality or municipal entity and must liaise with the internal audit unit of the municipality". For the audit committee to fulfil its role as an important role player in the general governance and risk management structure of a public institution, it is important for the committee from time to time to assess its own effectiveness and its impact on the institution's activities, its management, and ultimately the fulfilment of its responsibilities towards the community (Auriacombe and Fourie 2021:71).

In addition, when it comes to assessing the performance of audit committees, Setlhomamaru (2016:227), argues that audit committees must be assessed regularly using a combination of self-assessments and independent assessments, as both assessments have shortcomings when done in isolation. The former entails an assessment done by audit committee members themselves, and a third or external party, such as an auditor-general, does the latter. Setlhomamaru reiterates the importance of assessing the work and performance of members of audit committees in the public sector, as performing and effective audit committees are a necessary condition for good governance (Setlhomamaru 2016:228).

Hence, such an assessment can be done through a self-evaluation of the audit committee's effectiveness by each member of the committee, with inputs from the institution's management and its internal and external auditors. The CAE should preferably evaluate the performance of the individual committee members, and in terms of local governance, the council evaluates the performance

of the chairperson (Auriacombe and Fourie 2021:72). Evaluation criteria will include assessing the expertise and knowledge of members; their attitude, objectivity, judgement and independence; their understanding of and commitment to the committee's duties and responsibilities; the regularity of their attendance at committee meetings and their willingness to devote time to prepare for such meetings; the quality and timeliness of the responses and advice provided by the committee; and, finally, the insight which it demonstrates into the problems and hurdles confronting the municipality, and the intelligence and practicability of the solutions which it offers (Auriacombe and Fourie 2021:72).

A capable, balanced and committed audit committee could make a substantial difference in the public sector by ensuring effective accountability and transparency. There are many similarities between the features of public and private sector audit committees. One noteworthy difference is the public interest feature that applies to public sector audit committees. A high-performing public sector audit committee could help to ensure that there is an objective analysis of information and that information, which supports decisions, is credible. This assists in creating a better future for the communities who are served by the public institutions (IIA 2014:15). High-performing audit committees are thus typically founded on three key pillars:

- the compliance of the audit committee with its formal charter;
- the level of participation of audit committee members; and
- the ability of the committee to initiate value-adding activities and outcomes that are in line with the vision, statutory objectives and strategies of the institution (IIA 2014:17).

The performance of an audit committee should thus be assessed on a set intermittent basis as stipulated in the audit committee charter. Assessments ensure that the audit committee is meeting the requirements outlined in its charter and that its contribution is consistent with the needs and expectations of the institution and, ultimately, government. Overall, audit committee performance and individual member's performance are normally assessed annually (IIA 2014:16).

EXPERTISE AND SKILLS OF AUDIT COMMITTEE MEMBERS

Audit committee members are required to be knowledgeable collectively, or to have expertise in finance and accounting, industry-specific and overall business knowledge, internal and external auditing, risk management, regulatory compliance, law and IT. Furthermore, certain skills and experience may be required due to the nature of the operations of the institution. Best practice requires an audit committee to have at least one person who is a financial expert. It is also important to evaluate competencies periodically in order to align members' competencies with

emerging institutional needs. When a vacancy occurs, this presents an opportunity to assess existing competencies against required competencies, in order to identify gaps that may exist. The responsibility for nominating and appointing audit committee members differs among various countries, as shown below (IIA 2014:15):

- In Australia, CEOs normally appoint audit committee members, which may have a bearing on independence.
- In Scotland, the board (or accounting officer) is responsible for appointing audit committee members.
- In Ireland, secretaries general (human resources) appoint internal members of audit committees from within their own departments, and external members are invited from other government departments, the wider public sector and the private sector.
- In Canada, appointments to audit committees of public entities are made by boards, as recommended by the president of a board, through an appointment order specifying the tenure of the appointment. Appointments to audit committees of federal government departments are made jointly by the board and the Comptroller-General of Canada.
- In South Africa, the board or accounting authority of an institution appoints audit committee members in consultation with the relevant political office-bearer of the particular department.
- In Egypt, a board appoints audit committee members.
- In New Zealand, the Auditor-General recommends that the chair of the governing body or departmental CEO should first appoint the chair of the audit committee. Furthermore, a chair of an audit committee must also be consulted before further appointments to an audit committee are made (Sambo 2017).

If audit committee members are to be effective, it is important that they have sufficient knowledge of the institution. Some of the factors that have an influence on internal audit effectiveness are experience, training, education (including continuous professional education) and professional qualifications. In terms of continuous professional education, Alzeban and Sawan (2013:445–446) highlight that, internal auditors are required to complete 80 hours of acceptable continuous professional education every two years, which provides them with training on new developments in the profession. All audit committee members should thus have or acquire as soon as possible after appointment an understanding of:

- the mission of the institution and current important issues;
- the structure of the institution, including key relationships;
- the culture of the institution;
- any relevant legislation or other rules governing the institution;
- key risks that the institution faces in meeting its objectives; and
- the structures to which the institution is accountable (Sambo 2017).

The institution should thus provide its committee members with orientation training within a reasonable time following their appointment (IIA 2014:12–13).

CONCLUSIONS

The researcher believes that the responsibilities of an audit committee outlined above illustrate the importance that audit committees play in enabling the internal audit function to perform its duties successfully. Furthermore, the discussion above points to the importance of having audit committee members who have the required skills and personal attributes. Having the required skills and personal attributes would contribute to enabling an audit committee to execute its functions successfully, in turn enabling the internal audit function to do the same.

The true worth of an audit committee is shown in the outcomes that it achieves. Best practice thus calls for institutions to capture their audit committee contributions in their annual reports. Audit committee performance results can be reported either internally (within the institution) or to external stakeholders or both (IIA 2014:20).

The description of the functioning of the internal audit function, as stipulated in the PFMA and Treasury Regulations of 2005 in the PFMA above confirms that most of the PFMA provisions on the implementation of the internal audit function are in line with literature suggestions. However, the stipulation by the PFMA on the reporting line of the internal audit function, as reflected above is not in line with literature suggestions that suggests that in order to maintain or promote the independence of the internal audit function, the CAE should report to the audit committee whereas the PFMA stipulates that the CAE should report to an accounting authority administratively, and to the audit committee functionally.

It is beyond the scope of this article to consider the position of the IIA on the internal auditing profession, as this is the organisation that provides standards of conduct, regulates such conduct and has authority over the profession. In this regard, however, the code of ethics for internal auditors is important as it provides assurance that internal auditors will conduct themselves ethically and professionally when carrying out their work. The core competencies of the internal audit profession, such as the competencies of professional ethics, governance, risk and control are also aspects that need to be considered because these competencies are critical as they ensure that internal auditors deliver good quality audit outcomes.

NOTE

This article is partly based on the thesis of the author: Sambo, V.T. 2017. *The implementation of the internal audit provisions of the Public Finance Management*

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A Funding Process Model for SMMEs and Co-operatives

The Case of Dr Kenneth Kaunda District Municipality

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ABSTRACT

The government of South Africa has identified small-, medium- and micro-enterprises (SMMEs) and co-operatives as potential catalysts of inclusive growth and local economic development. It has therefore established programmes to assist SMMEs as one of its creative solutions to the persistent problems of unemployment, chronic poverty and inequality. Against this backdrop, district municipalities such as Dr Kenneth Kaunda District Municipality (Dr KKDM) in the North-West province provide grant funding for such enterprises in the form of start-up capital and other business growth assistance. However, various challenges are experienced concerning the funding of these enterprises. The purpose of this article is to propose a funding process model for SMMEs and co-operatives based on the findings of an empirical investigation conducted in the Dr KKDM, which is inclusive of three local municipalities. A qualitative case study design was adopted using semi-structured interviews with a sample of 24 participants including municipal officials and enterprise representatives.

INTRODUCTION

The new democratic dispensation in South Africa post-1994 saw various remedial actions being undertaken to mitigate the disparities of the apartheid era. The South

African Government designed a multitude of legislative prescripts and official regulatory frameworks aimed at addressing socio-economic inequality, chronic poverty and unemployment. Government initiatives such as the Reconstruction and Development Programme (RDP) (1994), the Growth Employment and Redistribution (GEAR) strategy (1996), the Accelerated Shared Growth Initiative of South Africa (ASGISA) (2005), the New Growth Path (NGP) (2010) and the National Development Plan (NDP) (2013) all constituted attempts to support enterprise development by establishing a conducive environment for local enterprises and, in particular, SMMEs and co-operatives. The latter focus was mainly due to the fact that these entities were recognised as potential vehicles of economic growth and social prosperity through job creation and entrepreneurship. It is against this background that municipalities such as the Dr KKDM in North-West province initiated a grant funding scheme for SMMEs and co-operatives in 2014. This endeavour was broadly aimed at supporting local entrepreneurs and furthering the growth of their businesses. It was envisaged that this could lead to poverty alleviation through job creation and local economic development (LED). However, in the case of the Dr KKDM, it soon became apparent that funds were channelled in a rather haphazard manner due to the absence of an integrated funding model that encouraged SMMEs and co-operatives to be committed to the continuous growth of their businesses. A further problem was that there were virtually no monitoring or performance evaluation procedures in place to assess the growth of enterprises after the allocation of grants. It was thus extremely difficult to ascertain the cost-benefit ratios of funding and to determine whether taxpayers' money was being effectively and economically utilised.

The purpose of this article is to propose a funding process model for SMMEs and co-operatives. To this end, the relevant literature was reviewed and a case study was conducted in one district municipality, namely Dr KKDM, in North-West province to gain an in-depth understanding of the successes and difficulties with the current funding model. Recommendations for the successful refinement and implementation of the funding model are also proposed.

PERSPECTIVES ON SMMEs AND CO-OPERATIVES

According to the Organisation for Economic Co-operation and Development (OECD) (2017:4), there is no globally-accepted, standardised definition of enterprises such as SMMEs and co-operatives. Categorisation and classification systems are subject to the countries in which these enterprises operate. According to the International Leadership Development Programme (ILDP 2014:8–9), the abbreviation "SME" is usually utilised by global institutions such as the World Trade Organisation, the United Nations, the World Bank and the European

Union. Conversely, 'SMBs' is predominant in the United States of America. In Africa, 'MSMEs' is more commonly used, whereas in South Africa the abbreviation 'SMME' is preferred. For purposes of this article, SMMEs and co-operatives will be referred to as 'enterprises'.

Scholars such as Berry *et al.* (2002) and Bhorat *et al.* (2008) note that SMMEs include a wide range of firms, from traditional family enterprises with more than 100 employees (medium-sized enterprises) to (informal) micro-enterprises run by self-employed individuals. The *Real Economy Bulletin* (2017:19) posits that SMMEs are "separate and distinct business entities, including co-operative enterprises and non-governmental organisations, managed by one owner or more, including its branches or subsidiaries, if any, and is predominantly carried on in any sector or sub-sector of the economy". A more detailed categorisation is made by Bhorat *et al.* (2008:6), who posit that SMMEs comprise the following:

- "Businesses made up of the entrepreneur only and employing no workers (referred to as 'own-account' businesses);
- Businesses with between 1 and 4 employees, excluding the owner (referred to as 'micro');
- Businesses with between 5 and 9 employees (referred to as 'small'); and
- Businesses with between 10 and 49 employees (referred to as 'medium')".

There are also common traits of SMMEs outlined by Cronje, Du Toit and Motlatla (2001:492) as follows:

- They create significant employment opportunities in a competitive economy;
- They adapt, thrive and supply their services and products at relatively affordable prices to small markets or markets which large corporations find unattractive; and
- They act as agents to unleash the talents of entrepreneurs who are unable to prosper optimally in larger markets.

SMMEs and co-operatives function in a variety of ways and contexts; however, they share the idea of attainment of growth and economic development. The principle of eradication of poverty, job creation and betterment of community lives are common features of both.

As far as co-operatives are concerned, section 50 of the Co-operative Act 14 of 2005 (as amended by Act 6 of 2013) defines a co-operative as "an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly-owned and democratically-controlled enterprise organised and operated on co-operative principles". Co-operatives participate in various economic sectors, including agriculture, financial services, marketing and supply. Philip (2003:8) and Hyungsik and Terrasi (2015:9) outline various forms and classification of co-operatives as follows:

- Primary co-operative: a co-operative whose objective is the provision of employment or services to its affiliates and facilitation of community development. It is established by a minimum number of five natural persons.
- Secondary co-operative: a co-operative that is established by two or more primary co-operatives for the provision of sectoral services to its affiliates. It may be comprised of juristic individuals.
- Tertiary co-operative: a sectoral or multi-sectoral co-operative whose affiliates are secondary co-operatives and whose purpose is to advocate and consult with government, the private sector and other pertinent stakeholders on behalf of its affiliates.

The Department of Small Business Development (DSBD 2020:9) asserts that enterprises remain a key priority for the South African economy, as evident in the following strategic priorities:

- "Support enterprises so that more job opportunities can be created.
- Facilitate improved accessibility to funding by enterprises.
- Facilitate the accessibility of enterprises to competitive markets.
- Support business start-ups.
- Support enterprises owned by women to improve their position in society and curtail the plague of gender-based violence.
- Create a conducive environment for enterprises to operate viable businesses".

The NDP: Vision 2030 (NDP 2013) estimates that there is a need for 11 million employment opportunities to be created by 2030. Scholars such as Neneh (2014:253) further highlight the importance of enterprises by stating that they are "recognized as the key engine of economic development because they create almost half of the new jobs in the world's economy". Madzivandila and Mutyenyoka (2014:67), Ayandibu and Houghton (2017:135) and the OECD (2017:5) also hold that enterprises are excellent vehicles for creating employment opportunities for the large un- or semi-skilled workforce.

THE STATUS OF SMMEs AND CO-OPERATIVES IN SOUTH AFRICA

Rogerson and Rogerson (2012:55–56) argue that, throughout most of South Africa, the private sector was "left behind", or preferred to not take part in the national developmental agenda due to the "mutual mistrust" that existed between the public and private sectors. The government's mistrust was grounded primarily in the perception that the private sector was "anti-poor" and the latter believed that government was "welfarist" and "anti-profit". Ruecker and Trah (2007), Chetty

(2012) and Masuku, Jili and Selepe (2016) elucidate that, fortunately, both parties realised that private sector enterprises, both large and small, informal and formal, were essential to driving LED.

The inauguration of the fourth government administration in 2010 ushered in the emergence of a new national macro-economic policy. The NGP (2010) was a new development strategy that was aimed at creating employment opportunities and economic development through programmes such as:

- the Community Works Programme;
- the Expanded Public Works Programme;
- the Department of Trade and Industry's (DTI) incentive programmes for small businesses; and
- the Comprehensive Rural Development Programme.

Over and above these strategic programmes, the NGP (2010:1) advocated for both micro- and macro-economic remedial measures, cohesion, democracy and socio-economic equity. According to Laubscher (2010:6) and Duvenhage (2011:5), the NDP: Vision 2030 subsequently became the *de facto* macro-economic development framework for the country. The NDP (2013:32–34) calls for modifications in the economic structure of society and the acceleration of economic growth. The state intensified and mobilised resources through facilitation, and the coordination and integration of appropriate developmental agencies and financial institutions. Moreover, the NDP (2013:30) suggested that business incubation in both the private and public sectors was a priority because it was recognised as one of the means of attaining the 2030 developmental goals.

In their analyses of the government's economic initiatives and interventions, Perera, Hathaway and Wagner (2005:19–21), the National Credit Regulator (NCR 2011:52–53) and National Treasury (2015:56) concur that there are still significant socio-economic developmental weaknesses and barriers that enterprises are facing that warrant constant consideration. Some of the most significant considerations include the following:

- Bureaucratic red tape for small business registration and support;
- Complex regulations and municipal by-laws;
- The instability of the exchange rate;
- Minimal original business opportunities and barriers to market entrance;
- A lack of government infrastructure and business support mechanisms such as incubation centres;
- The high rental costs of business property;
- An unstable social and political environment;
- A lack of entrepreneurial skills, education and technological innovation;
- Limited financial management skills;
- High operational business expenses without contingency plans;

- The dependency of small businesses on bank loans and credit;
- A lack of recognised industry organisations to represent the needs of small businesses; and
- A lack of access to finance such as grants or loans.

According to Kambikambi (2003:86), subsequent to the strategies and policies that were enacted post-1994, the government made radical economic adjustments by means of programmes and projects implemented through newly-established organisations such as:

- The Small Enterprise Development Agency (SEDA);
- The DTI's Incentive Programme;
- Khula Enterprise Finance;
- Ntsika Enterprise;
- The Industrial Development Corporation's (IDC) incentive programme;
- The National Empowerment Fund (NEF);
- Umsombovu Youth Fund (UYF);
- The National Development Agency (NDA); and
- the Micro Agricultural Finance Scheme of South Africa (MAFISA).

Kambikambi (2003:90) and Bruwer and Watkins (2010:3553) argue that a significant number of programmes and projects executed by these organisations were unsuccessful and led to the revision of programmes and, in some cases, the amalgamation of some of these organisations.

In an attempt to mitigate the abovementioned socio-economic problems, to build an inclusive economy and to comply with new demands brought about by the rise of the Fourth Industrial Revolution, the government-recognised the catalytic role small businesses could play in achieving the objectives and targets specified in the NDP, the post-2015 Sustainable Development Goals (2030), and the African Agenda (2063). It became evident, however, that these developmental goals could not be realised unless the challenges faced by enterprises could be overcome so that they could enter and fully participate in the national economy. As a result, multi-stakeholder consultation sessions were conducted between the CEO Initiative, National Treasury, the Department of Small Business, Science and Technology, and other critical stakeholders such as financial services firms and corporate associations (Politicsweb 2016). The main objective of these consultative sessions was to determine best practices in terms of steering entrepreneurship through small business development. The stakeholders established that the key hindrances to the prosperity of enterprises were (and still largely are) the absence of equity funding for start-ups, inadequate risk desire for venture capital funding and a scarcity of mentors with proficient skills to guide new entrepreneurs. Furthermore, Tirfe (2015) identified limited

access to capital, the deficiency of skills and knowledge, and inadequate access to markets as major challenges confronting small businesses. Temu (1998) also posited the lack of access to finance on reasonable terms as a significant barrier for entrepreneurs. Enterprises are obligated to depend on their own generated funds or are driven to private lenders who charge exorbitant interest rates. The latter is confirmed by Beck and Cull (2014) and Makhubele and Nieuwenhuizen (2016), who state that small enterprises are confronted with growth impediments owing to the high number of loan application rejections from financial institutions.

To curtail existing enterprise challenges, fundamental strategic changes were effected by the government, which incorporated institutions in the small enterprise development arena, as well as the promotion of public-private partnerships (DTI 2008:3). The DTI (2008) and the Global Entrepreneurship Monitor South Africa (2020) further explain that the government identified various agencies and institutions that used various funding models to support enterprises. Institutions such as SEDA, which offers grant funding for the procurement of technology and the marketing of enterprises. Furthermore, the Small Enterprise Finance Agency (SEFA), which is a merger of the South African Micro-Finance Apex Fund (SAMAF) and Khula Enterprise Limited, make provision for small business funding up to a limit of R3 million. The latter also provides revolving loans, bridging finance, asset finance, term loans and operational funds. The NDA is another institution with a particular funding model aimed at financing existing businesses with grants ranging from R1 000 to R100 000. Furthermore, the Technology Innovative Agency (TIA) makes provision for three funding schemes ranging from R100 000 to R50 million, whereas the NEF has debt and equity finance products, with funding ranging from R250 000 to R10 million. Funds are provided through franchise finance, entrepreneurship and finance comprised of term loans and shares. The charges for funding are at prime-associated interest rates, depending on the risk profile of applicants and their funding requirements.

SMME AND CO-OPERATIVE FUNDING MODELS

According to Lin and Tulchin (2012:2–8) and Horvat, Klačmer and Lalič(2014:23), there are numerous funding models that are offered to enterprises. These models include debt finance, bank finance, angel investors, private equity, venture capital, government funds and grants, crowdfunding, social investors, and donor aid. One of the key challenges related to accessing finance through financial institutions is that an enterprise should have a relatively long and trustworthy relationship with the lender. In addition, Temu (1998:57) argues that the high interest rates charged by financial institutions resulted in a high demand for credit.

Francesco and Ellis (2014), Asian Women in Business (2018), Asset Insights (2018) and *Entrepreneur Magazine* (2018) outline other types of funding models that are available for enterprises, namely:

- Debt finance – the money that entrepreneurs borrow from a bank or other financial institutions to finance their enterprises. The institution or individual becomes a creditor of the enterprise and they are obligated to pay the stipulated interest and loan at the end of a predetermined term. The common sources of debt finance are banking institutions. However, funding can be sourced in a similar fashion from friends, family members or private companies.
- Bank finance – there are facilities such as:
  - An overdraft: this is a credit option that permits an entrepreneur to borrow until the limit is reached. It is easier and quicker to access the funds and interest is paid only on the utilised funds. The overdraft facility is perceived to be effective, especially when the enterprise needs short-term funding.
  - Asset finance: this enables an entrepreneur to procure equipment and movable assets in a manner that make it easier for cash-flow management.
  - Business revolving credit: the credit is accessible as and when it is required, and reimbursements are normally fixed monthly payments. The original credit limit is generally restored after a preset fraction has been reimbursed.
- Angel investors – are interested in start-ups that demonstrate potential for success. In return for funds received, the entrepreneur shares fractional equity or control of the enterprise, as well as offering a return on investment to the investors. In contrast to banks and other financial institutions, angel investors are prepared to invest monies in high-risk enterprises in anticipation of accruing high returns within a predetermined period.
- Private equity – private equity companies generally make large investments in big enterprises, but there are companies that also invest in small enterprises. They target entrepreneurs who have made contributions to their enterprises by utilising their own monies, have a credible credit history, a viable business plan, and significant expertise and skills to operate efficaciously in the industry. Private equity companies generally look for an ambitious entrepreneur with determination, self-confidence and a vision to develop their own small business.
- Venture capital – is equity capital offered by external investors in the enterprise. The investors target high potential and high-risk ventures in return for high returns. The venture capital provider accrues monies by possessing equity in the enterprises it invests in and also has substantial control over the enterprises' decisions. Venture capital providers generally help in four stages of enterprises' development, namely idea generation, start-up assistance, business growth and an exit process. Various companies, such as Silicon

Cape, Knife Capital, GroVest and 4Di Capital, offer venture capital funding in South Africa.

- Crowdfunding – in this funding model, many people are able to pledge various sums to the enterprise in exchange for interest, other creative returns or equity. South African crowdfunding platforms include Startme, Kickstarter, Indiegogo and Rockethub.
- Joint venture or strategic partnerships – are established when two or more enterprises with similar ambitions collaborate on a business venture. In some instances, one enterprise possesses money and the other has a feasible business plan. Alternately, one enterprise can possess a unique product and another might have credible distributors.
- Donor funds – donors assist with the establishment of new enterprises in developing countries and invest in existing enterprises. They also develop and adopt inclusive business models aimed at creating employment opportunities and the integration of local entrepreneurs in international supply chains. Furthermore, the funds strengthen trade relations, innovation and market opportunities within the industry, and open doors for socio-economic development within societies.
- Government grants – according to the DTI (2018), South African government funding assists previously disadvantaged citizens to develop and grow businesses. The funding is focused on high growth sectors that will make a positive impact regarding the creation of employment opportunities. However, there are funding requirements with which enterprises need to comply before they can be funded. The financial support is offered for various economic activities, including market access, manufacturing, business competitiveness, foreign direct investment and export development.

Another potential funding model for small enterprises is foreign or donor aid. Aid is seen as an "enabler" that assists small enterprises to become "agents of employment creation" (Mjema 2002:9). However, there is an element of dependency of the small businesses, as well as "high birth rates and high death rates" of such businesses. In this instance, many businesses are established, not due to desire and commitment, but to acquire donated funds. These established businesses typically fail to grow and soon become insolvent.

There are other funding sources that are not included within the DTI's funding parameters, but enterprises can apply to other generic funding sources such as the Isivande Women's Fund, the Black Business Supplier Development Programme and the Critical Infrastructure Programme (Table 1).

It can be argued that the range of funding models available are adequate for SMMEs and co-operatives. However, the grant funding model criteria need to be reformed to afford an opportunity to indigent entrepreneurs. Grants are also allocated without any terms and conditions attached.

Table 1: Types of funding available for SMMEs and co-operatives in South Africa

Grant Name	Purpose
Khula Enterprise Finance	This company does not lend money itself but assists enterprises to secure loans from financial institutions. It organises initial-phase debt funding to eligible enterprises, particularly those in rural and peri-urban areas. Furthermore, it offers a mentorship programme, which includes the development of feasible business plans, pre- and post-loan services, and skills transfer.
South African Micro Finance Apex Fund	This company does not lend money itself but utilises other institutions to manage the funds and lend to eligible enterprises. The funds target youth aged 18–35, especially those running small-scale enterprises in outer urban and rural areas.
National Empowerment Fund	This fund supports the Broad-Based Black Economic Empowerment objectives, national government policy and priorities. It also assumes the predominantly equity-based risk for the maximisation of empowerment shares.
Black Business Supplier Development Programme	This is a cost-sharing grant provided to black-owned enterprises to assist them in the improvement of their sustainability and competitiveness, and to help them to grow into integrated mainstream companies that generate employment opportunities.
Enterprise Investment Programme	The DTI's Tourism Support Programme is a sub-programme of the EIP. It is an incentive to assist the development of tourism enterprises through the encouragement of the geographic spread of tourism initiatives and investment. The incentive targets both local and foreign-owned enterprises and provides a cash grant of up to 30% towards qualifying investment costs in land, buildings, furniture and equipment that is needed for the establishment of a new tourism facility or the expansion of an existing tourism facility.
Support Programme for Industrial Innovation	This programme is designed for the promotion of technology development by providing financial aid for the development of innovative practices or products.
Co-operative Incentive Scheme	This is a 90:10 match cash grant for registered primary co-operative enterprises. The maximum grant of R350,000 assists enterprises to penetrate the market economy and to be competitive in the industry.
National Youth Development Agency	This grant programme targets youth entrepreneurs who have the potential to grow their businesses. The grant is divided into non-financial and financial business assistance, which ranges from R1 000 to R100 000.

Grant Name	Purpose
Small Enterprise Development Agency	This agency is assigned with the implementation of government's small business strategy, the designing and implementation of a standard national delivery system and the integration of government-financed small enterprise support agencies across all spheres of government. Services and products such as marketing material, financial management, training, business planning, mentorship, trade exhibitions, coaching, research, technology transfer interventions and trade facilitation are available to enterprises.
Small Enterprise Finance Agency	This agency's fundamental function is to promote the establishment, development and growth of enterprises, and to make a positive contribution to alleviating poverty, the creation of employment opportunities and socio-economic development. It provides financial services and products such as direct lending products (asset finance, bridging loans, revolving loans, short-term loans, credit guarantee schemes) and wholesale lending products (micro-finance intermediaries, retail financial intermediaries, specialised funds). The funds range from a sum of R500 to R5 000 000.

Source: (Entrepreneur Magazine 2018)

SMME AND CO-OPERATIVE FUNDING: THE CASE OF DR KKDM

The Dr KKDM was one of 17 district municipalities that were identified to participate in the *Khulisi Umnotho* project, which was aimed at building capacity within district municipalities through the development of feasible LED strategies. The latter were developed as implementation frameworks to facilitate investment, employment creation opportunities, business development and positive outcomes within districts (DGDS 2009:2). Consequently, the Dr KKDM made several organisational arrangements to facilitate economic activity in the district. These arrangements typically entailed the establishment of directorates, agencies and co-operatives to initiate, plan and coordinate the implementation of economic interventions for economic growth in the area. It also included the allocation of resources, the appointment of staff and the design of strategies to successfully implement economic growth initiatives. Notably the most significant structures involved in the support of enterprises are the following:

- The Dr KKDM District Economic Development and Tourism Directorate to design and coordinate economic activities and to create a conducive environment for enterprises.

- The Dr KK District Economic Agency (Dr KKDEA), which is tasked with acting as catalyst for the district's socio-economic development.
- The Dr KK District Secondary Co-operative (Dr KKDSC), which has a functional official committee that assists enterprises through various support programmes.
- Six municipal directorates that are mandated to support SMMEs and co-operatives in the district, namely the District Economic Development and Tourism (DEDT), Corporate Services, Budget and Treasury, Environmental Health, Disaster and Risk Management and lastly, Infrastructure and Community Services (ICS).

Depending on the scope of the project and type of business, some of the municipal directorates can be involved by providing non-financial support as and when a need arises. For example, an enterprise that establishes a piggery project might require advice from the ICS in relation to the technical aspect of the structure, equipment or machinery.

The current funding model utilised for small businesses and co-operatives in the Dr KKDM is grant funding. The Directorate: District Economic Development and Tourism and the Dr KKDEA jointly approve an annual budget for enterprises in the district. Enterprises are invited through the local media and LED unit to apply for grant funding. They have to fill in a grant application form, which must be accompanied by supporting documentation such as a business registration certificate. An amount of R30 000 is allocated to successful applicants as start-up capital for materials and business equipment.

The Dr KKDEA also funds enterprises and projects that are identified in the district's Integrated Development Plan. The grant is not a specific, pre-established amount, but it can be up to R3 million, depending on the applicant's needs. The beneficiaries are not expected to reimburse the district and there is no collateral or any other hidden charges attached to the grant funding. Furthermore, there is no performance contract between the beneficiaries and the district or an evaluation of how the enterprise performs. Monies are simply channelled to these enterprises. The central problem is thus that the Dr KKDM is channelling grant funds to enterprises without an integrated funding model framework that encourages SMMEs and co-operatives to be committed and grow their businesses. Moreover, there are no monitoring or performance evaluation procedures in place to assess enterprises' progress after the allocation of grant funding. The municipality, as well as other municipalities, employing the same funding model; do not know whether value for taxpayers' money is being obtained or whether it contributes to overall LED prospects. It is against this background that an empirical survey was undertaken to uncover existing challenges experienced with grant funding and to design the parameters of a new funding model.

RESEARCH METHODOLOGY

In the context of a qualitative case study design, purposive sampling was used to conduct semi-structured interviews with 24 participants involved in enterprise grant funding, inclusive of representatives of enterprises. The sample comprised the following participants:

Target population	Officials	Enterprises
Dr KKDM Portfolio Committee for Economic Development (Chairperson),	1	–
Dr KKD Economic Agency	1	2
Dr KK Secondary Co-operative (Dr KKDSC) (Chairperson)	1	–
Dr KKDM	2	–
Maquassi Hills Local Municipality	1	4
JB Marks Local Municipality	2	4
City of Matlosana	2	4
Total	***n*=24**	

The input of the targeted officials (Cohort 1) was vital to the study because their primary responsibilities included the funding and support of enterprises in the district. Enterprises (Cohort 2) were selected based on grant funding received during the 2014–2019 financial years. Their participation was pivotal to this study since, as grant beneficiaries, they had first-hand experience of the nature, application processes and utilisation of grant funding.

An interview schedule was piloted (pre-tested) with four participants. Adjustments to the original schedule were made based on these participants' responses. The schedule comprised open-ended and closed (Likert-type) questions. Gatekeeper approval and ethical clearance were obtained from North-West University and all Covid-19 protocols were observed during the data collection phase. In addition, confidentiality, anonymity and the voluntary involvement of the participants were guaranteed.

EMPIRICAL RESULTS AND FINDINGS

The research findings are based on data and source triangulation, which included a literature review, statutory and regulatory prescripts, a case study analysis and

empirical survey. The results obtained from the interviews are thematically outlined below.

Limited funding

Cohorts 1 (officials) and 2 (enterprises) concur (84.5% of responses) that grants indeed make a positive impact on business development and entrepreneur support. The procurement of equipment was singled out as the most significant support that enterprises received. However, both cohorts confirmed (70%) that the allocated funds were not adequate to remedy the myriad of obstacles enterprises were encountering.

Application criteria and requirements

The criteria utilised for grant funding applications were considered relevant (Cohort 1 – 90%; Cohort 2 – 100%). Nevertheless, certain requirements were seen as "unnecessary bureaucratic red tape", particularly that enterprises were expected to already be in business to become eligible for funding. In addition, the absence of business contingency plans and financial risk profiles was singled out by 54.5% of Cohort 1 as a serious concern.

Procurement of goods

The contracting of service providers was perceived to be detrimental to the success of enterprises because, it was argued, they provided poor quality products at exorbitant prices. In addition, incomplete equipment or equipment that did not comply with set specifications was delivered. Cohort 1 (67.5%) and Cohort 2 (56.5%) strongly urged that business supplies should rather be procured by the municipality.

Grant terms and conditions

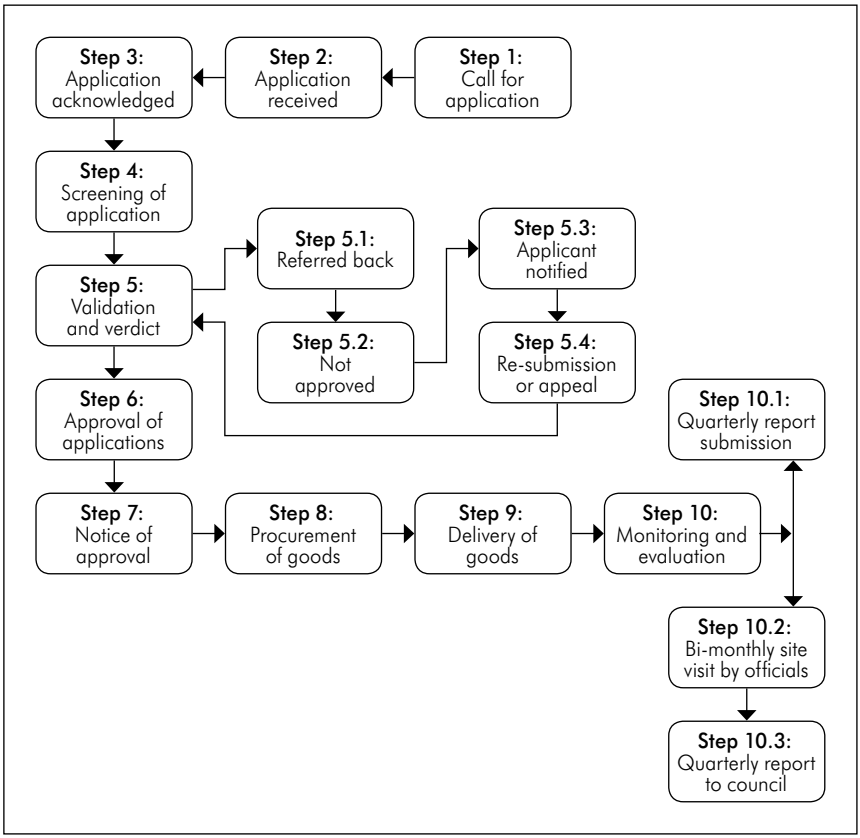
The seizure of equipment by the municipality if enterprises were not in operation was highlighted as a contentious issue. Cohort 1 (71.4%) held the view that it was the right of the municipality to seize equipment, while 28.5% of Cohort 2 believed that it was an unfair practice. However, all the participants agreed that the seizure of business equipment purchased by means of grant funding should only be considered after consultation and the identification of remedial measures for enterprise resuscitation. Collateral was also accentuated as a contested matter. Cohort 1 (64.2%) held the view that collateral should be applied, but Cohort 2 (58.2%) cautioned that some start-up enterprises simply could not afford the

amount required for collateral. They suggested that collateral should not be based solely on financial terms but that a portfolio of evidence submitted by enterprises should also be considered. All the participants confirmed that regular reports by enterprises and site inspections by municipal officials were essential for funding terms and conditions compliance.

TOWARDS A NEW FUNDING MODEL FOR SMMES AND CO-OPERATIVES

The participants were requested to provide input regarding the operational functionality and application of a draft funding process model (see Figure 1) that was

Figure 1: SMMEs and Co-operative Funding Model Framework



Source: (Authors' own construction)

designed on the basis of a literature review, international best practice and statutory and regulatory prescripts. Participants from Cohort 1 (80%) stated that the model enabled monitoring and evaluation and all the participants concurred that the model would contribute positively to the financial accountability and funding application process. Based on input provided, the draft model was adjusted. The adjusted model (Figure 1) comprises 10 sequential processes or steps. Each step consists of several operational processes, procedures and activities to be executed for the attainment of optimal positive results.

The DEDT should act as the primary agency responsible for the utilisation of the model. It should oversee the successful completion of each process (steps 1–10) and develop operational procedures and activities related to each step in the model. This includes detailed responsibilities for officials involved in validation committees, monitoring and evaluation, and in assessments of business plans.

It is crucial that the model be implemented in accordance with the top-layer service delivery budget implementation plan of the municipality, which comprises the annual budget and quarterly targets related to grant funding. Invitations for funding applications can be undertaken during the first and third quarters of the financial year to enable the required supply chain processes. Furthermore, referred or disapproved applicants should be granted the opportunity to make resubmissions once requirements are met. It is further recommended that the monitoring and evaluation of approved enterprises be incorporated into the performance management system of the municipality.

Other key features and contributions of the process model include the following:

- The inclusion of bi-monthly site visits;
- The validation of quarterly reports submitted by enterprises;
- Short-, medium- and longer-term mediations;
- The implementation of remedial measures by the municipality and enterprises; and
- Improved communication between the enterprises and the municipality.

The following specific recommendations are proposed concerning the application of the funding model:

Recommendation 1: Budget planning

Despite the fact that the municipality budgets for enterprises each financial year, the funds seem to be inadequate because there is high demand from new applicants, as well as from previously-financed enterprises. It is recommended that an assessment of funding increments be undertaken during the municipal planning and budget cycle. This could circumvent grant underfunding or overfunding.

In addition, the municipality ought to initiate partnerships with provincial sector departments and the private sector to secure additional funding for both new applicants and the enterprises that are currently funded.

Recommendation 2: Procurement of goods

Due to problems with insufficient, late and poor-quality goods offered by suppliers, it is recommended that the municipality should acquire goods to eliminate non-compliance with tender specifications and incomplete equipment being delivered to enterprises. The municipal supply chain processes should be strengthened to ensure that enterprises receive goods in accordance with specifications. In cases where external service providers are used, the municipality should add a retention fee in case there is deviation from the predetermined specifications, terms and conditions. Moreover, stringent controls should be in place to ascertain whether standard market prices are paid and that the procured goods are satisfactory.

Recommendation 3: Grant terms and conditions

It is recommended that an agreement between the municipality and the enterprise be drafted to endorse that, in circumstances in which the enterprise is not operational for a particular period and where business resuscitation interventions failed, it is within the rights of the municipality to seize equipment allocated to it. Such equipment should be allocated to other enterprises with comparable business operations. Regular site visits should be undertaken to monitor the viability of enterprises and the municipality should receive at least bi-monthly progress reports from enterprises. This should be one of the conditions in the funding application process to serve as an instrument to safeguard government monies. Additionally, as some enterprises are unable to offer collateral in fiscal value, an alternative measure, such as portfolio of evidence on business activities, ought to be submitted together with the mandatory documents outlined in the application form.

Recommendation 4: Information sharing and business skills development

It is recommended that the municipality develop and maintain a dedicated enterprise website on which business-related information can be disseminated. Such information might include official grant application forms, business proposals, municipal policies and supply chain processes to guide the local business fraternity. Such a website could also be used as a marketing instrument for local enterprises. Lessons learnt and business success stories should be shared. In addition, the website should disseminate opportunities for skills development for entrepreneurs to hone their

business acumen. In-house skills development training should also be initiated for enterprises. Such training should also be related to municipal internal procedures and processes pertaining to the application and utilisation of grant funding.

CONCLUSION

SMMEs and co-operatives are essential partners that enable municipalities to adhere to their developmental mandate and constitutional obligations. Enterprises make a significant contribution to socio-economic growth and prosperity through job creation and business entrepreneurship. The grant funding initiative undertaken by the Dr KKDM to support local enterprises in this regard is commendable. However, challenges experienced in the application of grant funding necessitates the development of a grant funding model. The proposed process model contains 10 steps that the municipality should undertake to foster enterprise support and growth. The participants endorsed the proposed step-by-step model and made input to further refine and operationalise it. It is suggested that, although the investigation involved the utilisation of a single case study, the proposed model could also be utilised by other district municipalities in the country. As such, it makes a significant contribution to business growth, LED and the general well-being and prosperity of communities in South Africa.

NOTE

* Ms Revoniah Rangwetsi is Advisor IGR and Strategic Relations attached to SALGA, North-West Province. This article is based on her master's dissertation, under the supervision of Prof Gerrit van der Waldt, titled *"A funding model framework for SMMEs and Co-operatives: The case of Dr Kenneth Kaunda District Municipality"*.

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Complexity of Implementing Public-Private Partnerships as an Alternative Funding Instrument for Infrastructure Projects

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ABSTRACT

Government is hampered with infrastructure backlogs due to financial constraints and rapid urbanisation exacerbates this challenge. Hence, public-private partnerships (PPPs) are an emerging financing mechanism for infrastructure projects given the constraints to government finances and the inability of municipalities to increase their borrowing due to poor credit worthiness. PPPs in a simplistic form involve the private sector delivering public goods and services for a fee. The success of PPPs in some countries has led governments across the world to explore PPPs as an alternative funding instrument for infrastructure projects.

Despite the promises of efficiency associated with PPPs as envisaged by New Public Management (NPM), the implementation of PPPs faces a myriad of problems. The study found that PPPs are complex, take time to conclude, the value for money is questioned and they are subjected to political interference, among other things.

INTRODUCTION

In this article a PPP is defined as: "… a contract between a [government entity, for example,] a municipality and a private party in which the private party assumes

substantial financial, technical and operational risk in the design, financing, building and operation of a project" (National Treasury 2005:6).

NPM on which PPPs are anchored predicts several benefits to the public sector from the use of PPPs. NPM supports the adoption of private sector techniques and promotion of competition; contracting service provision to the private sector; monitoring of performance; defined objectives and outputs; and predetermined outcomes (Hodge *et al*. 2018:1109). PPPs are envisaged to provide superior services (both in terms of quantity and quality) based on superior knowledge, financial skills, access to capital and managerial and technical efficiency associated with the private sector (Opara & Rouse 2019).

In addition, to the mistrust of government delivering long-term services to citizens, the efficient use of capital emanating from the private sector ethos drives the adoption of PPPs (Hodge *et al*. 2018:1109). PPPs are regarded as an effective mechanism to mitigate excessive budget escalations and contract extensions due to poor infrastructure implementation of large projects by the public sector (Warsen *et al*. 2018:1165). The public sector's need for "on-time and on-budget" infrastructure delivery which is a symbol of political achievement and may accrue political benefits underpins the attractiveness of PPPs. Budget overruns are viewed as government's failure and may have negative consequences in elections, and the use of PPPs may shield such potential shortcomings (Boardman *et al.* 2016:11).

As noted above, the success of PPPs in some countries that led governments to implement PPPs as an alternative funding instrument for infrastructure projects, also has its own challenges. Therefore, the article aims to uncover the impeding factors for the use of PPPs by public sector entities. Against this background, this article first conceptualises PPPs. It highlights the stakeholders involved in PPPs and also discusses the types of PPP contracts. It provides a brief value proposition for PPPs. It then focuses on the problems with PPPs in terms of its complexity, lengthy contracting period, value for money, governance and accountability, impact on government workers, transactions costs associated with PPPs, political influence and corruption and pricing of services through PPPs.

CONCEPTUALISING PUBLIC-PRIVATE PARTNERSHIPS

The concept of PPPs appears straightforward, yet it has many facets, resulting in no universally accepted definition (Thiemann & Volberding 2017:8). The adoption of different PPP models across several countries contributed to the difficulty of pinpointing the precise definition of PPPs (Hodge, Greve & Biygautane 2018:1108). Despite PPP model variations, Bovis (2015:200) describes PPPs "as a sophisticated interface between public authorities and private sector undertakings with

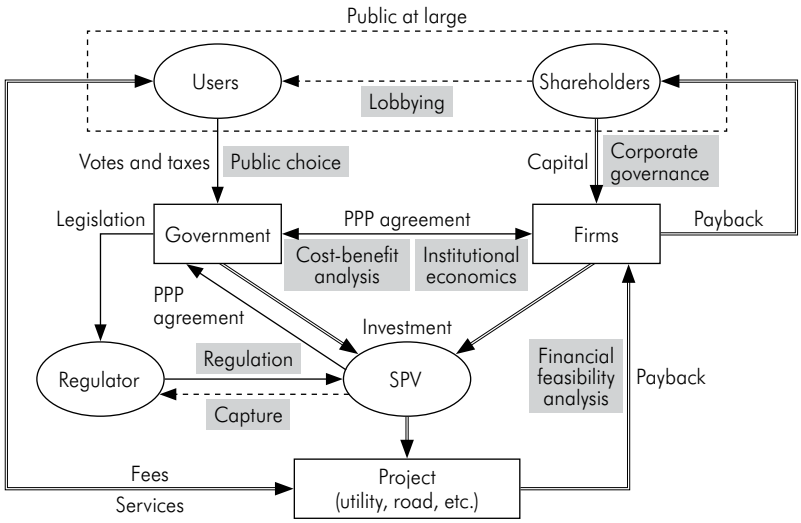
an objective of delivering infrastructure projects, public goods and services". PPPs integrate the private sector in service delivery beyond arm's-length transactions of which "both public and private sectors have a stake in their success" (Boyer, Van Slyke & Rogers 2016:7; Lohmann & Rotzel 2014:6; Bovaird 2004:200). The cooperation between public and private actors by way of PPPs supplements or replaces the traditional role of government to provide public services (Schomaker 2020:2). For Lonsdale (2007:312) PPPs entail a 'family of techniques', comprising the multiplicity of government-business agreements. In most cases, the execution of new PPP projects is done through a special purpose vehicle (SPV), which acts as a separate legal entity established to implement the project. A SPV protects the joint venture partners from financial liability of their parent firms (Boardman *et al.* 2016:2). An SPV is expensive to form given the number of firms involved and various fields of expertise such as construction, engineering, finance and facility management, among others (Iossa & Saussier 2018:31).

The primary conception of PPPs is the view that collaboration brings together complementarity of resources such as skills and capabilities required to coproduce public services (Hodge, Greve & Biygautane 2018:1106; Hodge & Greve 2010:9). PPPs by their nature vary in terms of scale and scope; for instance, some focus on infrastructure and others on providing client-facing public services such as water (Waring, Currie & Bishop 2013:314). The extent of private sector involvement in PPPs varies. PPPs that involve greater cooperation between the public and private sector are construed as joint ventures and PPPs with largely an arm's-length relationship may be categorised as a form of outsourcing (Waring, Currie & Bishop 2013:314).

PPPs do not only involve cooperation between the public and private sectors, but encompass the sharing of risks, costs and resources; and joint development of projects and services (Hodge *et al.* 2018:1106). As a reward for taking on risk, the private partner is compensated by either direct payment from government or collecting fees through levying charges (user pay principle) to the users of the asset or a combination of the two (Schomaker 2020:812; Iossa & Saussier 2018:28; Boardman *et al.* 2016:2). PPPs have been used globally to deliver diverse public infrastructure such as water infrastructure, roads, schools, hospitals and prisons, encompassing the principles of sharing of risks and costs (Chowdhury & Chowdhury 2018:53; Boardman & Vining 2012:119).

Other terms used to describe PPPs include private sector participation (PSP), private finance initiatives (PFIs), private participation in infrastructure, privatisation, private finance projects, private sector contracting, public alliance, privately financed projects and non-profit partnership (Hodge *et al.* 2018:1106). Despite some resemblance between privatisation and PPPs, privatisation "involves the full or partial transfer of state-owned assets to the private sector" and includes the day-to-day operations by the private sector while the government acts as the

Figure1: Stakeholders involved in PPPs



Note: Double lines represent capital and business transfers, splid single lines represent contractual and legal relationships, and dashed lines represent informal ties and influences.

Source: (Adapted from Moszoro and Krzyzanowska 2011:3).

regulator (Boardman *et al.* 2016:4). Chowdhury and Chowdhury (2018:53) note that PPPs form part of an alternative service delivery (ASD) mechanism where public goods delivery is undertaken by the private sector.

PPPs may be considered as an avenue for the provision of infrastructure through a complex network of government and private sector linkages (Casady 2020:162). Warsen *et al.* (2019:375) note that PPPs succeed on the basis of networks (relational) and contractual arrangements. Also, services delivered through PPPs have to contend with several stakeholders from both government and the private sector. In a regulated sector, government's role transcends to the setting of tariffs/fees, setting standards and being politically accountable to citizens, among others, as shown in Figure 1. The private sector players equally have to deliver shareholder value by ensuring positive returns to capital invested (Siemiatycki 2015:166).

TYPES OF PUBLIC-PRIVATE PARTNERSHIP CONTRACTS

PPPs take several forms from financing, designing, construction and maintenance/operation of public sector infrastructure using private sector firms (Boardman &

Vining 2012:119). Boardman *et al.* (2016:2) assert that a typical PPP bundles the design, construction, financing, operation and maintenance as a single project. Schomaker (2020:2) argues that cooperation models in PPPs vary in respect of design to create a balance between the managerial independence of the private partner and to foster accountability of government.

Cooperation may mean the demarcation or separation of responsibilities (horizontal relations) or shared responsibilities between the parties which results in the blurring of the lines of accountability in the citizens' eyes (Schomaker 2020:3). Accountability takes various forms including political, legal, administrative, professional and social forms, among others. In its simplistic form accountability exhibits characteristics such as transparency, liability and the imposition of penalties for poor performance (Mörth 2009:193).

PPP contract types include "service contracts, management contracts, lease contracts, build-operate-transfer (BOT) and similar arrangements, concessions and joint ventures" (Ham & Koppenjan 2002:604). The level of private sector involvement varies depending on the contract type.

Service contract

A service contract entails "the government hiring a private company or entity to carry out one or more specific tasks or services for a period, typically 1–3 years" (Ham & Koppenjan 2002:604). Services undertaken under this contract include billing, meter reading and maintenance. Lack of transparency in contract negotiation is often cited as a major drawback in service contracts (Kumar 2012:1).

Management contract

A management contract involves daily management and operation of the public service by the private partner (Reynaers 2014:42) and the duration of the contract is three to five years (Fleta-Asin *et al.* 2020:1514).

Lease contract

Under a lease contract, "the private partner is responsible for the service in its entirety and undertakes obligations relating to quality and service standards" while the government finances the infrastructure (Fleta-Asin *et al.* 2020:1514).

Concession agreements

In concession agreements, "the private partner (concessionaire) is responsible for the full delivery of service" which includes raising funding, construction,

operating, maintenance and management of the infrastructure. Under a concession agreement, the public sector's position shifts to monitoring of the service and in some instances is involved in setting of tariffs (Forrer *et al.* 2010:475). There are many variations of concession agreements which include "build-operate-transfer (BOT), build-own-operate (BOO), design-build-operate (DBO), design-build-finance-operate (DBFO), design-build-finance-maintain-operate (DBFMO) and design-build (DB)" (Reynaers 2014:11). In the United Kingdom, PPPs in the form of DBFMO are commonly referred to as PFIs (Boardman *et al.* 2016:2).

Concession agreements are typically over 20 to 35 years and require well-defined terms, conditions, roles and responsibilities for successful implementation (Warsen *et al.* 2019:376; Boardman *et al.* 2016:2). One of the key conditions is the management of risk between the parties as the private consortia invest up front thereby risk is transferred from the public to the private partners (Chung & Hensher 2015:13). Stirred by the tenets of transaction cost and principal agent theories, PPPs require penalties to be imposed to breach of the conditions in the agreement for PPPs to be successful (Warsen *et al.* 2019:377).

Roehrich *et al.* (2014:112) also note that PPPs exhibit variations in practice depending on the risk appetite of both the public and private partners. Under a management agreement, public sector risk (or responsibility) is higher compared to a concession arrangement.

VALUE PROPOSITION OF PUBLIC-PRIVATE PARTNERSHIPS

Public sector procurement is normally based on cost-plus pricing (non-fixed-price) which results in a poor incentive structure between the private and the public sector (Boardman *et al.* 2016:7). Cost-plus pricing creates perverse incentives or moral hazard problems in that the higher the costs of the project, the more revenue the private sector derives from the project (Burgess & Ratto 2003:288). To mitigate against moral hazard problems, PPPs which involve the private sector to source finance may create better incentives and overcome the perverse incentives (Boardman *et al.* 2016:8). Consequently, the private sector has an incentive to deliver projects which use the least financial resources. In the long run, cost effectiveness has the potential to improve the social welfare of the citizens served by the private sector (Boardman *et al.* 2016:8).

The transfer of significant risk, performance-based remuneration, and management skills to the private partner are cited as some of the reasons in supporting the adoption of PPPs (Opara & Rouse 2019:81). The transfer of the project risk to the private sector enables infrastructure projects to be executed within set timelines and within a set budget. However, failure to meet defined targets may lead to reduced private sector profits in the long run. PPPs in this context

are seen as offering inducements to the private sector to be efficient, as most of the funding risks rest with the private partner (Chung & Hensher 2015:13). Boardman *et al*. (2016:9) argue that the private sector may avoid its fair share of risk by effectively pricing this risk into project costs, and in instances where the project fails, government takes over the project at own cost to minimise the political risks.

Performance-based remuneration is often cited as a motivation to use PPPs (Iossa & Saussier 2018:28). The compensation of the private partners in a PPP arrangement may be done in three ways, (i) an agreed periodic payment from government made through budget allocations from the fiscus (referred to as unitary payments or "availability payment"), (ii) collection of user charges or tariffs by the private partner, and (iii) "shadow tolls" or payment from government which is based on usage of the asset ("usage payment") (Schomaker 2020:812). Private partners are known to use an aggressive or punitive credit control process to achieve better collection levels. This is the case because the private partner may not be subjected to significant political interference while enforcing credit control processes (Boardman *et al*. 2016:9).

Avoidance of upfront project costs by government provides another motivation for PPPs, as private partners have the ability to complete the project on time and on budget (Boardman *et al*. 2016:1). Ortega, De los Angeles Baeza and Vassallo (2016:203), argue that avoiding capital outlay by government as the only motivation for PPPs is misplaced. However, the pursuit of efficiency only may lead to excessive investment and under-utilisation of the infrastructure asset in the future (Ortega *et al*. 2016:203). The focus on circumventing the budget outlay by government results in a cost benefit analysis, value for money assessments and adequate risk allocations not being conducted (Ortega *et al*. 2016:203).

Concession agreements such as DBFMOs have the potential to derive economies of scale given that the infrastructure is delivered as a bundled service with complementary expertise and skills under a single entity or special purpose vehicle (Boardman *et al.* 2016:8). Coordination from the design up to the actual operation is perceived to be seamless given that the work is done by a single consortium under a special purpose vehicle. The minimisation of coordination failures improves efficiency and societal benefits (Boardman *et al.* 2016:8).

PPPs have both ideological and political connotations in that the proponents of classical liberal philosophy shun the coercive power of the state in the process of delivering public goods. This coercive power is alleged to endanger the personal freedoms of citizens and forces citizens to be overly reliant on the services provided by the public sector (Fernandez, Smith & Wenger 2006:59). PPPs in this regard provide a unique opportunity to limit the power of the state, protect rights of citizens and promote human enterprise (Fernandez *et al.* 2006:59). Consequently, PPPs pose a threat to employment in the public sector due to the

desire for a smaller government with fewer bureaucrats, while the private sector delivers public services (Fernandez *et al.* 2006:59).

PPPs have witnessed better delivery of some infrastructure projects compared to public sector delivery (Moszoro & Krzyzanowska 2011:1). Consequently, pressure from the citizens led administrators to explore alternative service delivery methods including PPPs. Bender and Gibson (2010:45) reviewed the first 10 years of the concession in the Mbombela Municipality in South Africa and concluded that the PPP improved the management of the water ecosystem, and that water access and quality improved, and expenditure on government grants for infrastructure projects improved. The efficiency consideration drives the use and adoption of PPPs by some governments.

Given their sophistication as an alternative infrastructure investment mechanism, PPPs are described as having "iconic status around the world" (Hodge & Greve 2010:8).

PROBLEMS WITH PUBLIC-PRIVATE PARTNERSHIPS

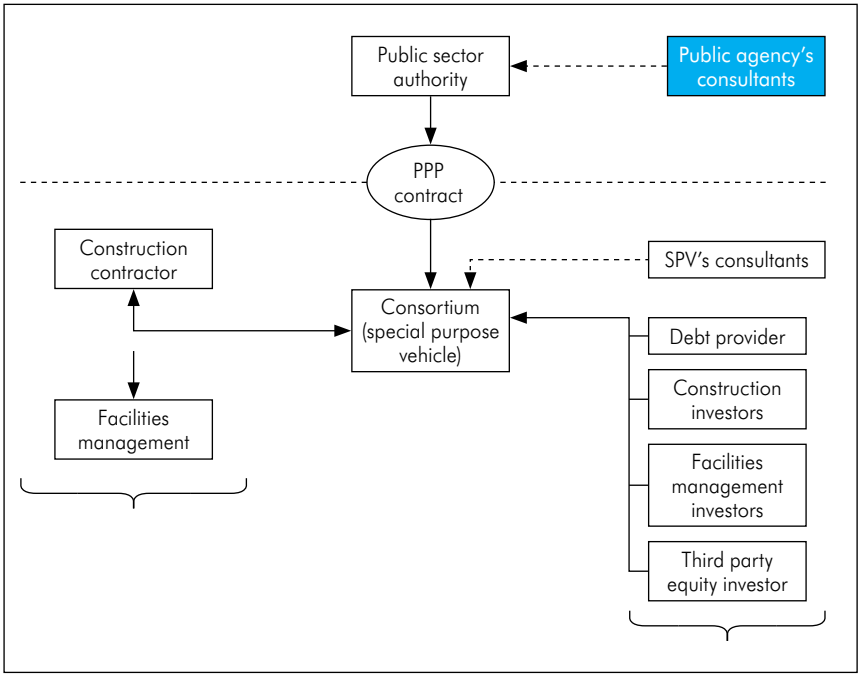
As noted, despite the promises of efficiency associated with PPPs as envisaged by NPM, the implementation of PPPs faces a myriad of problems. PPPs are complex, take time to conclude, the value for money is questioned and they are subjected to political interference, among other things. These challenges are elucidated below.

Complexity of public-private partnerships

The complexity of PPPs arises from multiple factors such as the procurement process, contracting, the negotiation process and project implementation, among others (Boyer & Newcomer 2015:130). The complexity arises due to marked differences between traditional contracting and PPP procurement. PPPs require, among other things, value for money analysis, contribution by government to the partnership and the distribution of risks between the private and public sector (Boyer & Newcomer 2015:130). Traditional public procurement contracts generally do not involve bundled services and are therefore simpler compared to PPP projects which consist of design, finance, building and operation contracted to a consortium of private sector companies (Iossa & Saussier 2018:28).

Bundling services induce complexity in contracting as the consortium of firms may include firms in the following fields: construction, facility management, finance, legal and engineering, among others (Iossa & Saussier 2018:28). Bundling of services involves integrating various partners or even institutions to manage a single PPP project which can be a megaproject. This integration is essential

Figure 2: An illustration of the PPP structure involving many players



Source: (Adapted from Umar, Idrus, Zawawi and Khamidi 2012:304).

to bring various skills to the project and enable coherent service delivery, but it also brings its own complexity due to the vertical interdependencies of the partners who provide complementary services to the infrastructure sector (Sturup 2019:461). Figure 2 shows the interdependencies among various consortium partners which adds to the complexity of the PPP arrangements.

The high level of differences between traditional and PPP contracting is condensed in Table 1 to illustrate the complexity of PPPs.

PPPs by nature involve several actors whose actions are guided and motivated by self-interest. A self-interest motive with multiple actors creates a conducive environment for conflict to arise. PPPs are complex and challenging due to the involvement of multiple actors (Chowdhury & Chowdhury 2018:54). The complexity of PPPs is brought about not only by the involvement of many parties, but by each actor pursuing their own interest and having their own conception of the problem and how it will be addressed (Opara & Rouse 2019).

In addition to the pursuit of self-interest by various parties to the PPP arrangement, the different set of values for each of these stakeholders adds to the complexity (Mouraviev & Kakabadse 2015:775). PPPs represent a set of relationships

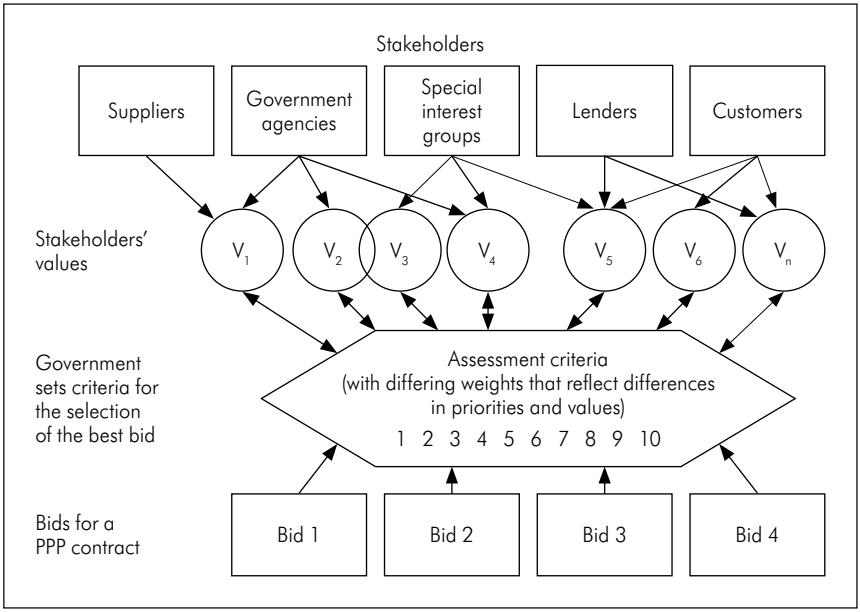
Table 1: Traditional contracting vs PPP contracting

Traditional contracting	Collaborative contracting in partnerships
▪ Specify the goods or service desired from a contractor ▪ Facilitate bidding process and maintain distance with potential bidders ▪ Select contractor by the lowest cost or best value ▪ Government monitors contract ▪ Risk is held primarily by government ▪ Contracts are short-term	▪ Specify the output or outcome required, leaving the process open ▪ Facilitate bidding process with multiple vendors (potential partners) ▪ Select a partner based on the expected "value for money" ▪ Government monitors and contributes to the partnership ▪ Private and public actors bear risk ▪ The product is asset specific

Source: (Adapted from Forrer, Kee and Boyer 2014:65).

involving many private partners under a common special purpose vehicle within the public sector. PPP arrangements can therefore be considered as a cooperative effort for the purpose of deriving benefits to the various stakeholders, but this does not negate their differences in values (Mouraviev & Kakabadse 2015:774). Figure 3 highlights the linkage between stakeholder values and the way in which

Figure 3: PPP stakeholders and differing values



Source: (Adapted from Mouraviev & Kakabadse 2015:775).

bids are selected. Values are different for each stakeholder with some possibility of overlap and the non-uniformity of these values adds to the complexity of PPPs. Mouraviev and Kakabadse (2015:773) argue that by developing the bid criteria, government is expressing its own set of values which the bidders have to express as an interest.

Experiences of PPP projects vary in many aspects such as size, scope, sector and by country and this variation suggests that there is no single model or 'one-size-fits-all' best practice (Iossa & Saussier 2018:35; Waring *et al.* 2013:314). While broad lessons may be available from PPP experience elsewhere, each project is unique and therefore requires considerable effort to execute adding to the complexity of PPPs in general (Waring *et al.* 2013:315).

Lengthy contracting period

The procurement process for larger PPP projects tends to be longer and complex (Iossa & Saussier 2018:28) and this complexity consequently attracts a small pool of private sector players to participate in the PPPs (Chowdhury & Chowdhury 2018:55). Economic theory suggests that where there is a small pool of competitors, there is a greater likelihood of collusion among these firms (Iossa & Martimort 2016:88), for instance, there are only four bids for most PPP projects in the United Kingdom (Chowdhury & Chowdhury 2018:55).

Large PPP projects take time to commission and therefore various risks such as demand shocks are associated with these projects. The efficient risk allocation within the PPP becomes a complex undertaking given the long periods of contract negotiation and implementation (Chowdhury & Chowdhury 2018:56). The commissioning of PPP projects varies from inception, tendering and implementation. In terms of 160 PPP projects the tendering process took an average of 18.2 months in Canada, Ireland averaged 34 months, the UK averaged 34.8 months (Casady *et al.* 2019:1262), France averaged 30.3 months, Australia averaged 19 months and Germany averaged 27.3 months (Palcic, Reeves, Flannery & Geddes 2019:13). South Africa on the other hand averaged 39 months (Ngamlana 2009:58). The time taken signifies the complexity associated with large infrastructure projects and this increases transaction costs at the different stages of the project life cycle (Palcic *et al.* 2019:4). The different tendering periods experienced by the various countries provide an opportunity for the development of best practices through learning from various experiences (Palcic *et al.* 2019:13).

The lengthy period of PPP contracting is not only a problem in itself, but it impacts the likely participation of the private sector to bid for such projects. If the private sector is discouraged from competing for contracts due to a prolonged contracting or tendering process, the principal motivation for PPPs to achieve economic efficiency is undermined (Reeves, Palcic, Flannery & Geddes 2017:1072).

Value for money

PPPs are considered to be an effective avenue for government to deliver services without incurring significant upfront capital outlay in financing infrastructure projects. However, there is limited data on the actual performance of PPPs to support the belief of value for money due to lack of ex-post reviews of PPPs after implementation (Boardman *et al*. 2016:16–17). The notion that PPPs result in minimising government expenditure and saving taxpayers money may be an illusion, as taxation is simply postponed or transferred to the future generations (Klitgaard 2012:41). The capital outlay by the private partner will be repaid through future taxation. While the recognition of the PPPs garners support and experiences growth, questions about their effectiveness in deriving value for money are increasing with very limited or mixed evidence of their success (Boardman *et al*. 2016:17; McQuaid & Scherrer 2010:30). PPPs are time-consuming from pre-launch to implementation and this disincentivises government from undertaking meaningful and detailed post-implementation evaluation of PPPs (Opara & Rouse 2019:83).

Value for money from PPPs is sometimes questioned on the basis that the private sector has superior expertise in PPPs compared to government (Garvin 2010:403). Most government departments have limited exposure to PPPs and consequently the knowledge imbalance perpetuates information asymmetry between government and the private sector. This knowledge imbalance is often exploited by the private sector to derive more returns from PPPs at the expense of the government and citizens (Boyer & Newcomer 2015:131; Gavin 2010:403). The private sector has the ability to bring in international partners with extensive experience from PPPs across the world, further disadvantaging government during the negotiation phase (Boyer & Newcomer 2015:131).

Hall (2015:7) takes a dim view of PPPs and describes them as a mechanism involving "bending fiscal rules for private profit". PPPs obscure the true extent of public borrowing, while simultaneously providing guaranteed, substantial and sustained returns to the private sector (Hall 2015:3). PPPs allow capital expenditure by the public sector to circumvent the national debt benchmarks yet create an impression of careful fiscal management by masking the extent of financial exposure (Hellowell 2010:307).

The concern about value for money from PPPs has not caused public alarm due to the public's lack of understanding of the intricacies of PPPs (Opara & Rouse 2019:80). The lack of understanding of PPPs by the general public reaffirms their complexity and counts against the citizens being in a position to evaluate whether PPPs are being commissioned for public benefit or for selfish objectives of the politicians and bureaucrats. In addition, the terms of contract between the government and the private partner are confidential, further creating information asymmetry with the citizens (Opara & Rouse 2019:80).

Governance and accountability

PPPs significantly alter the social and political functioning of the way in which governments operate and their interaction with citizens (Opara & Rouse 2019:80). Governance refers to the rules that parties agree to (rules of the game), that is, who is responsible for execution and takes responsibility for certain activities in a PPP arrangement (Skelcher 2010:292). Other aspects related to governance include how decisions are made, for example, consultation with all parties to foster transparency (Skelcher 2010:292). Skelcher (2010:293) outlines four facets of governance, namely legal governance (conformity to the law), regulatory governance (system of rules), democratic governance (accountability) and corporate governance (procedures of decision-making).

The use of a private partner to deliver services on behalf of government alters democratic arrangements in the eyes of the public (Opara & Rouse 2019:80). This is so because citizens may be of the view that they have to engage with private partners to meet their service needs as opposed to interacting with their elected officials (Opara & Rouse 2019:80). PPPs change the relationship from public to private sector provision of services and equally from serving citizens (public sector) to customers (private sector) (Opara & Rouse 2019:80; Coghill & Woodward 2005:89). The democratic rights and privileges of citizens under public sector provision of services are diminished to conform to the dictates of the market forces associated with the private sector (Coghill & Woodward 2005:89).

Citizens may consider the use of PPPs as a service delivery mechanism inducing some governance uncertainty and blurring of accountability lines between government and the private partner. Government can blame its private partner for failure to deliver services and vice versa as citizens may not be privy to the contractual details of the PPP arrangement (Opara & Rouse 2019:80). The use of PPPs and channelling public funds through private funds reduces transparency and accountability in government processes (Hall 2015:27). Accountability is holding the agent or principal responsible for performance in accordance with the contract. In a mature democracy, the government's accountability is delivered through the electoral process. Government's track record is put to the test and scrutinised during voting; however, the use of PPPs may weaken accountability by blaming the private sector for failure to deliver services (Opara & Rouse 2019:80).

Bishop and Waring (2016:469) argue that PPPs should create a healthy balance between granting the private partner some degree of authority and the need to monitor the activities of the private partner. This balancing act requires a review of the old-style governance structure to ensure the protection of the public interest and also reduce potential exploitation or opportunistic behaviour of the private partner (Skelcher 2010:301). The framework for the balancing of risk and reward is a key governance challenge that has to be addressed and specific skills are

required to maintain this balance (Bishop & Waring 2016:470). Klitgaard (2012:5) observes that PPPs provide insufficient protection for "public values and public interests" given the "total control" of the operations by the private partner replacing the old and traditional governance structure of government.

Despite all of the concerns of lack of government accountability in PPPs, Morth (2009:193) argues that it is still possible to achieve democratic legitimacy in PPPs based on the contractual agreement between the parties.

Impact on government workers

Public sector employees are concerned if the service delivery mechanism changes from exclusively government to the private sector or a combination of the two models and alters the underlying culture and ideology of the two organisations (Bishop & Waring 2016:472). Labour unions representing private sector employees are generally supportive of PPPs due to the expansion of employment opportunities for its members and the opposite is true for public sector unions (Siemiatycki 2015:173).

Boardman *et al.* (2016:20) observe that PPPs materially minimise the negotiating power of public sector unions given the likely increase of employees from the private sector. The reduction in bargaining power may compromise salary negotiations leading to stagnant remuneration or reduction of real wages over time.

The implementation of PPPs brings about some changes in the culture and industrial relations in the public sector entity due to the infusion of private sector employees into public service (Madimutsa & Pretorius 2018:318; Boyer & Newcomer 2015:132). Beck, Toms, Mannion, Brown, and Greener (2010:135) define culture as the "lens through which an organisation can be interpreted both by its members and by interested external parties through an appreciation of an organisation's symbolic codes of behaviour, rituals, myths, stories, beliefs, shared ideology and unspoken assumptions". Bishop and Waring (2016:472) assert that the culture differences consequently result in PPPs being an inevitable conduit of dispute between the government and its private partner. PPPs therefore bring forth the challenge of reconciling, coping and managing these perceived cultural differences. The inherent differences can be resolved by both partners investing in time, effort and trust to bridge the gap and attain mutual objectives from the long-term partnership (Bishop & Waring 2016:463).

The conflict arises from a number of sources. Madimutsa and Pretorius (2018:318) attribute the changes in industrial relations to the dual chains of command created by PPPs, one involving a private sector company monitoring its own workers and second, public sector managers playing an oversight role on private sector employees. The management of public and private sector employees within a close interorganisational network is a complex undertaking, especially in

tasks that are jointly performed (Bishop & Waring 2016:473). Cultural differences take various forms which include (Bishop & Waring 2016:473):

- Conflict in beliefs;
- Values (the reason of existence);
- Motives (profit maximisation versus public interest);
- Competitive behaviour as opposed to serving the public;
- Enterprise and entrepreneurship; and
- Accountability to shareholders (private capital as opposed to government).

PPP projects introduce some complexity in the manner in which the service is delivered due to the potential fragmentation in accountability between the two partners (Forrer, Kee, Newcomer & Boyer 2010:479). The fragmentation in accountability can be resolved by strengthening collaboration and developing trust over time (Forrer *et al.* 2010:481).

PPPs bring about an additional dimension concerning industrial relations. PPP arrangements may result in public sector employees being completely or partially replaced or transferred to the private sector. In such an instance, affected public sector workers' terms and conditions of employment are protected and private sector managers are unable to make changes to align them with their workers (Bishop & Waring 2016:474). The implication is different employment conditions for different employees performing the same type of job (two-tiered system). The close interaction of the two sets of workers may provide a breeding ground for friction, especially in instances where the employment conditions between the private and public sector differ significantly (Bishop & Waring 2016:475). Depending on the extent of the differences in employment benefits, it is plausible for employees to move to the better paying party (assuming the opportunities arise), for example, if the private sector pays more than the public sector, it would be easier to recruit the senior public officials to the private sector and weaken the monitoring capacity of the public sector in the process (Herrera & Post 2014:629).

Transaction costs associated with PPPs

The complexity of most PPPs does not arise at the implementation phase only, but even at the contracting stage. As advanced by the transaction cost theorists, PPPs induce additional costs due to complexity, a prolonged tendering phase, complex financing structures and limited government contracting skills (Reeves *et al.* 2017:1073; Dudkin & Välilä 2006:309). The capacity of the government to successfully conclude PPP contracts involves significant costs as government may have to rely on external advisors due to scarce skills in the public sector (Boyer & Newcomer 2015:132). The lack of skills (such as engineering, legal and project finance) in the public sector increases costs of PPPs as bureaucrats may have to

rely on private sector experts to deal with complex negotiations and finalise commercial agreements. The private sector may take an opportunity to derive higher rents due to the limited skills in the public sector (Saussier, Staropoli & Yvrande-Billon 2009:13). An example of the inferior strategic planning skills by the public sector is the emergence of underutilised infrastructure (white elephants) due to overengineering or initial undercosting which tremendously escalates during project implementation (scope creep) (Hall 2015:33; Saussier *et al.* 2009:13). Given the pursuit of self-interest by private parties, effective contract management is vital in PPPs to ensure that the public interest objectives of the project are realised and protected for the duration of the project (Hall 2015:33).

PPPs are complex arrangements and are therefore comparatively expensive for the entire duration of the project (Reeves *et al.* 2017:1072). The full extent of the costs involved in a PPP project is not always fully accounted for given that some activities are done by bureaucrats who are salaried employees (Hall 2015:27). The PPP units form part of the government bureaucracy and provide transaction advisory services and post-implementation monitoring, and these costs are usually not reported as part of the total transaction costs. Irrespective of the exclusion of other costs, PPP transactions are deemed to be exorbitant and may range between 1 to 3% of the total costs associated with the project (Boardman *et al.* 2016:21).

As part of developing a business case for a project to be financed through a PPP, various assumptions are put forward which include demand estimations and long-term operational costs (Boyer & Newcomer 2015:132). These estimates are then used during contracting to determine the fees payable to the private partner and any significant errors in estimation compromise the financial sustainability of the project leading to government carrying the additional costs (Boyer & Newcomer 2015:132).

Another common feature of most PPPs is the underestimation of costs by the private sector during the bidding and contracting phase and the exaggeration of the anticipated benefits from the service (Hall 2015:33). For instance, an infrastructure project in the water sector is more likely to get approval if the water service provider forecasts high coverage to underserviced communities without necessarily modelling the extent of the service coverage. The result of over exaggerated benefits is an increase in the costs of the project, as government might be expected to cover the revenue shortfalls depending on the type and payment method in the PPP agreement. Road traffic forecasts for toll road PPPs in Australia and Central and Eastern Europe achieved less traffic and less revenue than forecasted (Hall 2015:33).

Transaction costs vary from 3 to 5% of the total contract value for countries with well-established PPP frameworks and this can increase from 10 to 12% in new or pioneering projects (Saussier *et al.* 2009:10). The implication of the high transaction cost is that it may discourage government to undertake projects

through PPPs, especially if the likely benefit from PPPs versus traditional procurement is uncertain (Reeves *et al*. 2017:1080).

Political influence and corruption

PPPs are perceived to be an effective option in the procurement of infrastructure compared to traditional procurement mechanisms (Mustafa 2015:55). The attraction of PPP projects to private sector investors is dependent on country-specific conditions which include among others, the governance structure of public entities, accountability of government entities, management of "soft risks" such as "corruption risk, political instability risk, weak property rights and ineffective institutions risk" (Mustafa 2015:55–57).

Corruption risk arises based on the extent of the discretionary powers (or full exercise of assigned power of private benefit) entrusted to government officials in deciding important aspects on PPP procurement (Schomaker 2020:811). Corruption risk is therefore directly related to the extent of discretionary power and without a robust legal framework with sufficient safeguards in relation to conflict of interest, corruption escalates (Cobarzan & Hamlin 2005:32).

PPPs involve public procurement and in instances where supply chain management procedures are not followed, corruption, graft, cronyism and collusion manifest in the procurement process (Chowdhury & Chowdhury 2018:54). Concession agreements span over 20 years and the guarantee of the private sector to receive income streams over this period creates huge incentives for corruption in two ways. First, there is incentive for the project to be conducted through PPPs (guaranteed returns over a long period) as opposed to the one-off delivery of the project via the public sector, and second, the opportunity to have a "once in a lifetime" contract through PPP is very appealing (Hall 2015:31).

Corruption risk or more generally unethical behaviour in PPPs arise from two fronts, first, by influencing politicians to implement infrastructure projects through PPPs and second, by influencing bureaucrats to award the PPP project to a specific private consortium (Schomaker 2020:812). Influencing the financing of a project via a PPP arrangement faces high risks given the uncertainty of the "briber" to be awarded the contract when tendering takes place at a later stage (Schomaker 2020:814). The stakes are high for the private sector partner who would therefore seek to also influence the bureaucrats to award the contract thus making PPPs a potential avenue to fuel corruption. Corruption at the tendering stage is not only peculiar to PPP procurement but also common in traditional procurement methods, and corruption may even take place in PPPs without the politicians being influenced to deliver infrastructure through PPPs (Hall 2015:33; Schomaker 2020:814). Similarly, the same process of influencing politicians and bureaucrats may unfold in relation to extension of the contract, contract re-negotiation or

contract renewal (e Neto, Cruz, & Sarmento 2019:555). Electoral cycles also result in politicians requesting either increasing the scope of the project to garner more votes or opportunistically renegotiating an existing contract for personal gain, a practice known as strategic misrepresentation (e Neto *et al.* 2019:555). The repercussions of the unethical behaviour are summarised in Table 2.

Table 2: PPP features and potential unethical behaviour

	Pre-level	Ex ante	Ex post
Subject	Political level	Administration	Administration
Tasks/decsion	PPP or other forms of provision (public only, outsourcing etc.)	▪ PPP-model ▪ Contract details ▪ Private partner	▪ Renegotiations? ▪ Application of penalty clauses? ▪ Change of contract contents
Channel for unethical behavior	▪ Discretion ▪ Lack of transparency	▪ Discretion ▪ Lack of transparency ▪ Information asymmetry ▪ Transaction costs	▪ Lack of transparency ▪ Contract incompleteness ▪ Information asymmetry ▪ Transaction costs ▪ Hold-up system
Possible consequences	▪ Market distortion ▪ Inefficient resource allocation ▪ Space for inefficiencies in later stages of the PPP-project	▪ Dysfunctional competition for the market ▪ Suboptimal choice of PPP-type ▪ Choice of inefficient partner/s-best salution	▪ Overpricing of users or the public sector ▪ Additional transaction costs for the public sector ▪ Loss of service quality/-underperformance

Source: (Adapted from Schomaker 2020:813).

Chowdhury and Chowdhury (2018:54) argue that corruption and collusion are likely because PPPs have scope for "pork-barrel politics based on ideology, social or political ties, or simply incentive to pander". Collusion among private firms is more likely if PPP projects are complex and attracting only a few responses from the market. For instance, in the UK, there are on average only four bidders per project creating room for collusive tendering (Chowdhury & Chowdhury 2018:54).

The selection of an incompetent private sector partner due to corruption may compromise service delivery to citizens, harm the economy and crowd-out potential investors (Scribner 2011:2). In instances where the private sector is expected to pay bribes to government officials to secure the contract, corruption increases business costs and reduces the returns of the private sector. Corruption in government procurement is detrimental in attracting both domestic and foreign capital for PPP projects in the future (Pusok 2016:681). Corruption delegitimises

efforts to attract private investment and the long-term impact is subdued due to innovative solutions associated with private capital (Scribner 2011:2).

The incentives of the public and private sector differ as postulated by the agency theory (Zamir & Sulitzeanu-Kenan 2018:580). Sectors with natural monopolies such as water provision rely on government to play a regulatory role to mitigate excessive tariffs that may be charged by the private sector. The existence of corruption within the regulatory system compromises government's role and makes it less effective in two ways. First, government may also approve high tariffs to the benefit of the private sector and the excess profits shared with corrupt public officials (Hall 2015:31). Second, government may approve low tariffs in the pursuit of votes. Consequently, private investments in the water sector will be curtailed given the weak regulatory function caused by corruption (Pusok 2016:681).

Pusok (2016:687) investigated the impact of corruption on PPPs in selected countries and concluded that corruption impedes the appetite of private foreign investment, crowds-out private sector investment and negatively affects the overall effectiveness and efficiency of PPPs. Countries with dilapidated infrastructure and in desperate need for PPPs often face "dictatorship, crony capitalism, crony NGOs, cultures of bribery, high incidence of corruption and ineffective legal systems" which collectively disincentivise private sector investment (Hammami, Ruhashyankiko & Yehoue 2006:18).

In reference to PPPs, politics and corruption in the United States of America, Nobel prize winning economist Paul Krugman makes the following observation (Krugman 2012): "As more and more government functions get privatised or have private sector participation, states become pay-to-play paradises, in which both political contributions and contracts for friends and relatives become a quid pro quo for getting government business. Are the corporations capturing the politicians, or the politicians capturing the corporations? Does it matter? … a corrupt nexus of privatisation and patronage that is undermining government across much of our nation".

Pricing of services through public-private partnerships

Decentralisation of services and private sector delivery allows for strict credit control for non-payment of services and institutes cost-recovery of services (Arroyo-Rincon 2016:40). Credit and debt collection policies must be instituted in instances of failure to pay for services by residents in line with municipal policies (Oosthuizen & Thornhill 2017:436). Strict credit control and cost-recovery pricing invokes intervention from politicians due to citizens' complaints, especially for essential services such as water (Pusok 2016:679). While the private sector may bring about efficient services, higher prices and strict credit control sparks a political storm which may lead to the government putting pressure on the private

partner (Farlam 2005:36). This intervention may reduce the attractiveness of PPPs. Hall (2015:31) notes that PPPs in the water sector in France led to higher water prices by around 16.6%.

CONCLUSIONS AND RECOMMENDATIONS

The funding options available to municipalities to deal with water infrastructure include transfers or grants from national government, long-term borrowing from financial institutions (including issuing bonds), own revenue sources (service tariffs) and entering into PPPs. However, PPPs are hardly used to fund municipal water infrastructure projects. PPPs are anchored in NPM and NPG. PPPs capture both the policymaking and the implementation/service delivery processes (associated with NPM). PPPs act as a tool for the delivery of infrastructure services through a network of arrangements between the public and private sector. The use of PPPs by government can therefore garner immediate political credit by delivering projects instantly to attract votes, while shifting some of the expenditure to the succeeding government and political leaders.

Based on international experience, large cities and metros in South Africa should have specialised PPP units to promote and create awareness of the potential use of PPPs. The eight metropolitan cities in South Africa account for a significant portion of the total capital budget for all municipalities and therefore have capacity for dedicated PPP units. Specialised PPP units within large cities will assist in ensuring the development of internal skills, develop a sustained project pipeline and facilitate close interaction with national and provincial treasuries. The development of a long-term project pipeline might address the perception that PPPs take a long time, as the project planning is done well in advance and politicians might still be able to have some projects undertaken within their political term.

Given the lack of independent ex-post evaluation of PPPs, an assessment of the value for money is required on a continuous basis. The Auditor General of South Africa (AGSA) currently audits the procurement process only and not an evaluation of value for money. Independent evaluation serves two purposes, first, to elevate the role of the PPPs as an infrastructure option and second, to timeously identify challenges with the regulatory framework and propose corrective actions. South Africa has not done ex-post evaluation of PPPs and this may be the reason for the limited changes to the PPP regulatory framework. Ex-post evaluation may be useful to National Treasury to propose reforms based on the findings of the review.

The Office of the Auditor General and the National Treasury do not undertake value for money audits for PPPs during and post-implementation of a PPP project,

depriving the government of an early warning mechanism. Accountability ensures transparency in PPP deals (National Audit Office (NAO) 2018:40; Rachwalski & Ross 2010:279) and assists in raising awareness of PPPs and how they can be improved in the future.

Awareness of PPPs may take various forms such as training and capacity building, which South Africa through the PPP Unit in the Government Technical Advisory Centre (GTAC) has been doing for a number of years. Public accountability concerning PPPs in Parliament or in a municipal council by an independent entity raises the awareness to politicians about PPPs. As discussed in this article, the adoption of PPPs as an infrastructure financing option is largely driven by political leadership with the assistance of the municipal officials.

NOTE

* The article is partly based on a doctoral thesis under the supervision of Prof D J Fourie and Dr O S Madumo, titled: Mandiriza, T. 2021. *Assessment of factors influencing the adoption of public private partnerships in water infrastructure projects in selected municipalities*. Uncompleted doctoral thesis of Public Administration and Management. Pretoria: University of Pretoria.

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A Thematic Analysis of Social Innovation as an Approach to Local Economic Development

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ABSTRACT

Increasing evidence suggests that local actors in the European Union, China, Germany, South Korea, Brazil, the Netherlands, and Nordic countries are using social innovation for economic and social development, with much success. Likewise, the South African Ministerial Review Committee on Science, Technology and Innovation acknowledge social innovation's importance in addressing unemployment and poverty, both of which are fundamental to local economic development. However, social innovation is still not prioritised and optimally utilised for local economic development by South African municipalities. Further, there is a gap in South African literature regarding social innovation's use as an approach to local economic development. In a narrative literature review, this article addresses this gap with a thematic exploration of social innovation's use as an approach to local economic development. Through a qualitative research approach, a thematic content analysis of documents was undertaken of research concerning social innovation and local economic development. From this content analysis, emerging, prevalent, and common themes relating to the phenomenon were explored. Significantly, the findings illustrated that social innovation partnerships, networks, and stakeholders are the underpinning themes necessary to ensure outcomes of social innovation's use as an approach to local economic development. The findings of this article suggest that an improved understanding of themes supporting the use of social innovation could enhance its future application as an approach to local economic development.

INTRODUCTION

The *South African Constitution of 1996* (hereafter referred to as the Constitution) set municipalities the objective of promoting social and economic development (section 152) 25 years ago. Subsequently, economic development was earmarked in the 1998 White Paper on Local Government as a developmental outcome for South Africa. Despite these legislative and policy directives, some municipalities have not made the desired local economic development (LED) impact in their communities, and successful LED practices are elusive in some. From this, it is apparent that deriving innovative approaches to ensure sustainable LED programmes in some South African municipalities remains a challenge. Further, rising unemployment resulting from the global Covid-19 pandemic that has affected South Africa's economy since 2020 has exacerbated LED challenges confronting South African municipalities (Francis 2020:103; Buthelezi 2021). Given these and other LED challenges that South African municipalities will have to address through their LED strategies, it is prudent to explore approaches to LED implementation, such as social innovation (SI).

Research highlights that local actors in the European Union, China, Germany, South Korea, Brazil, the Netherlands, and Nordic countries are using SI for economic and social development, with much success (Hart, Ramoroka, Jacobs, and Letty 2015:1; Biljohn and Lues 2016:72; Copus, Perjo, Berlina, Jungsberg, Randall and Sigurjónsdóttir 2017:17). Similarly, the South African Ministerial Review Committee on Science, Technology and Innovation acknowledges SI as a vehicle for addressing unemployment and poverty, which is fundamental to local government's LED strategies (Hart *et al*. 2015:2). However, SI is not optimally prioritised and used by South African local governments as an LED approach to mitigate a lack of expertise, resource and capacity constraints, and challenges associated with implementing their LED strategies (Nel and Rogerson 2015:5). Moreover, SI, as embedded in inclusive development and innovative solutions, could be beneficial to ensuring that municipalities achieve their LED developmental outcome in the 1998 Local Government White Paper and the LED objective in the Constitution.

This article does not deny that there may be different perspectives to SI's use as an approach to LED. Instead, it draws on common themes between the use of SI and of LED that are considered fundamental in operationalising SI as an approach to LED. As such, this article suggests that an improved understanding of themes supporting SI's use could enhance its future application as an approach to LED. In light of this, a thematic exploration of SI's use as an approach to LED by South African municipalities is provided. The research question posed in this regard is: What are the themes emerging in current research that could enhance the use of SI as an approach to LED? Through a qualitative approach, a thematic content

analysis of documents was undertaken of relevant research concerning SI and LED. By using a range of electronic search engines, the concepts of SI and LED in local government were respectively applied as search terms and adapted as required to identify research that could be included in a narrative literature review. From this content analysis of documents – such as peer-reviewed journal articles, published research, and government documents – emerging, prevalent, and common themes regarding the phenomenon were explored through an inductive approach (Braun and Clarke 2006:83). Against this background, the first section of this article discusses theoretical underpinnings of LED and SI respectively. This is followed by themes arising from the analysis of the literature about SI as an approach to LED**.** The article concludes with an explication of the value in SI's use as an approach to LED.

THEORETICAL UNDERPINNINGS OF LOCAL ECONOMIC DEVELOPMENT AND SOCIAL INNOVATION

This section which elucidates theoretical underpinnings for LED and SI includes a discussion of the empowerment theory and the conceptualising of LED and SI respectively.

The empowerment theory

According to Sekhampu (2010:39), LED has evolved from different economic theories as a response to modern-day trends of post-colonial challenges, increasing decentralisation of power and decision-making, globalisation, and rapid technological change. As a result of the changing forces of globalisation, LED has in recent times been elevated as an important notion for improved economic development (Sekhampu 2010:39). Though economic development occurred at different rates and stages globally, changing economic forces and globalisation of trade have helped ensure that self-reliance of local initiatives by citizens and municipalities are a noticeable occurrence around the world (Shareia 2015:79). Against this background, this article first reflects on the empowerment theory, which is considered part of the theoretical work underpinning LED. This article also deems this theory relevant for using SI to address societal problems given its focus on empowerment, which is likewise inherent to SI. Further, the key elements underpinning this theory are consistent with the use of LED and SI as expounded on in this section.

The empowerment theory focuses on promoting and empowering individuals or communities to increase control over their lives by participating in their own development (Luttrell, Quiroz, Scrutton, and Bird 2009:1; Kahika and Karyeija

2017:4). However, the concept of empowerment is not only part of the theoretical work underpinning LED but considered fundamental to the multidimensional nature and use of SI (Pel, Haxeltine, Avelino, Dumitru, Kemp, Bauler, Kunze, Dorland, Wittmayer and Søgaard Jørgensen 2020:8). Calves (2009:736) and Kahika and Karyeija (2017:4) describe empowerment as a process during which marginalised community members' capacity to exercise their rights, acquire access to resources, and participate in the process of shaping communities and making decisions is improved. The empowerment theory aims at ensuring that these marginalised and poor members of a community have the correct skills, capacity, tools, expertise, and access to secure sustainable incomes and livelihoods to improve their lives by transferring power and resources to them (Fox and Romero 2017:1). This theory thus emphasises the economic enhancement of the poor and marginalised by increasing access to economic resources such as improving their economic skills, access to factors of production, and information that will enable them to participate in decision-making by government (Fox and Romero 2017:1).

Three key elements underpin the empowerment theory (Kahika and Karyeija 2017:4). The first key element attributes the persistence of underdevelopment and poverty to poor communities' lack of capacity and capability to create social and economic opportunities that will increase their standard of living (Calves 2009:737; Kahika and Karyeija 2017:4). Consequently, poor communities should be empowered by creating opportunities for them to participate in their own economic development by increasing their skills and access to basic services, and by strengthening and incorporating the abilities for self-sufficiency (Luttrell *et al.* 2009:1; Calves 2009:737; Kahika and Karyeija 2017:4). In this regard, LED is instrumental in creating a conducive environment for skills development and for local stakeholders to participate in identifying and implementing innovative and sustainable solutions to their local economic needs (United Cities and Local Government (UCLG) 2014:7). The creation of opportunities for communities to participate in their own development thus equally resonates with LED and the application of SI. Through their participation in SI initiatives, the latter facilitates opportunities and platforms for these communities to be empowered at an individual level and also as a collective (Dias and Partidário 2019:1; Pel, Haxeltine, Avelino, Dumitru, Kemp, Bauler, Kunze, Dorland, Wittmayer and Søgaard Jørgensen 2020:4). Such empowerment occurs when these communities through the SI process develop the ability through skills and mastery, knowledge sharing and learning, to act on goals that matter to them, which is also coherent with LED (Pel *et al.* 2020:4,7).

+The second key element is aimed at accelerating community participation in matters that affect their lives. Empowerment in this context relates to communities having the competencies and opportunities to participate effectively in economic, social, and political activities that affect their own lives. Community participation results in community change, which can occur at an individual or collective

level (Luttrell *et al*. 2009:1; Brenyah 2018:565). Through LED, communities are not only beneficiaries of economic outcomes, but critical in initiating, narrating and constructing their own solutions to economic issues towards building economically viable communities (Phillips and Pittman 2009:5). Research proves how SI can enhance such an enabling environment for community participation in matters affecting their lives and to affect community change (Young Foundation 2012:22; Avelino, Wittmayer, Pel, Weaver, Dumitru and Haxeltine 2019). Such an enabling environment fosters community participation in the application of new practices, resources and knowledge towards achieving social and economic outcomes (Haxeltine, Kemp, Cozan, Ruijsink, Backhaus, Avelino and Dumitrultine 2017:10; Pel *et al.* 2020:7). Moreover, through their participation in SI, these communities shape and construct and deconstruct their desired solutions and futures (Wittmayer, Backhaus, Avelino, Pel, Strasser, Kunze and Zuijderwijk 2019:9).

According to the third key element, community development occurs through bottom-up skills development, which is driven by communities, targets community assets, and quickens participation of the local people (Kahika and Karyeija 2017:4; Brenyah 2018:565). As such, the theory is embedded in participation, capacity building, community change, and economic development, which are all key elements in LED (Luttrell *et al*. 2009:1; Brenyah 2018:565). Similar to LED, participation, capacity building, and community change are constructs underpinning the use of SI (Sirovatka and Greve 2014:81; Castro-Arce & Vanclay 2020; Marchesi and Tweed 2021:10). Thus through SI new roles and relations are created for communities to participate in deriving solutions for development and societal challenges whether of a social or economic nature (Organisation for Economic Co-operation and Development (OECD) 2011:13; Young Foundation 2012:22; Boelman, Kwan, Lauritzen, Millard and Schon 2014:14; Avelino *et al.* 2019). Of significance about this participation of communities in deriving solutions is how they become the drivers of LED or SI which is coherent with this third key element of the empowerment theory.

The empowerment theory is relevant to LED and SI because it promotes the participation of individuals and communities in their own development through inclusive development processes. Therefore, the theory emphasises capacity building, transparency, participation, and democracy, which are not only key tenets of LED but are also consistent with the use of SI during development processes (Kahika and Karyeija 2017:4). In practice, however, this inclusive process to LED is currently lacking due to top-down approaches to LED in some South African municipalities. The use of SI during LED could thus contribute to enhancing the inclusive process to development proposed by this theory. In this regard, the empowerment process is directly related to LED because the latter seeks to advance economic development by allowing and encouraging communities to participate in their own development to achieve sustained economic benefits and an improved standard of

living. The use of SI will likewise aid in empowering community members to participate meaningfully in development issues with an economic, social, and/or political outcome that will contribute to their own development (Edwards-Schachter and Wallace 2017:67; Kahika and Karyeija 2017:4). Against this background of the empowerment theory, it is important to consider how LED is conceptualised in the South African local government context and for this article.

Local economic development

In the local government context and for this article, LED is defined as an outcomes-based approach aimed at economic development that allows and encourages communities to work together to attain comprehensive sustainable economic growth and development, consequently bringing economic benefits and improved quality of life for all communities in the local area (Department of Cooperative Governance and Traditional Affairs (COGTA) 2019). It can be reasoned that LED is not a one-off process, but rather an ongoing process that incorporates diverse local stakeholders in the community. The aim of LED is therefore to address a variety of socio-economic needs in the community or challenges that are economically unacceptable. In addition to its local focus, LED is expected to contribute to the country's competitiveness in the global arena. In terms of defining LED, it is also important to reflect on what LED is not. It is often referred to as community development, due to its close association with community development initiatives (Meyer-Stamer n.d.; Nel and Rogerson 2015:111). However, LED is not merely community development projects or a focus on small-, medium-, and micro-enterprises, which are often part of the broader LED in supporting improved living conditions and the economic status of marginalised groups through job creation (Nel and Rogerson 2015:112). In the South African local government context, LED is prioritised in municipalities' integrated development plans, which are territorial planning instruments (Gardener 2014:6; Van der Waldt, Van der Walt, Venter, Phutiagae, Nealer, Khalo, and Vyas-Doorgapersad 2018:168). In this regard, LED becomes an economic approach to achieving some of the strategic priorities in these integrated development plans and directs how favourable conditions can be created through partnerships for the local economy to flourish (Meyer-Stamer n.d.).

Social innovation

Against the background of LED, the remainder of this section reflects on conceptualising SI. SI has become a widely used concept to describe a combination of social programmes and initiatives to improve the lives of people (European Commission 2017:24). Although SI has a history of almost 200 years Pue, Vandergeest, and Breznitz (2016:2) note that there is no agreed-upon SI theory yet because there is

no single definition of SI (Pue *et al*. 2016:2; Anderson, Curtis, and Wittig 2014:3; Theoretical, Empirical, and Policy Foundations for Scoal Innovation in Europe (TEPSIE) 2014:10; European Commission 2017:24). A theory of SI requires the integration of several components of existing research and theories or disciplines on SI and related topics like economic development, business economics, political science, psychology, engineering, public administration, and others. Within the different disciplines, those focusing on territorial innovation, public management, and urban development are closely aligned with or part of LED (Pue *et al*. 2016:51; TEPSIE 2014:11). According to the schools of thought underpinning these different disciplines, the SI process is not necessarily an end result in itself (Pue *et al*. 2016:2). Instead, an SI process is completed when it culminates in or contributes to a social change in society, which is often also underpinned by a process (Popescu 2015:78; Pue *et al*. 2016:2). The process of SI thus begins when a group of stakeholders in a community devise socially creative strategies and solutions to solve societal problems, with social value creation being at the core of SI (Popescu 2015:78).

Devising strategies and solutions would represent one dimension of SI when it is applied for a particular goal or outcome (Biljohn 2017:58). Conversely, the interactions, collaborations, relations and networks between stakeholders in and across communities represent the second dimensions of SI of being process-oriented (Biljohn 2017:58). Both dimensions could include typologies of SI such as new services, practices, processes, products, rules, organisational forms (Dias and Partidário 2019:6). Of importance regarding SI's use is also the context in which it is applied and not only these dimensions. For this article that context is LED. This article, therefore, adopts the definition of Pel *et al.* (2020:8) as SI involving dimensions of new ways of doing, organising, framing and knowing to address societal challenges and through these dimensions to also facilitate individual and collective empowerment. This definition is adopted given its emphasis on empowerment which resonates with the empowerment theory.

FINDINGS

Three key themes emerged from the literature. They were partnership formation, network building, and stakeholder participation. These themes were considered fundamental in operationalising the use of SI as an approach to LED and are discussed in this section.

Partnership formation

The first theme of partnership formation is a central aspect in LED and occurs between local participants or actors, including local government, businesses or

the private sector, local communities, and non-governmental organisations and/or civil-society organisations (Marais 2011:60). A partnership is defined as a set of institutional collaborations between local government and several stakeholders in the private sector, communities, and non-governmental organisations for mutual benefit (Beyers, Peterson, and Sharma 2003:13; Cloete 2015:4). A partnership entails formal interactions of the relevant participants, with clearly defined roles and responsibilities based on the abilities of the partners, and it could be underpinned by the sharing of knowledge and resources (Beyers *et al*. 2003:13).

The purpose of partnerships in LED entails advancing additional resources for a local area, project, or association through collaboration and by linking various types of resources (Srinivas 2015; Ngcobo 2016:31). The results of these partnerships are the facilitation of the flow of knowledge and the encouragement of business opportunities and collaborative ventures between local government, the private sector, and communities (Srinivas 2015; Stibbe, Reid, and Gilbert 2018:11). In the local government context, these partnerships share information and coordinate their efforts, but do not necessarily share decision-making powers (KPMG International 2016:9). The decision-making process in LED partnerships depends on the creation of frameworks for participation and coordination, which must be effective and allow the active participation of various actors in the locality (Stibbe *et al*. 2018:11). Though the partnerships can be dominated by those with certain powers – like local government officials (policy direction and strategy), those with financial muscle (private sector), or those with knowledge concerning the process or the project – these frameworks are essential for maintaining a power balance between partners to attain partnership goals (Hofer and Juric n.d.:81). Further, these frameworks could aid in facilitating equal partnerships between local government and other stakeholders that are necessary to ensure that recurring challenges related to resourcing the partnership are solved (O'Donnell 2012:14; Cloete 2015:4). Consequently, LED partnerships are intended to go beyond mere top-down stakeholder engagement and participation or decision-making processes, and should be grounded in bottom-up participation processes that are essential for agenda-setting, resource mobilisation, and joint action (McQuaid 2000:10; O'Donnell 2012:14; Cloete 2015:4).

During SI the forging of partnerships serves the purpose of addressing complex societal issues and is in keeping with the demands of globalisation and 21st century challenges, which require multisectoral and multidisciplinary efforts (Garcia and Macharia 2014:14; Findik 2018:3). SI partnerships could be cross-sectoral, since they push new frontiers through innovative arrangements to current and future issues by sharing decision-making powers and risks while encouraging exploration of differences and how to overcome them (Le Ber and Branzei 2010:141, 162; Garcia and Macharia 2014:15; Leenders and Dolfsma 2015:1; Edwards-Schachter and Wallace 2017:70; Findik 2018:8). These SI partnerships permit

the development of more divergent viewpoints of a problem (Le Ber and Branzei 2010:142; Garcia and Macharia 2014:15; Leenders and Dolfsma 2015:5). As a result, SI partnerships improve the quality of solutions by distinguishing areas where different issues intersect, as they encourage a broader analysis of issues and opportunities through comprehensive considerations and decision-making (Garcia and Macharia 2014:15). Hence, these partnerships can improve participants' capabilities by exposing them to diverse people or sectors, and consequently change the way they conceptualise and solve problems as co-producers and consumers of public goods and services (Le Ber and Branzei 2010:166; Sonne 2015:214; KPMG International 2016:9). The value of these partnerships during SI thus lies in enabling different people and organisations to support each other by leveraging their capabilities, taking advantage of their strengths, and combining it all for the benefit of the partnership (Sonne 2015:214). This is made possible by combining the resources from different organisations capable of addressing societal issues and facilitating catalytic change across a locality (Garcia and Macharia 2014:16).

The significance of SI partnerships in LED lies in its purpose of leveraging additional resources for a project or association and maximising local resources for economic development. Hence, the results may be that things start to be done in a way that is more effective and efficient for LED. While both LED and SI could potentially have similar participants in a partnership, the difference is SI's focus on social entrepreneurs, who take the risk of starting businesses with the aim of social benefit, though profit is involved to a certain extent. Whereas LED partnerships lean more towards a top-down approach to the partnership, in SI a bottom-up approach is adopted, even though both approaches are evident in both LED and SI. The partners in LED share information and coordinate efforts but do not always share decision-making powers or the risk involved in the partnership. In contrast, in SI, partners collaborate in the decision-making powers of the partnership and they also share the risks. Some LED partnerships may result in limited learning exposure, while SI partnerships are grounded in learning as part of the outcome for the partners. On the one hand, in LED there may be a high degree of autonomy with little commitment at an organisational level. On the other hand, with SI, there is a high degree of leveraging of core competencies to achieve partnership aims and to address societal issues in order to enable catalytic change across a local area.

Network-building

The second theme is network-building. The interest in and study of networks in LED have grown considerably in recent years (Ha, Lee, and Feiock 2016:15). According to existing literature, networks contribute to enhancing economic development and are important from an organisational governance

perspective (Ahuja and Carley 1999; Wart, Rahm, and Sanders 2000). Networks are described as the sharing of knowledge and ideas, typically in an informal social setting, among individuals with a shared occupation or special interest (Investopedia 2020). LED networks are purposeful for sharing good/best practice, tools, new trends, awareness of news, and guidelines for success; building trust; and reducing transaction costs related to LED (Feiock, Steinacker, and Park 2009, in Ha *et al*., 2016:15). Networks comprise a range of interactions among the participants, with a focus on LED and the use of institutions and structures of authority and collaboration to allocate resources and to coordinate and control joint actions within the network (Venter 2019:61). Though it is implied that the nature of networks is informal and that they are held together by mutual cooperation, they are still to a large extent coordinated by the local government, with a top-down approach. The initial inception of programmes requires crucial assets that are supplied by the networks and institutions within networks that give access to resources otherwise not realisable or unavailable to them outside the network (Ha *et al*. 2016:17; Venter 2019:67). This means that the success of LED is intertwined with the success of networks for the successful delivery of its programmes.

SI is embedded in collaborative networks where existing knowledge and ideas (formal and informal) are merged into new solutions, and sometimes brings about the creation of new knowledge (Leenders and Dolfsma 2015; Sonne 2015: 213; Popescu 2015:79; Edwards-Schachter and Wallace 2017:72). SI networks are more cooperative and innovative, and aim to stimulate innovative problem-solving through the co-production and delivery of new and/or innovative solutions that have a positive impact on the community's livelihood (Sonne 2015:2014; Pulford 2018:211). These networks – which include individuals, communities, teams, formal organisations, coalitions, civil society, local government and public institutions – connect stakeholders in different ways and can be directed or collated (Sonne 2015:14). As such, SI networks provide stakeholders with social capital or the opportunity to secure benefits, such as accessing information and knowledge about unique ventures or business prospects and connections; financing, markets and consumers; and technology, contacts, suppliers, markets, technology, customers, and credibility (Sonne 2015:214:227; Popescu 2015:79). The whole process of networking in SI is a bottom-up affair that strengthens and motivates stakeholders in the network to draw on each other's resources and promote self-discovery and learning (Pulford 2018:212).

The significance of the LED networks and the SI networks thus lies primarily in their purpose. Both of them are concerned with the sharing of knowledge, ideas, and good practices that could occur in formal and informal settings to improve the quality of life of communities. The participants are similar, to a large extent consisting of the public-sector institutions, individuals, communities, non-governmental

organisations, and private-sector organisations, and SI extends its participation to teams, coalitions, and civil-society groupings. This is because SI is by nature a multidisciplinary affair with multiple participants drawn from different disciplines and who are mutually drawn in by the same idea. The participants in SI cooperate and innovate by creating new networks that are responsible for stimulating problem-solving through creative thinking, co-design and co-production, and the delivery of new solutions that have a positive impact on communities' standard of living. SI networks strengthen partners and support individual partners by encouraging and motivating them to take risks (Pulford 2018:212). The networks in SI encourage the building of trust so that members can draw on each other's resources and promote self-discovery, learning, and democratisation in the process (Pulford 2018:212; Easterday, Gerber, Rees, and Lewis 2018: 68). The networks in LED are more of a top-down approach to development, whereas the SI process is a bottom-up approach.

Stakeholder participation

The third theme is stakeholder participation, which is described as the active engagement of people in communities, organisations, and local government in order to shape decisions that influence their own lives (Sibanda 2011:23). Decision-making in stakeholder participation includes preparation, execution, growth, and evaluation within projects or programmes in which the stakeholders participate (Sibanda 2011:23). Participation entails stakeholders exercising the power to behave and regulate their acts within a collective (Mngoma 2010:2; Sibanda 2011:23; Initiative for Climate Action Transparency (ICAT) 2017:8). Stakeholders in LED partnerships include public-sector institutions, local government, the private sector, non-governmental organisations, donor organisations, civil society organisations, and communities (Sibanda 2011:23; ICAT 2017:3). During LED, stakeholder participation is important because it assists in the formulation of goals and strategies for LED, and ensures increased relationships and interactions between stakeholders, which will assist in carrying out LED activities (Sibanda 2011:23; ICAT 2017:10). The importance of stakeholder participation is that it helps transform stakeholder needs into organisational goals and creates the basis for effective strategy development (Sibanda 2011:23; Freeman 1984, in Journeault, Perron, and Vallières 2021:3). Stakeholder participation is valuable because it helps turn the needs of stakeholders into local government organisational priorities and provides the basis for the successful development of LED strategies. It thus helps local government recognise who its LED stakeholders are and, if coordinated effectively, stakeholder participation brings together participants to pool information, experiences, resources, and skills to co-produce or co-create LED solutions (Crowe 2017; Journeault, Perron, and Vallières 2021:3). Stakeholder

participation in LED thus builds local cooperative partnerships and new relationships that generate economic and social value.

In SI, stakeholders include local government, the private sector, non-governmental organisations, civil society, public institutions, communities, teams, and community organisations that are interested in the progress of SI in some way or another (Noked 2013; United Nations Environmental Management Group (UNEMG) 2019). The primary objective of SI stakeholder participation is to engage stakeholders to establish relationships in order to better understand each other's views and concerns about key issues or challenges affecting their lives, and to incorporate those views and concerns as part of a solution (Noked 2013). Stakeholder participation is important because it allows more ideas to be realised than if the programme or project creation and implementation were only limited to one organisation (UNEMG 2019). Hence, these stakeholders engage and collaborate in various roles and use various methods to create social value by offering a range of viewpoints from diverse community contexts (Phillips, Lee, James, O'Regan, and Ghobadian 2015:444; Drake 2018:215; UNEMG 2019). Not only does this give stakeholders a sense of ownership, and thus develops an interest in making the project succeed, but opportunities for engaging with and learning from the project enhance capacity and responsibilities (Crowe 2017; UNEMG 2019). The social resources contributed by stakeholders include both tangible and non-tangible resources (Webel, Sattar, Schreiner, and Phillips 2016:206).

Significantly, in stakeholder participation, LED and SI both establish relationships in order to have a positive impact on communities' development objectives. The LED stakeholders, through their participation, assist in the formulation of goals and strategies for development purposes, while SI partnerships are used to engage the stakeholders to better understand communities' views and concerns so that they may be incorporated into the LED and SI strategies. Both LED and SI use similar stakeholders (local government, public institutions, non-governmental organisations, civil society, local politicians, and the private sector), except that in SI there is the addition of teams and engagement with partners. The difference between the two is the approach to stakeholder participation. In LED the stakeholder participation helps turn the needs of stakeholders into organisational priorities for developmental success. The goal of stakeholder participation is thus to engage stakeholders so that their needs are incorporated into organisational goals, and creates the basis for an effective strategy for LED. Similar to SI, LED aims to bring stakeholders together to pool information, experiences, resources, and skills to co-produce and co-create for LED. Compared to LED, during SI the process of stakeholder participation offers a better view of community context and provides social value to communities. During SI, it is an opportunity for engagement and learning within the project while co-creating and co-producing, thus enhancing the capacity and responsibility of communities. SI is thus embedded in engaging

stakeholders in the creation of social value and is driven by a bottom-up approach during which stakeholders play an active role.

RECOMMENDATIONS

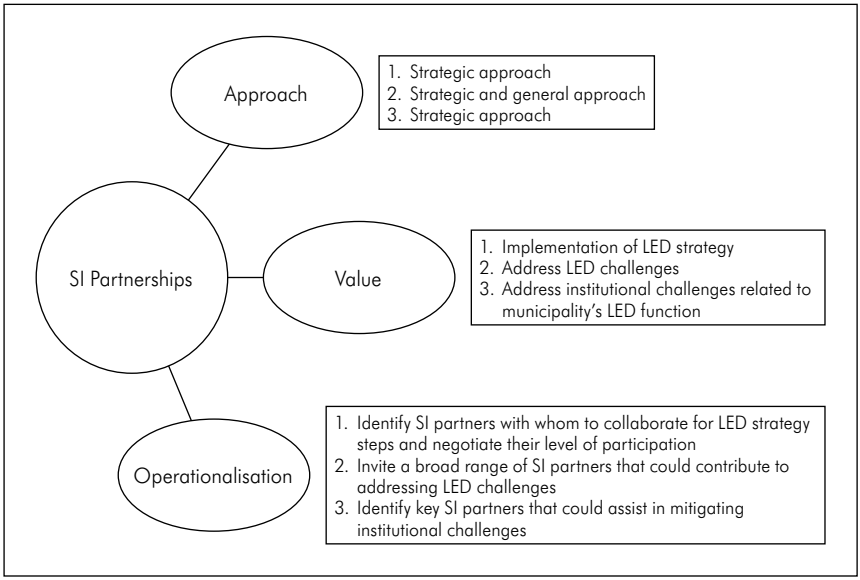
The themes identified in the previous section (partnership formation, network-building, stakeholder participation) were used as the basis from which to propose the themes of SI partnerships, SI networks, and SI stakeholders to operationalise the use of SI as an approach to LED. This section discusses the value of these partnerships, networks, and stakeholders for the municipality as an approach to LED, as well as how a municipality can operationalise them, as illustrated in Figures 1, 2 and 3.

SI partnerships

Regarding SI partnerships, it is apparent that at the centre of using SI and LED is the formation of partnerships. In terms of SI, this stems from its being embedded in collaborations that would be grounded in aspects of either formal or informal partnerships. Likewise, LED's success and the implementation of municipal LED strategies often depend on the nature and extent of partnership involvement as well as reliance on partners. While it is apparent that using SI partnerships during LED is fundamental to leveraging resources for projects or programmes and maximising local resources for economic development, it can be deduced that SI partnerships would be of value for South African municipalities. This value is based on the contribution that such a partnership makes to achieving a municipality's implementation of its LED strategy and delivering on its legislative and policy mandates related to LED. The value generated from the SI partnership could be in respect of contributions made to (i) developing the municipality's LED strategy, (ii) addressing LED challenges confronting the municipality's communities, and (iii) assisting the municipality with institutional challenges related to its LED function.

Concerning developing the municipality's LED strategy, the SI partners can play an important role in its respective steps. These stages include organising the LED effort (step 1), conducting an LED assessment (step 2), developing the LED strategy (step 3), as well as implementing (step 4) and reviewing (step 5) the LED strategy (Van der Waldt *et al.* 2018:171). In terms of operationalising SI partners' role in the LED strategy steps, a strategic approach would have to be considered. This could involve a municipality not only identifying SI partners with whom to collaborate for these steps, but also negotiating their level of participation during the respective stages. What is more, some SI partners would be part of each step while the municipality would identify other SI partners for specific steps only.

Figure 1: SI partnerships



Source: (Authors' own depiction).

When addressing LED challenges confronting the municipality's communities, SI partners are important in respect of actively contributing to finding, designing, and implementing solutions for LED challenges in the municipality. In this regard, these partners could offer their time, resources, skills, and ideas as part of a community of social innovators. Depending on the nature and complexity of solutions, a municipality may have to adopt a more strategic approach to selecting SI partners that could contribute to addressing LED challenges. However, in terms of finding solutions to LED challenges, a general approach may suffice in which a broad range of partners that could contribute are invited. In respect of institutional challenges related to a municipality's LED function, SI partners become an important resource in terms of offering expertise and providing skills where these may be lacking at an institutional level in a municipality. Therefore, to operationalise this value, the municipality would identify key SI partners that could assist in mitigating institutional challenges related to performing their LED function. In an advisory capacity, these LED partners would offer specialised LED skills and expertise, and the municipality would require a more strategic approach to identifying SI partners that could contribute such specialised LED skills and expertise.

From the value and operationalisation of SI partnerships, their importance and the gains for the municipality have been highlighted. However, the onus is on a municipality to initiate such partnerships. The importance of SI partnerships for

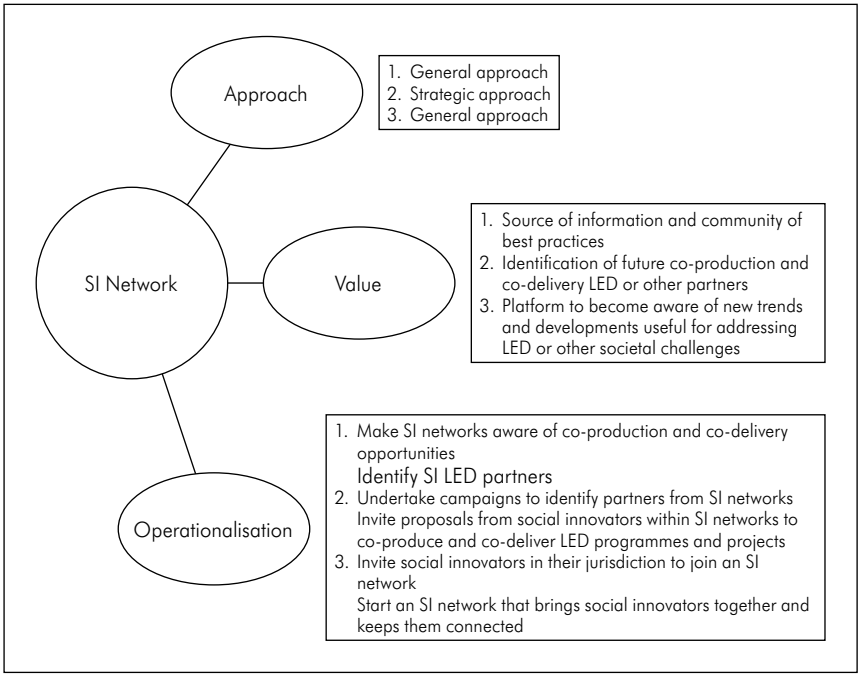
LED is therefore grounded in that it is purposefully initiated and undertaken by a municipality with clearly defined objectives and outcomes linked to its formation. While a municipality may take a general approach for working with some SI partners, they should also strategically choose with which SI partners to collaborate. This is of importance given the fact that SI partners will contribute resources but may also share risks. It is important for municipalities, in agreement with their SI partners, to establish what these objectives and outcomes will be from an institutional perspective but also for the mutual benefit of the partnership. Against this background, Figure 1 illustrates the value, approach and the operationalisation of SI partnerships (each item numbered 1–3 corresponds to the same numbered item under subsequent headings).

SI networks

SI networks are fundamental to the sharing of knowledge, ideas, and good practices to improve the quality of life of communities. The first value of SI networks for LED is that it serves as a source of information and community of best practices into which municipalities can tap to address LED challenges. Further, the municipality could use its SI networks as an important consultative forum to advise it on the best approaches and solutions to address LED challenges. These SI networks stimulate problem-solving through innovative thinking, but could also serve as an important source of co-producing and co-delivering LED solutions. Municipalities, therefore, not only benefit from the problem-solving capabilities of the network but also from the capacity this network offers to the implementation of LED solutions. To operationalise this first value, the onus is on a municipality to make these networks aware of such co-production and co-delivery opportunities. In this regard, a general approach to creating awareness would suffice. These co-production and co-delivery opportunities, which could result in the identification of future partners with whom a municipality can work in terms of LED or other service delivery areas, is another value of SI networks. To operationalise this second value, a strategic approach will have to be adopted to identify future partners. Consequently, a municipality can undertake campaigns specifically aimed at identifying such partners from its networks or invite proposals from social innovators within networks with an interest in co-producing and co-delivering LED programmes or projects.

A third value of these SI networks is that they provide a platform for the municipality to become aware of new trends and developments that could be used to address LED or other societal challenges. This is because such SI networks would not only comprise of social innovators with an interest in LED, but also of social innovators who innovate across various sectors of society. This offers broader perspectives to finding the best solution to an LED challenge, as opposed to merely viewing it from the perspective of a social innovator with a sole interest

Figure 2: SI networks



Source: (Authors' own depiction).

in LED. Of further significance would be the divergent perspectives and experiences that such social innovators would contribute from their area of specialisation or sector, and how this could be used to overcome societal challenges across sectors. A municipality could also benefit from these shared experiences and best practices and even learn of new social innovators that might be useful for other service delivery challenges it has to address. To operationalise these SI networks, municipalities can adopt a general approach by playing a central facilitating role in terms of (i) inviting social innovators in their jurisdiction to join an SI network and (ii) starting an SI network that brings these social innovators together and keeps them connected. Against this background, Figure 2 illustrates the value, approach and the operationalisation of SI networks (each item numbered 1–3 corresponds to the same numbered item under subsequent headings).

SI stakeholders

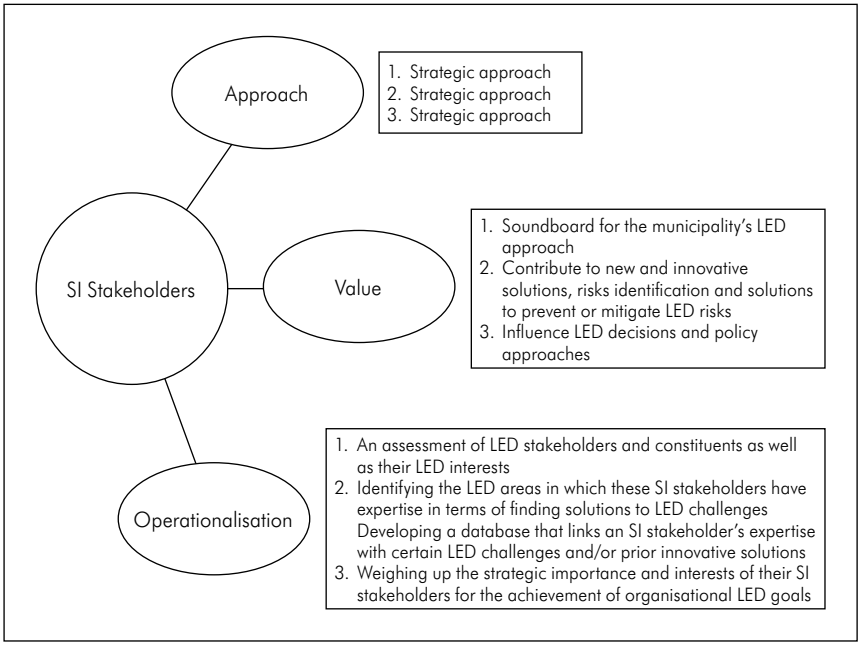
The value of SI stakeholders in LED is threefold. In the first place, these SI stakeholders would have a vested interest in LED that is undertaken by a municipality.

It is this interest that makes them an important sounding board for the municipality in terms of the latter's approach to LED. In this regard, SI stakeholders could be directly or indirectly affected by an LED outcome, LED programme or the municipality's LED strategy. Given their interest in LED, SI stakeholders would offer their views and expertise concerning the municipality's LED strategy and outcomes emanating from it. Though some SI stakeholders may have a higher level of interest in a specific LED outcome, others may have a lower level. This is because their interest might be influenced by the extent to which an SI stakeholder or its constituents are affected by an LED outcome. Based on an SI stakeholder's level of interest in an LED priority and/or their interest in an LED challenge, a municipality could identify with which SI stakeholders to consult. Operationalising this first value of SI stakeholders could be achieved through an assessment of who their LED stakeholders and constituents are and by identifying their specific LED interests. A strategic approach is therefore required by a municipality to identify these SI stakeholders, in particular their specific LED interests.

The interest of SI stakeholders in LED is not limited to their offering views and expertise, but also includes contributing to the municipality's quest to finding new and innovative solutions, and identifying potential risks and solutions to prevent or mitigate LED-related risks. This is where the second value of SI stakeholders in LED lies. SI stakeholders play an important role in co-creating and co-producing solutions to LED challenges or the implementation of an LED strategy and its programme or project outcomes. Since these stakeholders represent constituents from the community, they could ensure that solutions that are derived are aligned with LED challenges. This would make LED strategies more legitimate in the eyes of the communities these SI stakeholders represent. In turn, the SI stakeholders, based on their interest in LED, could also play an oversight role by holding the municipality accountable for the decisions it makes concerning LED. Moreover, decisions should be made based on the extent to which such decisions affect the stakeholders and their constituents directly or indirectly. The first step for a municipality would be operationalising this second value of SI stakeholders by identifying the LED areas in which these SI stakeholders have expertise in terms of finding solutions to LED challenges. Developing a database that links an SI stakeholder's expertise with certain LED challenges and/or the identification of previous innovative solutions could be useful. This also aids the municipality in adopting a strategic approach to identify SI stakeholders who could contribute to using SI to find LED solutions.

The interest of SI stakeholders in LED expands beyond the benefit a municipality may derive from its relationship with these stakeholders. Therefore, SI stakeholders could leverage their relationship with a municipality to have their needs prioritised in the municipal LED strategy or objectives. Leveraging their relationship with municipalities is where the third value of SI stakeholders in LED

Figure 3: SI stakeholders



Source: (Authors' own depiction).

lies. Through their relationship with a municipality, these SI stakeholders could influence decisions about the municipality's LED strategy as well as policy approaches adopted to implement the municipality's LED strategy. Through a strategic approach, municipalities will have to determine how to prioritise the needs and interest of their SI stakeholders in their LED priorities, strategy and associated outcomes. This could be operationalised by weighing up the strategic importance and interest of their SI stakeholders for the achievement of organisational LED goals. This becomes an emerging benefit for SI stakeholders, as they can influence municipal decision-makers in decisions that would in turn benefit them as well as their constituents. Against this background, Figure 3 illustrates the value, approach, and the operationalisation of SI stakeholders (each item numbered 1–3 corresponds to the same numbered item under subsequent headings).

CONCLUSION

This article has provided a thematic exploration of SI's use as an approach to LED by South African municipalities. The research question posed in this regard

was: What are the themes emerging in current research that could enhance the use of SI as an approach to LED? The aim and research question were addressed through a qualitative approach and thematic content analysis of documents that posit relevant research concerning SI and LED. Through an inductive approach, this content analysis resulted in the identification of themes such as partnership formation, network-building, and stakeholder participation, which were the key themes that emerged from the literature that underpins the application of SI and LED. These themes were thus considered fundamental in operationalising the use of SI as an approach to LED.

From the content analysis, the themes of SI partnerships, SI networks, and SI stakeholders were proposed to operationalise SI's use as an approach to LED. This article has argued that the significance of SI partnerships, SI networks, and SI stakeholders lies in the value they potentially hold for South African municipalities using SI as an approach to LED. This article recommends that a municipality will, however, only benefit from the value of these partnerships, networks, and stakeholders if it purposefully, from an institutional perspective, operationalises steps and practices to exploit this value. In this regard, integrating SI in how and when a municipality undertakes LED is considered prudent to SI's successful use during LED, to enhance SI's use during LED, and to benefit from the value SI holds during LED. From this, it is apparent that changes in a municipality's external environment are warranted and depends on making an impact in that environment through SI. Given SI's significance in addressing societal challenges, its potential to contribute to social value creation, and its value as an approach to LED as highlighted throughout this article, empirical research that could enhance its future application by local government will be beneficial.

NOTE

* This article is based on an unpublished mini-dissertation: Social innovation and local economic development: A South African local government perspective (2021) submitted to the University of the Free State, under the supervision of Dr M Biljohn.

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Civic Crowdfunding as Alternative Urban Renewal Instrument for African Cities

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ABSTRACT

The emergence of civic crowdfunding is a relatively new phenomenon in the city governance arena. Scholarly literature on the application thereof as urban renewal alternative is therefore rather muted. Based on perceived successes in cases where crowdfunding was applied, it is evident that it holds significant potential as an alternative instrument for city renewal.

Crowdfunding is being increasingly touted worldwide as an alternative revenue collection mechanism available to cities. However, the intricacies associated with the utilisation of civic crowdfunding as an alternative urban renewal instrument necessitates an exploration of the documented experiences of its applicability. The purpose of this article is to explore the emergence of crowdfunding in cities and to uncover best practices in its utilisation by interrogating selected cases in both developed and developing contexts. Using a qualitative methodology, a case study design and content analysis as the research design, seven cases were analysed to uncover success factors and key lessons to be learnt. Based on the analyses of these cases, namely the Statue of Liberty, the Glyncoch Community Centre, the Liverpool Flyover, the BD Bacata Tower, Live Lebanon, Zambia's Sunny Money, and Kenya's Skynotch Energy, key lessons are drawn for city administrations as well as citizens as potential participants in crowdfunding initiatives. Critical success factors emerging from these cases are thematically analysed and include factors such as the role of social media, the utilisation of crowdfunding platforms, the importance of city regulations, and the significance of rewards and acknowledgements. Finally, some major operational concerns about civic crowdfunding as an alternative for urban renewal are identified.

INTRODUCTION

Civic crowdfunding is a relatively new phenomenon in the city governance arena. Scholarly literature on the application thereof as an urban renewal alternative is therefore rather scarce. Based on perceived successes in cases in which crowdfunding has been utilised, it is evident that it holds significant potential as an alternative instrument for city renewal.

This article comprises a report on the findings of an explorative investigation into the application of crowdfunding as an urban renewal alternative. For this purpose, seven case studies were analysed, namely the Statue of Liberty, the Glyncoch Community Centre, the Liverpool Flyover, the BD Bacata Tower, Live Lebanon, Zambia's Sunny Money and Kenya's Skynotch Energy. Based on the analyses of these cases, key lessons are drawn for city administrators, as well as citizens as potential participants in crowdfunding initiatives. Critical success factors emerging from these cases are thematically analysed and include factors such as the role of social media, the utilisation of crowdfunding platforms, the importance of city regulations and the significance of rewards and acknowledgements. Finally, emerging concerns in the application of crowdfunding as an urban renewal alternative are highlighted. These concerns range from issues related to financial sustainability, social equity, the unique nature of crowdfunding, the potential for fraud and corruption, so-called "free riding" and the cost of capital, as well as risk and uncertainty.

CIVIC CROWDFUNDING: CONCEPTUAL AND CONTEXTUAL ORIENTATION

A robust literature review exposed the fact that civic crowdfunding was extending its frontiers into a variety of sectors, particularly the public domain (Davies 2014:31). Gierczak *et al.* (2015:9) trace the emergence thereof to the United States of America, particularly during the early 2000s, before it spread to Europe.

According to Chen (2016:9), crowdfunding was originally limited to start-up enterprises, but later extended to local authorities when it became apparent that communities could make a meaningful contribution to city infrastructure development and maintenance projects by investing on crowdfunding platforms. Soepper (2018:178) explains that dramatic reductions in revenue collection and cuts in city expenditure created a rather desperate situation, whereby cities were unable to maintain municipal infrastructure. This, in turn, led to urban decay, especially in inner-city areas. Marom (2013:30) adds that citizens increasingly play an important role in urban renewal initiatives and that civic crowdfunding initiatives enable them to contribute to infrastructure maintenance and other projects that cities are unable

to fund. Soepper (2018:179) also states that citizens generally "care for their local communities and may be willing to pay for certain services or do the necessary work themselves". As such, civic crowdfunding is an innovative alternative revenue collection instrument in the city governance arena (Gierczak *et al.* 2015:8).

In light of the relatively rapid emergence of civic crowdfunding in the internet era, Chen (2016:9) explains that various funding platforms have been established around the globe. Examples of such platforms include Spacehive in the United Kingdom and CitizenInvestor in the United States. These internet-based platforms enable citizens to contribute to their community's well-being and prosperity. According to Soepper (2018:176), these platforms enable citizens to donate money for projects that might improve their neighbourhoods without receiving an immediate personal reward in return. Spacehive, for example, states that "because projects have to reach out to the community for support, the things that get built are much more likely to be valued by people. It is a process that binds people together and gives them a stronger sense of ownership over their area" (Spacehive 2016). In a similar vein, Soepper (2018:178) asserts that civic crowdfunding is primarily driven by a "do-it-yourself" attitude, the inability of cities to maintain urban amenities and internet-based technologies. It offers a new means of cooperation and participation in city affairs. Mayer (2016:44) adds that civic crowdfunding can be regarded as a complementary tool for cities and citizens to jointly contribute to urban renewal and city improvement initiatives. As such, Mayer (2016:44) holds that civic crowdfunding is not a replacement for conventional municipal budgeting, but rather a complementary financial instrument to support community development.

Gasparo (2015:10) observes that the potential disconnect between development needs, urban communities and available city funding creates a suitable environment for introducing alternative instruments to address infrastructure development and maintenance concerns. Funding alternatives such as civic crowdfunding are central to network governance theory since they offer a "new platform" for citizen participation and improved city decision-making (Gasparo 2015:7). Gierczak *et al.* (2015:15–16) cite Blohm (2013) as stating that crowdfunding is based on the fundamental idea of "co-creation", in that, citizens, as "financial backers", are directly integrated into city value creation. For instance, the experiences of the Liverpool Flyover and Live Lebanon cases highlighted below show that city administrations, citizens and non-governmental organisations can come together to jointly plan and contribute to urban renewal projects. As such, civic crowdfunding generally enhances citizen participation in city governance and contributes to a sense of ownership (Jenik *et al.* 2017:6). In addition, Mayer (2016:49–50) reasons that the adoption of multiple approaches and the involvement of a network of actors are critical, especially early on in civic crowdfunding projects. Multiple approaches and the collaboration of a network of actors

generally see the emergence of a new form of city governance that is based on co-governance, citizen engagement and collaboration (Brent and Lorah 2017:3). It is also characterised by the application of internet-based information and communication technology to drive joint initiatives. Social networks, in particular, enable citizens to enhance local democracy and participatory city governance (Freitas and Amado, 2013:6). In this regard, Noveck (2009), cited in Mayer (2016:50), avers that utilising "a series of small decision-making hubs" on any number of issues does not only promote more active citizen participation in city governance, but also minimises the likelihood of "state capture" by influential actors and generally mitigates the potential for corrupt practices.

RESEARCH METHODOLOGY

A qualitative research design with an interpretivist paradigm was utilised for this study. A case study approach was adopted for the purposes of comparative analysis. Representative and typical cases were purposively selected based on varying developed and developing city contexts. The main themes identified based on the analysis of the cases were:

- crowdfunding context (i.e., circumstances leading to the case);
- challenges encountered during the crowdfunding initiative;
- emergent success factors; and
- potential lessons and best practices.

By using these themes, the researchers progressively integrated findings to make deductive conclusions. Below, each case is briefly highlighted, whereafter the findings and conclusions based on the identified themes are reported. It should be noted that an in-depth analysis of each case is not possible within the confines of this article.

Case study 1: The Statue of Liberty

In 1881 the committee tasked with the construction of the base required to support the Bartholdi statue (commonly referred to as the Statue of Liberty) ran out of funds (Davies 2014:32–33; Griffiths 2017:11; Oliva 2018:116). Griffiths (2017:11) notes that the pedestal was expected to cost more than US$300 000, but the organising committee had been able to generate only US$150 000. Oliva (2018:116) stresses that "the situation changed thanks to the intervention of Joseph Pulitzer, who, through his newspaper, *The New York World*, announced the intention to collect the $100 000 that would be needed to complete the pedestal". According to Calveri and Esposito (2013:24), within five months the crowdfunding initiative

had raised US$102 000 in total. This came from more than 100 000 individual donations, most of which amounted to less than one dollar per person. The amount raised was sufficient to build the pedestal and place the Statue of Liberty upon it. Crowdfunding did not only raise awareness of the statue across America, but also significantly contributed to a sense of ownership (Griffiths 2017:11).

Davies (2014:33) maintains that, if launched today, the crowdfunding initiative would be understood as a "quintessential" campaign; that is, an initiative that uses a single collection point to raise money from a large pool of potential donors. This case study serves as a valuable example of an early practice of crowdfunding. What makes the case particularly significant is that it illustrates the importance of the ability to reach a large audience, the value of public awareness and the necessity of creation of ownership. Davies (2014:36) adds that this case illustrates the positive consequences of community engagement and participation.

Case study 2: Glyncoch Community Centre

Marom (2013:30) indicates that the construction of a community centre in Glyncoch, Wales (2011–2015) illustrates the importance of civic crowdfunding initiatives in urban settings. The case involved the replacement of an old community centre with a new one. The main aim was to transform a "dilapidated shed" into a contemporary, energy-efficient community centre with well-landscaped external areas. The new centre was expected to be suitable for the hosting of workshops, community groups and conferences for local businesses (Freitas & Amado 2013:11). To this end, Glyncoch Regeneration Limited (GCRL), through Spacehive, raised money for the construction of the new centre (Chen 2016:10).

The case revealed the magnitude of the potential of allowing citizens to work with city administrations and city councils being willing to support civic engagement. Hollow (2013:69) and Davies (2014:73) assert that the case of Glyncoch Community Centre is significant both for its scale and as an example of how crowdfunding can be used as a means of "filling a gap" in public funding. Davies (2014:73–74) portrays this crowdfunding project as one of the biggest in terms of the amount of money (£792 021) raised, as well as in terms of its prominence in a city governance and urban renewal context.

Case study 3: Liverpool Flyover

According to Gasparo (2015:15), the Liverpool Flyover was initiated after Liverpool's 2012 Strategic Investment Framework was made public. Gasparo explains that the project's mission was "to enhance Liverpool through 'Enterprise, People, and Place', including the demolition of Churchill Way". A social enterprise that was established to oppose the demolition of the Flyover, "We Make

Liverpool", started a crowdfunding project with the objective of saving the flyover and turning the existing structure into an urban walk and cycle way with trees and shops, and to host educational and other events. Furthermore, the flyover was to provide local businesses and community-based organisations with the required space to expand their services (Future Cities Catapult, 2014:27; Gasparo, 2015:15: Junghans and Dorsch, 2015:19). Over £40 000 was raised through the civic crowdfunding website, Spacehive.

The organisers of the successful Liverpool Flyover crowdfunding initiative credited themselves for delivering a "participative, feasibility study to retain existing city infrastructure and to utilise it as a 'unique, citizen-led space in the city centre'" (Future Cities Catapult 2014:27). The case demonstrated that crowdfunding could provide cities with an alternative means of engaging citizens and testing the feasibility thereof for city renewal.

Case study 4: Colombia's BD Bacata Tower

The financing of the construction of the BD Bacata Tower in Colombia (2011–2015) represents the apogee of crowdfunding in the city governance and urban renewal arena. It is described by Morri and Ravetta (2016:19) as the "biggest project in the crowdfunding era" and demonstrates the vast potential of crowdfunding as an urban renewal alternative. BD Bacata was constructed through the works of Prodigy Networks, a Colombian-American company. According to Andrews (2014:10), Prodigy Networks realised that crowdfunding could mobilise broad-based investment participation in a relatively safe and effective manner. Freitas and Amado (2013:13) explain that the company called for funding for the BD Bacata project and gave Colombians the opportunity to take ownership thereof. This call attracted approximately 3 800 ordinary Colombians to make contributions, with an average investment of US$69 000. The total amount raised was US$240 million. BD Bacata is recognised as the world's first crowdfunded skyscraper.

The Colombian case study deserves more detailed scrutiny, since its success can inform the civic crowdfunding discourse. Not only does it serve as valuable best practice case, but it also reveals the fact that commercial real estate agencies can significantly enhance urban infrastructure development imperatives by joining forces with ordinary citizens. Conventional real estate development approaches, such as equity crowdfunding, can also be applied to city infrastructure development, either as part of public-private partnerships or exclusively as crowdfunding models.

Case study 5: Live Lebanon

Live Lebanon is a United Nations Development Programme (UNDP) initiative, whereby Lebanese citizens, members of the private sector, and expatriates are

given the opportunity to provide direct financial support for the upliftment of Lebanon's underprivileged communities (UNDP nd:2). Candelise (2015:7–8) describes Live Lebanon, established in 2010, as an ongoing initiative to support poor urban areas through urban renewal projects. The UNDP (nd:2) states that Live Lebanon was designed in partnership with municipal and civil society representatives. Each project emanating from this initiative (e.g., "Mask your Hero", Ali El Nahri bridge construction, "Hunting Cartridges", and "Firefighting Backpacks") is due to the commitment of companies and individuals who wish to make a contribution to address the needs of poor urban communities.

Candelise (2015:8) argues that this case demonstrates the importance of a crowdfunding agency (the UNDP in this case) acting as a catalyst for developmental urban projects. The case also demonstrates that social media and other internet-based platforms perform an invaluable role in terms of engaging new actors in urban development and fostering new public-private partnerships (United Nations Volunteers 2018:2). Social media especially contributes through the works of "goodwill ambassadors" from different regions in the world (e.g., Africa, Arab Gulf region, USA, etc). Moreover, Candelise (2015:8) asserts that the donation-based funding model that was applied in this crowdfunding project was supported by seven main income streams, namely:

- The Live Lebanon website (http://livelebanon.org);
- The Zoomal platform (a partnership between the UNDP, Live Lebanon and Zoomal to support crowdfunding projects);
- The Alfa/Touch donation application;
- A bank account;
- The appointment of a goodwill ambassador and the use of celebrities to raise awareness and support;
- The engagement of immigrants and other interested parties to make donations as a way of giving back to communities; and
- The regional UNDP Office.

The variety and diversity of income streams significantly enhanced the longer-term sustainability and financial viability of the project.

Case study 6: Sunny Money

Sunny Money is described by Gajda and Walton (2013:15) as "a low-cost, high-tech, solar-powered technology provider in Zambia". They assert that the company secured US$20 000 in 2008 through crowdfunding via a USA-based platform, SunFunder. The aim of the Sunny Money project is to provide 1 232 solar-powered lights to families in the Copperbelt region of Zambia. This region is characterised by extreme poverty and the absence of electricity. It is expected

that 7 000 people will eventually benefit from the solar energy project that will run until 2030. Gajda and Walton (2013:16) postulate that the initiative will result in an expected total of US$149 072 in energy cost savings (i.e. US$121 per family) and a 12% increase in disposable income.

The case shows that crowdfunding can be used to support lending schemes in the renewable energy sector. Climate-focused projects in particular are attracting crowd- funders and could be used to support existing urban renewal activities. AlliedCrowds (2016:26) add that crowdfunding platforms and projects dedicated to renewable energy offer opportunities for communities to access electricity in a novel way. It also attracts crowdfunding contributions from private investors and development agencies.

Case study 7: Skynotch Energy

Skynotch Energy is a Nairobi-based company that is in the business of distributing solar lanterns. According to Cogan and Collings (2018:52), the company was initiated by the Kenya Climate Innovation Centre (KCIC) and receives support from Crowdfunding Capital Advisors (CCA) as part of an experimental programme to test how reward crowdfunding could support Kenyan entrepreneurs. In 2014, the company aimed to raise US$50 000 but managed to raise only US$330. As such, the case offers valuable lessons regarding potential pitfalls in the utilisation of crowdfunding.

The first lesson that could be learnt from this case, according to Cogan and Collings (2018:52), is that the financial target set for the crowdfunding was overly ambitious. The second lesson is that the chosen crowdfunding platform must be compatible with the company's financial transaction system. In this case, the majority of the contributions came from people inside Kenya, where mobile money is the predominant mode of financial transacting. The crowdfunding platform, *Indiegogo*, did not have the functionality to support mobile money transactions; it received contributions only via debit or credit card.

RESEARCH FINDINGS

The detailed analyses of the case studies reveal that civic crowdfunding is relatively new in the urban renewal arena. It further reflects that the success of crowdfunding is generally not affected by the size or scope of the project. The seven case studies offer a number of additional lessons and critical success factors to be considered by actors involved in the design and utilisation of crowdfunding as an urban renewal alternative. Some of these lessons and critical success factors are outlined below.

Lessons for city administrations

The potential transformative role of civic crowdfunding is something city administrations should contemplate. The cases provide *prima facie* evidence that civic crowdfunding can positively alter the way city administrations structure, engage and collaborate with civil society. Boyer and Hill (2013:13) warn that "while citizens may not have the tools to rapidly recalibrate decision-making processes about their city, they are certainly capable of working outside of them, getting on with doing something". Thus, as explicated by scholars such as Nath (2011) and Mayer (2016), as civic crowdfunding projects become more prevalent, they have the potential to transform city governance by altering the conventional roles and boundaries between citizens and city administrators. Gasparo (2015:4) observes that city administrators need to recognise that without a more comprehensive understanding of the complex interrelationship between community needs, city administration decisions and the availability of adequate funding, it is difficult to address infrastructure rehabilitation concerns. Civic crowdfunding helps cities to solicit alternative solutions to urban renewal problems that require broad-based public support and additional funding (Brabham 2013). Crowdfunding can also be regarded as an alternative means for city administrators to engage and collaborate with urban residents (Junghans and Dorsch, 2015:18). Similarly, Veelen (2015:7) argues that crowdfunding capitalises on the willingness of citizens to add value to the "civic economy", which requires cities as developmental catalysts to play a role other than the traditional one.

The experience of Glyncoch Community Centre shows that citizens can rehabilitate community infrastructure, while that of the BD Bacata Tower demonstrates that crowdfunding can change the overall outlook of cities. In the context of civil unrest, the case of Lebanon shows that crowdfunding can be used to mobilise citizens to contribute to the development of their communities.

Lessons for citizens

It is evident that broad-based citizen participation is the bedrock of not only civic crowdfunding but the broader discourse of city governance. In this regard, Gasparo (2015:6) makes it clear that the success of civic crowdfunding projects depends upon the nature and extent of citizen participation. Mayer (2016) further argues that citizen participation is vital to hold city administrators accountable. In this respect, Gasparo (2015:7) maintains that individuals who provide initial funding are in some ways "voting with their donations" and expect that all the donated money be accounted for. The case studies reiterate these observations and further reveal that crowdfunding has the potential to establish new participation mechanisms and positive collaboration between city administrations and citizens.

Scholars such as Freitas and Amado (2013) and Soepper (2018) hold that, in the absence of such fruitful engagement between citizens and city administrations, people will decide for themselves which urban renewal projects are going to be realised. Their initiatives and passion will thus drive urban development rather than the plans of city councils.

CRITICAL SUCCESS FACTORS FOR THE APPLICATION OF CIVIC CROWDFUNDING AS URBAN RENEWAL INSTRUMENT

The case studies expose a number of observable critical factors that might contribute to the success of crowdfunding projects. Some of the most significant factors are outlined below.

The contribution of social media

Social media has enabled the creation of new platforms for individuals and groups to communicate and organise around certain causes (Gasparo 2015:10). Stiver *et al*. (2014:13), citing Moisseyev (2013), postulate that social media has been identified as a key component of crowdfunding due to its ability to foster involvement and collaboration. Concurring with this view, Agrawal *et al*. (2010), cited in Gierczak (2015:15), argue that crowdfunding is heavily reliant on social media and online communication, which radically simplifies the sharing of information about a crowdfunding project across geographical borders. The successes of the use of goodwill ambassadors in the case of Live Lebanon testify to this. Stiver *et al*. (2014:4–5) point out that social media is not only "a differentiator between civic crowdfunding and traditional models of philanthropy", but also "an important tool for relationship building and funding". Afrikstart (2016:18) also avows that Facebook, Twitter and other social media platforms significantly contributed to the emergence of crowdfunding on the African continent.

As observed in the cases of the Liverpool Flyover and Glyncoch Community Centre, social media and other online applications enable city administrations to encourage citizens to take part in the design of urban renewal projects and gives them the opportunity to propose new ones. The prevalence of social media making it possible to tell a story in real time is a notable reason for the success. In the case of Africa, as can be seen in the two related case studies, slow internet penetration in cities is a cause for concern because it inhibits the utilisation of crowdfunding as an urban renewal alternative.

The role of crowdfunding platforms

Crowdfunding platforms play a vital role in crowdfunding successes. In this regard, scholars such as Jenik *et al.* (2017:4) and Nesta (2012:2) assert that crowdfunding platforms enable online intermediaries to facilitate the transfer of funds from donators or investors to those in need of the capital. In other words, it offers a technical solution to match supply and demand (Jenik *et al.* 2017:4). The cases furthermore confirm Freitas and Amado's (2013:14) statement that it is imperative for city authorities to design and utilise their own crowdfunding platforms rather than using temporary initiatives. The main problems associated with temporary platforms are that they are dependent on annual budget allocations and often do not adhere to the practical and technical specifications applicable to crowdfunding projects. Such platforms can, however, also be independently owned, as was the case with the Statue of Liberty, Glyncoch Community Centre and Liverpool Flyover projects, or owned by project owners, as was the case with the BD Bacata Tower initiative. Crowdfunding platforms generally do not only enable financial transactions, but also raise public awareness of urban development issues and make public participation in urban planning more visible (see Freitas and Amado 2013).

Rewards and acknowledgements as motivation

Rewards and acknowledgements are essential success factors in civic crowdfunding, especially to motivate backers of community projects. Rewards have been at the centre of crowdfunding since the Statue of Liberty case and continue to motivate supporters of crowdfunding projects. The types of rewards might be different in donation crowdfunding to those in lending schemes or equity crowdfunding. In donation and reward crowdfunding, as was the case with the Statue of Liberty, Glyncoch Community Centre and the Liverpool Flyover initiatives, rewards might be merely of symbolic value. In equity or lending crowdfunding, as was the case with the BD Bacata Tower, backers are likely to be motivated by financial returns. These findings confirm the arguments of authors such as Gerber and Hui (2013), Michelucci and Rota (2014:13) and Brent and Lorah (2017:7), who state that crowdfunding campaigns must have some form of public benefit, ranging from altruistic returns to financial compensation for contributors.

Regulation

The cases revealed the necessity for clearer statutory and regulatory guidelines. Freitas and Amado (2013:10) argue that crowdfunding can often be regarded as a "budding industry" that is yet to have the necessary rules and regulations in place for it to be an effective alternative for urban renewal projects. In the same

vein, Adams (2014:12) argues that current internet-based crowdfunding activities have stimulated responses from city regulators around the world. It became evident that national legislation and other regulatory measures were required to direct the application of crowdfunding. Countries such as France have instituted regulatory reforms aimed at improving crowdfunding procedures and protecting individuals. Such regulations are also aimed at "removing entry barriers to facilitate new crowdfunding projects; promoting greater transparency in crowdfunding transactions; and enhancing social inclusion by providing access to all citizens and groups, irrespective of their income or wealth" (Belleflamme *et al*. 2015:14). However, in Africa, Afrikstart (2016), AlliedCrowds (2016), Cambridge Centre for Alternative Finance (2017), among others, point to the absence of a clear regulatory framework to guide the adoption of civic crowdfunding. This was also confirmed by Sunny Money's case study, which was conducted in Zambia.

Online and offline communities

Authors such as Brabham (2013:23) and Stiver *et al.* (2014:14) maintain that communities are the driving force behind crowdfunding projects and, as such, both "online" (i.e., those who have access to the internet) and "offline" communities are central to its success. Transitions between online and offline communities are a distinguishing feature of civic crowdfunding cases. Usually, when citizens rally around a particular urban renewal project, the process begins offline (eg., through advertisements, newspaper articles and public announcements), but active participation (i.e., making financial contributions) occurs online. Thus, non-financial themes such as online networking and offline participation demonstrate civic crowdfunding's relevancy to both individual and institutional stakeholders, as it lies at the intersection of funding, technology and civic participation (Stiver *et al*. 2014:5). This was the main strength of the Live Lebanon case.

Crowdfunding ecosystems

The case studies point to the criticality of a clearly demarcated crowdfunding ecosystem. In essence, such an ecosystem consists of demand and supply platforms, as well as enablers. The demand side consists of citizens, groups, organisations, and other actors seeking funds. The case studies, in line with Jenik *et al.'s* (2017:4) crowdfunding ecosystem analysis, depict several ecosystem models that highlight beneficiaries (e.g., donations and reward-based crowdfunding); borrowers (debt); or issuers (equity), who can range from public actors such as local authorities to communities, individuals, micro-, small- and medium-enterprises (MSMEs); non-governmental organisations (NGOs); and non-profit entities (e.g., charities). In the same vein, the case studies show that the supply side consists of donors

(donation), backers (reward), lenders (debt) and investors (debt, equity). All of these actors (i.e., the "crowd") can collectively be referred to as funders. The latter include private individuals, financial investors, venture capitalists, businesses, philanthropic organisations, development agencies, government entities and large financial corporations. The case studies also highlight the fact that a wide range of donor entities are necessary for the crowdfunding ecosystem to succeed. They also accentuate the fact that enablers are required, such as payment systems, financial transaction service providers, sufficient technological infrastructure and auditing capacity. The Live Lebanon crowdfunding model demonstrates the importance of a multifaceted payment system, while Kenya's Skynotch Energy case study brings to the fore the need to have a system that fits the particular target funders.

Potential concerns in using civic crowdfunding

From the analyses of the critical success factors above, a generalised assumption could be made that civic crowdfunding is always beneficial to all involved and that it usually has positive outcomes. However, concerns about its adoption are revealed by the cases and are also identified by scholars such as Zuckerman (2012), Stiver *et al.* (2014) and Gierczak *et al.* (2015). Such concerns include uncertainty and risk, the cost of capital, sustainability, equity, and fraud. Each concern is briefly explicated below.

Civic crowdfunding's *sui generis* nature

The case studies show that crowdfunding has unique characteristics in that it is a relatively complex process involving various actors in an ecosystem of transactions and activities. This ecosystem is further complicated by the fact that its application could vary substantially from model to model (Jenik *et al.* 2017:4). The peculiarities of crowdfunding are further exacerbated by the fact that crowdfunding cuts across differing fields and tasks, such as public governance, information technology, finance and urban planning. It also has a bearing on the legal, regulatory, and institutional architecture of the organisations involved. It could be argued that the intricacies associated with crowdfunding result in city administrators being sceptical about utilising it as an urban renewal instrument. The relatively slow uptake of this practice in Africa could be attributed to this fact. In the case of Live Lebanon, it is evident that the actors followed a rather cautious approach. Such an approach is well coordinated and supported by a reputable institution (i.e., UNDP) with skilled staff and shared responsibilities. In the same vein, the case of the BD Bacata Tower in Colombia illustrates that crowdfunding can transform the urban landscape by driving substantial urban projects. On the

other hand, the Skynotch Energy case illuminates the fact that it is important to model crowdfunding in a way that suits local conditions. Concerns about embracing crowdfunding centre mainly around determining which type and form is best suited to a particular project, which business model to adopt and what type of jurisdictions are applicable.

Risk and uncertainty

One of the major challenges associated with crowdfunding is risk and uncertainty. Freitas and Amado (2013:10) reason that crowdfunding's "open nature" attracts novices who are usually not well versed in this kind of financing and thus lack the competencies to assess risk. To this end, Gasparo (2015:6) contends that, together with the demand for urban renewal projects, risk and uncertainty are becoming more prominent. Risk assessments are required for all those involved in project planning and financing, especially when public-private partnerships and city-community partnerships are involved. Freitas and Amado (2013:10) suggest that, to circumvent these concerns, it is important to put in place "metrics, standards and certifications" that are designed to assist willing but apparently novice crowdfunding investors to fully comprehend the potential consequences and legal ramifications of their actions. City regulations and by-laws are also required to ensure that such metrics, standards and certifications are adhered to.

The cost of the capital

Gierczak *et al*. (2015:16) maintain that crowdfunding, compared to other forms of city financing, bears high capital costs. According to Gierczak *et al*., on average, crowdfunding platforms expect approximately 10% of the raised capital. They frequently also charge additional fees for due diligence of projects or insurance payments to reduce uncertainty and risk for the financial backers. Crowdfunding initiators need to account for the costs of potential returns such as interest, shared profits, discounts, or other types of rewards. Crowdfunding campaigns typically require high start-up costs for activities such as producing an awareness video and other advertising materials and brochures to support the campaign, as well as for managing the campaign itself. A relatively high level of expertise and experience is required to, for example, respond to the questions of potential financial backers.

Sustainability

The cases demonstrate that there is a need for further scholarly inquiry into the longer-term efficiency and sustainability of crowdfunding. In this regard, Freitas and Amado (2013:14) admit that launching a new crowdfunding public (i.e., city)

project arouses some initial excitement, but that it is difficult to sustain support for the duration of the project. The sustainability of projects is thus a major concern, since large-scale civic crowdfunding projects such as community centres, parks and sport facilities require ongoing funding for its maintenance. Authors such as Freitas and Amado (2013) and Stiver *et al*. (2014) hint, therefore, that city administrators have grounds to be extremely cautious about supporting a crowdfunded urban renewal project, since they often need to carry the maintenance costs once the project is completed. For this reason, civic crowdfunding, in its current form, might not always be appropriate for projects requiring, among other things, ongoing maintenance.

Fraud and corruption

The assessment of the roles and responsibilities of city administrations in the cases revealed that fraud and corruption were legitimate concerns, which is exacerbated by the nature of crowdfunding. Freitas and Amado (2013) and Belleflamme and Lambert (2014) confirm that fraud and corruption are prevalent wherever money is involved. However, in crowdfunding these threats become more prominent due to the fact that there is usually no personal contact between the contributors or investors and the entrepreneur who initiated the project. Furthermore, contributors or investors often have no particular knowledge of the business model or whether any monitoring and oversight mechanisms are in place. In this regard, Belleflamme *et al*. (2015:29) focus on fraud that can be associated with crowdfunding platforms; that is, "the opportunism problem by fundraisers with respect to truthful reporting". They propose that to avoid, or at least limit, severe cases such as outright fraud, the crowdfunding platform must have an adequate monitoring system.

The World Bank (2013) waters down the concerns related to fraud and corruption, claiming that cases of fraud and corruption associated with crowdfunding have been relatively rare. The World Bank further argues that the risk of fraud or money laundering does not appear to be greater with crowdfunding than with any other investment systems. De Buysere *et al*. (2012), cited in Freitas and Amado (2013:10), concur with the World Bank. They maintain that the unique open nature of social networks limits the likelihood of fraud and corruption. Furthermore, crowdfunding platforms need to compete with each other and entrepreneurs will usually select the platform with the best detection and preventative measures to safeguard them against fraud and corruption.

Social equity

As civic crowdfunding evolves and develops, concerns regarding its impact on issues such as social equity continue to be raised. Davies (2014:56), for example,

raises the following two pertinent questions: "Is civic crowdfunding in its current state an open and well-distributed means of participation? If civic crowdfunding has the potential to supplement or replace existing public services, does it distribute resources evenly, or does it privilege certain groups and activities?" Such concerns should not be ignored, especially if civic crowdfunding is to be embraced in developing countries, in which issues of inequality are topical. Gasparo (2015) confirms that equity issues are important considerations, especially to comprehend how particular communities will be influenced by crowdfunding activities. The analyses of the cases did not reveal any conclusive evidence of these issues and further scholarly engagement is required to reflect on social equity concerns.

"Free riding" and "cheap riding"

Concerns have also been raised regarding the so-called "free-rider" problem in civic crowdfunding. According to Davies (2014:60), civic goods are typically non-excludable "since the majority of projects are either classic public goods or common pool resources". Civic goods are susceptible to what Isaac *et al.* (1989) call "cheap riding". Isaac *et al.* (1989), cited in Ansink *et al.* (2017:2), argue that "cheap riding occurs whenever agents contribute to the public good but try to achieve an outcome where their own relative contribution is low". Davies (2014:60) recommends that it is necessary to make a distinction between the goods being provided; that is, "whether the good being produced is excludable or non-excludable, and whether the good is rival or non-rival". Davies warns that "the process of coding which type of good is being produced by a project is not straightforward". For instance, it is difficult to classify the status of the Statue of Liberty using these bifurcations. Equally so, it might also be difficult to use these distinctions in cases such as the Liverpool Flyover and the Glyncoch Community Centre. The case in point is that the community centre might have a broader civic mission that might involve a public good, but access and use of the centre might, in practice, be both excludable and rival. Belleflamme *et al.* (2015:30) note that the free-rider problem sometimes emerges when "prospective funders may not contribute to a project that already received a lot of support because they assume that someone else will provide the remaining financing". In certain circumstances, free riding and/or cheap riding occurs when funders' support could decrease with the perceived presence of other supporters, because the funder's contribution is unlikely to be required.

CONCLUSION

This article shows that civic crowdfunding has significant benefits for cities around the world and that it has immense potential as an urban renewal

financing instrument if correctly utilised. The Glyncoch Community Centre and the Liverpool Flyover cases highlight the importance of citizens participating in the governance of cities. The cases also demonstrate the general willingness of citizens to become stewards of their own destinies and well-being. The cases of the BD Bacata Tower and Live Lebanon furthermore show the significance of crowdfunding platforms as development partners in urban renewal projects. These two cases also reveal that a well-designed and inclusive approach should be followed to harness financial instruments, stakeholders, and strategies to achieve certain development outcomes. The case of Skynotch Energy provides important points of reflection on the need to localise crowdfunding initiatives and to capitalise on platforms that suit the circumstances of local contributors.

Civic crowdfunding emerged during the early 2000s and thus is a fairly new field of study. The corpus of knowledge regarding its application value as an urban renewal instrument for cities is thus limited. Broader case study analyses of similar projects are required to obtain a fuller picture regarding its dimensions, principles, best practices, and lessons. While the selected case studies might paint a rather rosy picture of the potential and capacity of civic crowdfunding, emerging concerns are serious considerations for city administrators before they embark on this route.

NOTE

* This article is based on a completed doctoral thesis conducted at North-West University titled "*Civic crowdfunding for community infrastructure rehabilitation: The case of the City of Harare*", under the supervision of Professor Gerrit van der Waldt.

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Exploring South Africa's National Climate Change Response White Paper, 2011

Challenges and Prospects for Public Policy

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ABSTRACT

The *Constitution of the Republic of South Africa, 1996* enshrines the right of all citizens to an environment that is not detrimental to their health and well-being. Furthermore, the Constitution places an obligation on the South African government to protect this right through reasonable legislative and other measures. Climate change threatens the environmental right which everyone is entitled to and South Africa has been experiencing the effects caused by changes in the climatic conditions. Therefore, one of the actions adopted by South Africa, to protect the environment as stipulated in Section 24(b) of the Constitution, was the National Climate Change Response White Paper, 2011 (NCCR-WP). The Department of Environment, Forestry and Fisheries (DEFF), formerly known as the Department of Environmental Affairs (DEA) is the facilitating department whose role is to ensure the successful implementation of the NCCR-WP. A qualitative research approach in terms of a document analysis was used to acquire rich and detailed information for the research.

The article examines the state of climate change in South Africa, the role of the NCCR-WP as one of South Africa's climate change responses including the two primary objectives of the NCCR-WP, namely: climate change mitigation and climate change adaptation and the mitigation strategies outlined in the NCCR-WP. It discusses the DEFF's implementation of the NCCR-WP as well as the factors that negatively influence the implementation of the

NCCR-WP. The article also provides recommendations that may improve the overall implementation of the NCCR-WP.

INTRODUCTION

For more than a century, climate change has dominated the global agenda. By definition, climate change refers to the gradual change in expected weather patterns, this includes rainfall, temperature and wind (Riedy 2016:1). Climate change can also be defined as the slow and long-term change of the weather due to global warming – the continuous rise in the earth's temperature as a result of greenhouse gas emissions, for example, methane and carbon dioxide (ŏCO_2) (Ho 2015:1). In general, the climate changes naturally over extended periods of time. However, the climate change referred to in this article is caused by human activities. May (2014:1) notes the following contribution of human activities: the burning of fossil fuel, oil and gas for energy, as one of the major causes which accelerates the process of a changing climate.

Planet earth is facing drastic weather changes, for example, increased temperatures (extreme hot and cold weather) as well as unpredictable rainfall patterns. Such changes to the climate threaten, among others, biodiversity, food and water security. The United Nations, through the United Nations Framework Convention on Climate Change (UNFCCC) is the cornerstone of the response to climate change at the global level. The UNFCCC, established in 1992, aims to inhibit human interference on climate change by encouraging countries to reduce greenhouse gas (GHG) emissions (UNFCCC 2020:1). South Africa is an active member of the UNFCCC and is also a signatory to international climate change agreements, namely, the Kyoto Protocol and the Paris Agreement – both operational accords to the UNFCCC. The Kyoto Protocol is a binding agreement which sets targets to reduce GHG emission to its signatories. The protocol acknowledges the role played by developed countries such as Russia, the United States of America (USA) and France during the industrialisation period. Therefore, targets are set based on the level of industrialisation of its signatories (United Nations Climate Change 2014:1). South Africa ratified the Kyoto Protocol as an acknowledgement of the seriousness of climate change, its threat to sustainable development and to curb the emission of GHGs (South Africa 2011:9).

The Paris Agreement, which South Africa signed in 2016, expands on signatories' commitments to reduce GHG emissions and further underscores the significance of capacity building, especially for developing countries to achieve their climate change objectives. Both these agreements provide a pathway for South

Africa to implement its own climate change mitigation and adaptation strategies. Hence, South Africa's response to climate change, through the NCCR-WP, is not only based on the Constitution, but is majorly influenced by the principles of the UNFCCC (South Africa 2011:5).

South Africa's energy production and economy are heavily reliant on coal, due to abundant coal reserves in the country. Thus, it is important for the country to have a sound strategy on transitioning from a high to a low carbon economy. It is for this reason that the introduction of the NCCR-WP in 2011 was another commitment made by the South African government to reduce its impact on the environment as well as protect the health and well-being of its citizenry.

As noted above a qualitative research approach was followed in terms of a document analysis. This unobtrusive method relates to the examination and exploration of existing texts and documents to find meaning and deeper understanding (Braun and Clarke 2013:42). Such documentation may include, among others, scholarly and newspaper articles, published and unpublished books, online or internet sources, journals and case study reports (Braun and Clarke 2013:151–153). In addition to the above, this study utilised the following official documents: departmental reports, strategic documents, action plans, policies and legislation. Furthermore, the study examined the NCCR-WP, and conducted a situational analysis of the mandate of this White Paper. For this research, an analysis of pre-existing documents granted the researcher an opportunity to scrutinise, interpret and understand matters related to the topic in question (Braun and Clarke 2013:153).

The data collected from, *inter alia*, government gazettes, legislation, reports, and articles was scrutinised and relevant information from the text was highlighted and notes were taken. The information collected was informed and guided by the research questions. Similar trends between the collected information were highlighted while meaningful information identified from the documents analysed was categorised based on and guided by the research questions of the study. For this study, document analysis was advantageous in interpreting texts and it provided insight into patterns and trends of the information found (Colorado State University 2019:1).

This article explores the overall implementation of the NCCR-WP. In this regard, the factors that affect the NCCR-WP's implementation are delved into and potential strategies that may contribute towards the implementation of the NCCR-WP are outlined. The article firstly contextualises the state of climate change in South Africa. It then discusses the context of the NCCR-WP as one of South Africa's climate change responses and explains the two primary objectives of the NCCR-WP, namely: climate change mitigation and climate change adaptation and highlights the mitigation strategies outlined in the NCCR-WP. It also highlights the role of the Department of Environment, Forestry and Fisheries (DEFF). This is followed by a discussion of several challenges which impeded the effective implementation of the

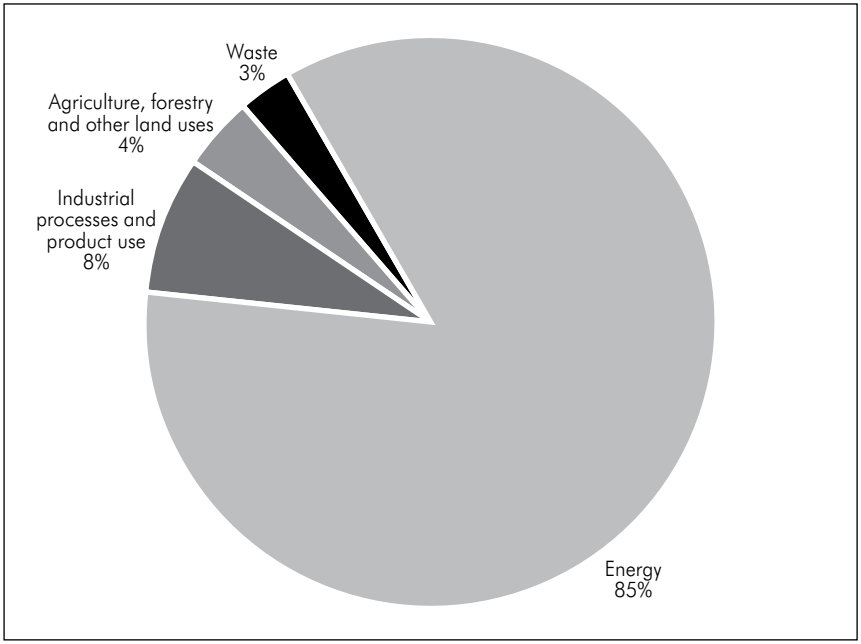
NCCR-WP. The article then discusses recommended strategies and the legislative framework to enhance policy implementation in terms of the NCCR-WP.

THE STATE OF CLIMATE CHANGE IN SOUTH AFRICA

The main driver of climate change is GHGs. As defined above, climate change is the increase in earth's temperatures due to global warming. The temperature increase occurs when there is excess GHGs trapped in the atmosphere, consequently reducing the amount of the sun's heat that returns back to space (Republic of South Africa 2011:8). The role of human activities such as fossil fuel burning and deforestation, has exacerbated the amount of GHG emissions in the air and has further reduced the otherwise natural absorption of GHGs by the ecosystem. At a global level, South Africa contributes 1% of the carbon dioxide emissions (Du Toit 2010:47). At a domestic level, the GHG emissions emitted based on the sectors are illustrated in Figure 1:

Given the above, South Africa has been experiencing the effects of a changing climate, recording extreme weather temperatures and rainfall. According to the

Figure 1: South Africa's (SA's) estimated greenhouse gas emissions by sector



Source: (Adapted from Botes 2013:1)

Long-Term Adaptation Scenarios, between 1960 and 2010, hot and cold extreme temperatures were recorded in the country annually (Department of Environmental Affairs 2013:2). Rainfall patterns were recorded as extreme trends, where there are intense rainfall patterns in some parts of the country and dry spells in other parts of the country, depending on the climate of each region. South Africa's first Annual Climate Change Report supports these findings and adds that increased temperatures were recorded in the 1970s, 80s and late 90s, the temperatures rose once again from 2011 (Department of Environmental Affairs 2016:15).

In 2015, four provinces, namely: KwaZulu-Natal, North-West, Mpumalanga, and Limpopo were pronounced drought disaster areas (Smillie, Wagner and Hoske 2016:1). The South African Weather Services (2019:2) notes that 2018 was the fourth warmest year recorded between 1981 and 2018. South Africa's second Climate Change Report states that the drought and limited rainfall experienced since 2015 led to water scarcity and crop losses (Department of Environmental Affairs 2017:7). Evidently, increasing heatwaves and extremely hot weather results in droughts while high and low rainfalls result in either floods or water scarcity. Given such unpredictable weather patterns, South Africa faces insecurities within its health, food, water and biodiversity sectors.

According to the DEA (2018:4), the Draft National Climate Change Response Strategy stipulates that South Africa's economy is dependent on the agriculture and mining sectors. Both these sectors require natural resources and energy production to thrive. Given this, climate change has a direct negative impact on these two sectors. The increasing temperatures as well as unpredictable rainfall patterns impede food production and water provision in the country. In terms of energy production, 90% of South Africa's energy is generated through coal (Cock 2019:1). South Africa is forced to diversify its energy mix by including renewable energy sources, in order to reduce the country's carbon footprint and transition to a low carbon economy. Further, it should be noted that while South Africa is a developing country, experiencing the intense impact of climate change, the country is also considered a significant contributor of GHG emissions (Van der Bank and Karsten 2019:2).

Climate change in South Africa has an adverse impact on a number of socio-economic areas. Table 1 depicts some of the socio-economic areas affected by climate change:

The DEA's (2016:29) first Annual Climate Change Report states that since 2000, there has been no evidence proving that climate change trends will improve. South Africa is expected to experience little rainfall, drought and high rainfalls in different parts of the country depending on regional climate. Unfortunately developing countries, such as South Africa, are the most vulnerable to the effects of climate change and yet they contributed the least to climate change compared to industrialised and most developed countries such as Russia and France. For developing

Table 1: Socio-economic areas affected by climate change

Sector	Climate trends	Consequences
Agriculture	Decreased rainfall Extreme rainfalls Heatwaves leading to dry spells/ drought	Decrease in crop production, water scarcity Extreme rainfall leading to soil erosion and impact other high water-sensitive crops Reduced water supply
Water	Extreme/high rainfalls in some parts of South Africa Reduced water quality and quantity in rivers, dams Increased weather temperatures	Increased rainfalls resulting in flooding Increased demand of water for commercial, industrial and residential use High temperatures resulting in evaporation of water from dams/rivers – leading to water scarcity
Health	The health sector is sensitive to both extreme weather temperatures and increased or decrease in rainfall patterns	High risk of diseases such as malaria, cholera, malnutrition and respiratory related illnesses Risk of new diseases arising due to water shortages
Human Settlements	Extreme high rainfalls, increased temperatures and low rainfalls	The coastal settlements are at risk of floods, rise in sea levels and hailstorms – leading to the displacement of residents Urban and rural settlements also risk facing drought and/or air pollution

Source: (Adapted from the Department of Environmental Affairs 2018:20)

countries, the lack of adequate resources (human, technology and financial) impedes the countries' strategies to effectively adapt to climate change, while domestic issues such as addressing poverty and inequality make it almost difficult for developing countries to transition from a high to a low carbon economy.

South Africa has a history of inequality that dates back to the era of apartheid and with almost 30 years of independence, this inequality is yet to be adequately managed. However, the DEA's third Annual Climate Change Report records that pending domestic issues such as poverty, lack of housing and high unemployment rates will only worsen with climate change (Department of Environmental Affairs 2018:17). The main victims in this regard will be the poor, who, for example, rely on the agriculture and mining sector for employment and food security and reside in squatter camps – where there are water and energy shortages.

Given the above background, climate change is evidently not only an environmental issue but a developmental issue as well, capable of undoing the progress made in built infrastructure, food, health, environmental and water sectors.

However, this article concedes that tackling climate change will not completely address the domestic issues currently faced by South Africa. There is still a long way to go in terms of managing the political-economic factors such as corruption, which are also obstacles to dealing with poverty and unemployment.

As much as it is important for political leaders to advocate for climate change, it may be difficult to do so if the population is not well-informed on what climate change is and its impact on their everyday livelihood. The agenda of climate change is not well-politicised as the focus is placed largely on "bread and butter issues" (Obradovich and Zimmerman 2016:296). Therefore, both the leadership and the public need to realise the significance of ensuring that domestic issues are addressed concurrently and simultaneously with the climate change issue.

THE NCCR-WP AS ONE OF SOUTH AFRICA'S CLIMATE CHANGE RESPONSES

Climate change is a reality in South Africa and the endorsement of the NCCR-WP was a much-needed response to act against this phenomenon. The NCCR-WP was established based on the stipulations of the *Constitution of the Republic of South Africa, 1996;* the National Environmental Management Act; the Millennium Declaration and the UNFCCC (Republic of South Africa 2011:12). The NCCR-WP outlines two primary objectives namely: climate change adaptation and climate change mitigation. The former is aimed at inhibiting the adverse effects of climate change, while the latter endeavours to limit GHG emissions. Adapting to and mitigating climate change will allow South Africa to transition towards a low-carbon economy and society as well as build a climate resilient thereto (Republic South Africa 2011:11).

Additionally, South Africa aims to contribute towards mitigating its GHG emissions as a responsible citizenry in the global community. In this regard, a fair contribution by South Africa, as well as the African continent, is based on the least GHG emissions (Republic of South Africa 2011:8). However, the South African government recognises that the effects of a changing climate have the potential of regressing the developmental progress that the country has made thus far. Therefore, as a developing country, with limited financial and technological resources, the need to adapt to climate change remains vital.

NCCR-WP's climate change objectives

The NCCR-WP has two primary objectives of the NCCR-WP, namely: climate change mitigation and climate change adaptation.

Climate change mitigation

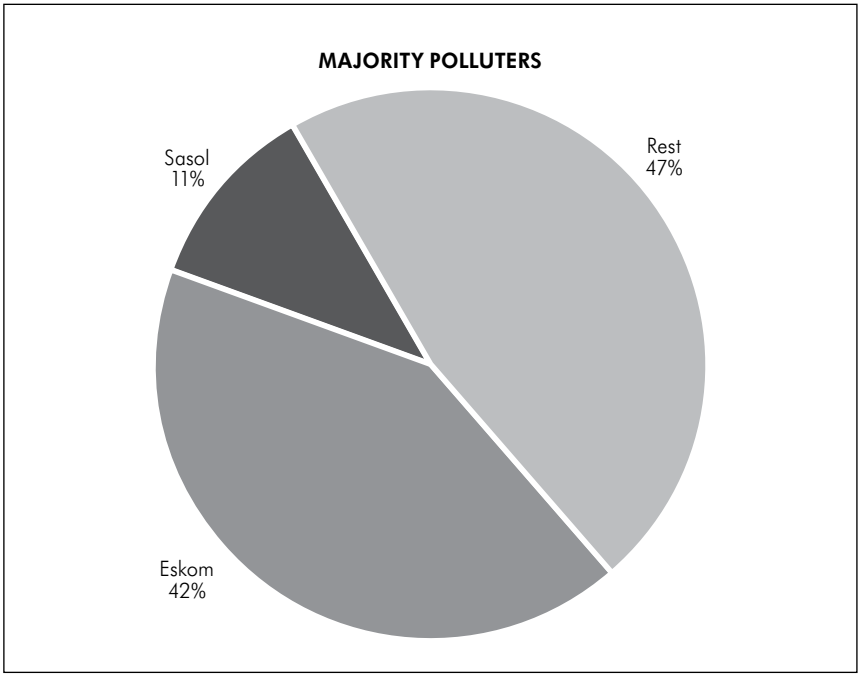
As mentioned previously, climate change mitigation refers to efforts taken to limit GHG emissions. The mitigation approach is based on two primary factors: first, making a fair contribution to limiting GHG emissions and second, considering South Africa's developmental and domestic priorities such as job creation and poverty reduction (Republic of South Africa 2011:25).

South Africa's economy is energy and emissions intensive, as its economy thrives on energy production as well as mining and minerals (Republic of South Africa 2011:26). In this regard, South Africa is ranked the 14th largest emitter of GHG emissions on a global scale. This ranking is due to the significant reliance on coal as a source of energy (McSweeney and Timperley 2018:1). Cock (2019:1) highlights the dependency on coal by asserting that 90% of South Africa's energy is produced through coal. Furthermore, the NCCR-WP (Republic of South Africa 2011:26) as well as Climate Transparency (2017:35) acknowledge that South Africa is the largest GHG emitter compared to other fast-growing economies such as China and India.

In addition to the above, South Africa is ranked the fifth largest coal producer as well as the third largest coal exporting country. Eskom, South Africa's largest energy generator, is ranked the seventh largest electricity producer in the world, while Sasol is considered the largest coal to chemicals producer (Eskom 2020:1). Given the above, Eskom (2020:1) provides a view that the dominance of coal over the energy industry is likely to remain for the forthcoming decades. The dependency on coal in South Africa is expected to remain unchanged because coal reserves are abundant, cost-effective and the infrastructure for coal-based electricity is well-established. Hence, it is difficult to find an equally competitive alternative to replace coal.

Though Eskom is South Africa's largest energy producer, the entity has also been embattled in mismanagement of state funds and corruption deals ranging from coal supply deals, coal mines purchasing deals and unlawful payments to contractors (Businesstech 2020:1). The success of South Africa's GHG emissions reduction rests mostly on Eskom and until the ongoing corrupt activities are resolved, it will be difficult for South Africa to fully realise its climate change objective. The transition to a low carbon economy requires the effective and efficient use of the state's already limited resources and equally important, requires openness to change and innovation. The introduction of renewable resources (and gradual reduction of coal use) into South Africa's energy mix will only be possible if the relevant actors (for example, the government, state entities, private sector, unions, employees) are willing to cooperate, compromise and accept the need for the shift. Figure 2 illustrates the top GHG emitting entities in South Africa.

Figure 2: GHG emitters in South Africa



Source: (Adapted from Burkhardt 2019)

MITIGATION STRATEGIES OUTLINED IN THE NCCR-WP

In an effort to shift from a high to a low carbon economy and society, South Africa needs to focus on reducing its emissions specifically from the energy sector, by managing energy supply and demand, promoting energy efficiency and introducing renewable energy sources. The mitigation strategies outlined in the NCCR-WP (South Africa 2011:27–29) include, inter alia:

National GHG Emissions Trajectory Range as benchmark

The National GHG Emissions Trajectory Range is a target period that South Africa set to measure the effectiveness of its mitigation strategy. This benchmark is utilised to monitor the country's GHG emissions according to the anticipated peak (from 2020–2025), plateau (2025–2035) and decline (from 2036 onwards) periods of GHG emissions. This benchmark further reveals the contribution and effort that South Africa is making towards reducing its carbon footprint.

The introduction of carbon budgets

According to the World-Wide Fund South Africa (2014:2), a carbon budget is an acceptable amount of GHG that can be emitted during a given period. The carbon budget approach requires energy consumers, for example, the mining and transport sectors including energy suppliers such as electricity and fuel sectors, to adhere to a set GHG emissions limit. The adherence to these carbon budgets will further assist in maintaining the National GHG Emissions Trajectory Range.

Establishing a GHG inventory

The introduction of a GHG Inventory allows the DEFF and the South African Weather Service (SAWS) to maintain an accurate, complete and updated record of the country's GHG emissions. The inventory provides a system of checks and balances to monitor and evaluate mitigation outcomes.

Climate change adaptation

The South African National Biodiversity Institute (SANBI) (2020:1) defines climate change adaptation as "looking for ways to live with the consequences of a turbulent climate". Unlike climate change mitigation, climate change adaptation focuses primarily on the local level, that is, adaptation strategies accentuate both the economy and society (Republic of South Africa 2011:16). Adaptation strategies in South Africa are mainstreamed in the following sectors: water, agriculture and commercial forestry, human settlements – including coastal, rural and urban areas, health, biodiversity and ecosystems as well as disaster risk reduction and management (Republic of South Africa 2011:17–24). Although this list of sectors is not exclusive, it focuses on the most vulnerable sectors to the effects of climate change. The aim of adaptation is to ensure that all sectors mainstream and plan climate change to create a climate resilient society.

Table 2 summarises climate change adaptation strategies in place thus far.

The Draft National Climate Change Adaptation Strategy (Draft NAS), guided by the NCCR-WP, was published for public comment in 2019. Upon endorsement, the Draft NAS will guide South Africa towards a common vision of creating a climate resilient economy and society. Astoundingly, the DEA's Draft NAS (2018:1) adopts a multi-sectorial and intergovernmental approach to climate change adaptation. In this regard, the Draft NAS acknowledges the significance of a bottom-up approach in adaptation interventions, the role of the local government as a leading body, and the inclusion and cooperation of businesses, civil societies, academia and technological organisations in building a

Table 2: Climate change adaptation plans by prioritised sector

Key sector	Plan	Responsible department
Water	National Climate Change Response Strategy for the Water Sector 2015 [Department of Water Services (DWS) 2015]	Department of Water and Sanitation
Health	National Climate Change and Health Adaptation Plan 2014–2019	Department of Health
Biodiversity	Climate Change Adaptation Plans for South Africa's Nine Major Biomes 2015a	DEFF
Human Settlements	Draft Climate Change Adaption Sector Strategy for Rural Human Settlements 2013b	Department of Human Settlements

Source: (Adapted from Department of Environmental Affairs 2016:13)

climate resilient economy and society (Department of Environmental Affairs 2017:10, 23–30).

THE ROLE OF THE DEPARTMENT OF ENVIRONMENT, FORESTRY AND FISHERIES (DEFF)

The reconfiguration of government departments in 2019 led to a change in the functions of departments responsible for climate change as well as food security. Prior to this reconfiguration, climate change was under the leadership of the DEA. Currently, the responsibility for climate change is vested in the DEFF. The DEFF facilitates, coordinates and implements the NCCR-WP in South Africa. In doing so, the DEFF upholds and promotes Section 24 of the *Constitution of the Republic of South Africa, 1996*. The DEFF's vision statement is to create "a prosperous and equitable society living in harmony with our natural resources". The mission of the department is to play a leading role in the management, conservation and protection of the environment for the benefit of the South African citizenry and the global community. Furthermore, the DEFF's mandate is to ensure an environment that is not harmful to the citizens' health and the protection of the environment for the benefit of present and future generations (Department of Environmental Affairs 2020:1). In order to achieve the above, the DEFF has a Branch: Climate Change, Air Quality and Sustainable Development, which focuses on climate change and any environmental related matters. The branch monitors, reports and leads all climate change responses at an international level as well as in the three spheres of government (National, Provincial and Local) in South Africa.

CHALLENGES IN CLIMATE CHANGE POLICY IMPLEMENTATION

According to Anderson (2015:225), policy implementation refers to "what is done to carry a law into effect, apply to the targeted population and achieve set goals". Furthermore, policy implementation focuses on the day-to-day activities undertaken by government officials. Cloete, de Coning, Wissink and Rabie (2018:197) postulate that policy implementation is the "conversion of physical and financial resources into service delivery outputs…aimed at achieving policy objectives".

Policy implementation, though a critical element of policymaking, has become overly complex, because the process involves too many actors, both at a domestic and international level (Cloete *et al.* 2018:205). Environmental policies such as the NCCR-WP, are influenced both by the national and international factors. The NCCR-WP functions at a domestic level to promote and safeguard the health and well-being of the public as well as protect the environment. At an international level, the NCCR-WP is a regulatory policy which seeks to uphold commitments stated under the UNFCCC to mitigate the effects of climate change. Below, several challenges which impeded the effective implementation of the NCCR-WP are discussed:

Policy misalignment, contradictions and indistinctness

The successful implementation of the NCCR-WP requires all policies to share one vision to achieve its objectives. However, there are issues of policy misalignment and contradictions between the NCCR-WP and other governmental policies. For example, the first objective of the National Energy Act (NEA), (34 of 2008:6) makes provision for an "uninterrupted supply of energy to the Republic". This NEA objective, in terms of energy supply, is ambiguous and is open to misinterpretation, because the country depends largely on coal for energy production. Furthermore, the National Planning Commission (2012) established the National Development Plan (NDP) 2030, which acknowledges the need to incorporate renewables such as solar and wind to the energy mix. However, the same NDP also states that renewable energy is too expensive, especially for mining industries, a crucial sector in uplifting the country's economy (National Planning Commission 2012:198). Nonetheless, the NDP still calls for renewables to be harnessed in parallel with fossil fuels.

Moreover, applications to postpone and be exempt from climate change mitigating strategies by the two largest GHG emitters, Eskom and Sasol diverts the implementation of the NCCR-WP. For example, according to the Centre for Environmental Rights (CER 2014:1), Eskom applied for postponement to comply with minimum air pollution emissions standards for 16 of its power stations in 2014.

Eskom was exempt from complying with the National Environment Management Air Quality Act (NEMAQA), (39 of 2004), following its application for an extension under Section 59 of the NEMAQA (Kings and Wild 2015:3). The utility has a history of postponing applications. Currently, it is on its fifth such application for postponement. The latest application in 2020, requests a delay in meeting the April 2020 pollution limits for its coal power plants (CER 2020:1). Furthermore, the government historically approved the construction of another Sasol coal-to-liquids (CTL) plant (Earthlife and Oxfam 2009:32). Given South Africa's struggle to limit its carbon footprint, the government's approval of these postponement requests, provides an avenue for the country's largest air polluters to use economic and social development as justification to delay compliance (Du Toit 2010:107).

Moreover, the issue of ambiguity in the NCCR-WP ought to be addressed. It has been nine years since the NCRR-WP was endorsed; however, there are aspects in the White Paper which remain pending and unclear. The issue of policy review and alignment was supposed to have been addressed within two years of the publication of the NCCR-WP (Republic of South Africa 2011:6) but to date, policies review and alignment challenges are still raised. Furthermore, the NCCR-WP (Republic of South Africa 2011:29) also states that for the purposes of keeping an updated and accurate GHG emissions inventory, reporting this data by emitters will become mandatory. However, to date, the inventory is incomplete owing to the unavailability of data and timeous submission of the emissions information from the relevant entities. Given the above challenges, the implementation of the NCCR-WP is delayed due to the lack of conformity in policies.

Inadequate climate change education and communication

The NCCR-WP is based on principles of equity, informed participation, behavioural change and communication (Republic of South Africa 2011:6). However, Smith (2013:49, 57) posits that the NCCR-WP does neither provide measures of how the government will incorporate climate change in training and education nor state ways through which it will raise awareness among the public. Furthermore, the NCCR-WP does not accentuate and address the role of the media in the provision and dissemination of information on climate change to address the behavioural mindset and promote awareness. Moreover, there is a need to address the tone, type and simplicity of language utilised to communicate matters pertaining to climate change. South Africa, although a leading developing country in Africa with the second-best economy has a mere 41% of its citizenry who have an idea of what "climate change" is (Selormey, Dome, Osse and Logan 2019:2). Furthermore, the inclusion of climate change in pre-school education has been neglected (Letheko 2014:79). There is also a lack of elaboration of how to enhance teaching climate change at tertiary and sector training level.

Compliance and enforcement challenges

Absolute compliance to climate change and environmental related regulations and legislation is vital to enhance the implementation of the NCCR-WP. However, there are several instances which reveal that NCCR-WP compliance and enforcement is a major concern. As mentioned above, there have been a number of instances of requests for postponements by Eskom to adhere to standards of air pollution. Furthermore, submission of information, for example, GHG emissions data is conducted primarily on a voluntary basis. This results in inaccurate and delayed climate change related reports. For example, compliance with the carbon budgets was voluntary until the end of 2020 (Szabo 2018:1). Unlike the Environmental Management Inspectorate formulated under the National Environmental Management Amendment Act, (62 of 2008), the NCCR-WP does not have an inspectorate to oversee its implementation measures (Department of Environmental Affairs 2019:1).

Other noteworthy challenges include the lack of adequate financial resources to execute projects related to achieving the identified climate change objectives. Most funding for climate change in South Africa is lobbied from bilateral relationships such as that with Germany. South Africa's political and economic environment is deemed unfavourable for investors, owning to the negative credit downgrades from the credit agency, Fitch (Mahlaka 2019:1). A negative credit worthiness increases borrowing, interest rates, and lowers economic growth. Moreover, there is a lack of climate change champions, a calibre of personnel who are academically qualified, adequately skilled and equally important, dedicated and committed to address climate change.

RECOMMENDED STRATEGIES TO ENHANCE POLICY IMPLEMENTATION IN TERMS OF THE NCCR-WP

There are several strategies which can be utilised to address the abovementioned challenges facing the overall implementation of the NCCR-WP.

Policy review and alignment

For proper policy implementation, it is imperative that the policy is clear on the what and how aspects of implementation. Bhuyan, Jorgensen and Sharma (2010:5) identify seven dimensions which influence the successful implementation of policies. One of these dimensions is: goals, objectives, strategies and the target population of the policy should be clear. The implementation of policies phase has to contend with several challenges, regardless of how the policy

content has been formulated. Therefore, to avoid the problems which the NCCR-WP is facing, there is a need to review the policy thoroughly based on the challenges mentioned above. Policy implementers rely on the clarity and unambiguity of the policy content. Therefore, any confusion or misunderstanding will lead to the incorrect or non-implementation of the NCCR-WP. Furthermore, during the policy review phase, it is important to clearly outline which as well as how the activities should be executed. This is especially concerning climate change education, communication and media.

Policy alignment at this stage is equally important. Climate change is a cross-cutting issue which stretches across various sectors and boundaries such as energy, health, agriculture, water and transport. Therefore, government departments' policies and regulations need to reflect a common goal and a shared vision. There is a need for coordination among government departments and state entities to implement the NCCR-WP effectively. This is possible once the policies which form the foundation and mandates of government departments and state entities are aligned properly to the NCCR-WP.

Sound education and communication system

The dissemination of climate change related information to the public plays a major role in explaining and informing the target population about matters that affect their daily lives. However, since only 41% of South Africans are knowledgeable about the term climate change, there is a need to rethink the simplicity of the language used to disseminate information. South Africa is a diverse, multicultural and multilingual country. Therefore, it is important that it considers the utilisation of its indigenous languages to reach its target population and explain the impact of climate change on everyday living. Furthermore, the climate change language needs to be simplified and exclude scientific terms which would disadvantage the population's understanding of the phenomenon.

In terms of the education system, the NCCR-WP acknowledges the need to incorporate aspects of climate change from pre-school level. In this way, values of the significance of the environment are taught at a young age and better decision-making will be fostered in adulthood. In this instance, laying a foundation that allows for climate change and environmental learning is equally important. Furthermore, South Africa should not only ensure mainstreaming climate change in Sector Educational Training Authorities (SETAs) but also consider establishing a SETA which focuses on the environment and climate change related matters. All of the above will work efficiently if the NCCR-WP reviews its policy to ensure the inclusion and elaboration of education, communication and media as tools of behavioural change, raise awareness and informed participation by the citizenry.

Legislative framework for climate change

The NCCR-WP is currently the pillar of South Africa's response to climate change. However, the NCCR-WP is a regulatory document, which lacks enforcement to implement its measures. The NCCR-WP has been in place since 2011, that is, almost a decade with certain noticeable progress. However, it is time South Africa provides a legal basis to expedite the country's climate change objectives and its implementation process. A legislative framework is required to guide the country's response to climate change. Once signed into law, the Climate Change Bill will enhance the implementation of climate change objectives. Furthermore, the establishment of a climate change enforcement body should be considered, namely: an Environmental Management Inspectorate responsible for overseeing, investigating and inspecting all climate change related measures.

Equally important the successful implementation of a policy depends substantially on the availability of resources, which may include: technology, finance as well as human resources. In terms of adequate personnel, the DEFF is responsible to ensure that implementing officials are adequately qualified, knowledgeable, skilled, and constantly trained on policies to inhibit any confusion when implementing the NCCR-WP. However, the implementation of the NCCR-WP also requires climate change champions, personnel who do not only possess the above qualities but bring with them qualities such as dedication and commitment to the cause. The policy implementers' own judgement of its requirements and understanding thereof plays a major role in which implementers' skills and practice are required. Financially, South Africa needs to maintain a conducive and stable political, social and economic environment to attract investors and lobby more funds to address the climate change related projects.

CONCLUSION

Climate change is evidently one of the fast-growing threats defining this century. The effects of climate change are felt by both developed and developing countries. However, more so the latter countries due to inadequate resources to respond to the impact of climate change proactively and reactively. South Africa, through the NCCR-WP has adopted measures to adapt to and mitigate the effects of a changing climate. This article examined the implementation of the NCCR-WP by the DEFF. The factors that influence the implementation of the NCCR-WP were outlined. The article further provided recommendations that may contribute to the overall improvement of the implementation of the NCCR-WP.

NOTE

* This article is based on an unpublished Master's dissertation by Martha Madondo under the supervision of Dr Hunadi Mapula Nkwana completed at the University of Pretoria. The dissertation is titled: *Analysing the Department of Environmental Affairs, Fisheries and Forestry's implementation of the National Climate Change White Paper, 2011*.

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SWOT Analysis in Urban Land Administration

Empirical Evidence from Mekelle City, Tigrai, Ethiopia

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ABSTRACT

The land administration community has increasingly recognised and worked towards realising fit-for-purpose land administration that serves most of society. However, scholarly attention to the SWOT (strengths, weaknesses, opportunities and threats) analysis in urban land administration is inadequate in sub-Saharan African countries. The study presents a novel SWOT analysis used in urban land administration in Ethiopia. The assessment integrates legal, political, operational, and technical conditions and provides a holistic view of the urban land administration pathways. The study was designed by merging three dimensions of urban land administration: good governance, the land market, and land policy. Data is synthesised from key informant interviews and secondary sources. It systematically identified context-specific, enabling, and impeding capacity components in urban land administration. The study found that the main strength for urban land administration institutions in Ethiopia revolves around service delivery reform. Nevertheless, a lack of good governance is the most weakening factor that calls for attention. Furthermore, despite the country's long history of land administration, the pro-rich land policies of the government are seen as a threat to realising a fit-for-purpose system. Overall, the synthesised study concludes that urban land administration weaknesses and threats surpass the identified strengths and opportunities in the country. The study contributes to the prevailing literature on applying SWOT analysis in urban land administration from Ethiopia's perspective.

INTRODUCTION

Since 1975, there have been worldwide land policy development efforts to realise sustainable land management (Williamson *et al.* 2010:85). Consequently, the global land administration community has increasingly recognised and worked towards realising fit-for-purpose forms of land administration that serve most of society (Vries *et al.* 2016; Hendriks *et al.* 2019). As a result, the steps taken have led to a conception of land administration systems as components of sustainable land management in response to changes in people-land relationships driven by land markets' expansion (UNECE 1996).

The empirical studies confirmed that land use, ownership, and valuation are under multiple pressures in sub-Saharan Africa (Deininger *et al.* 2012; Bennett *et al.* 2016). The strain caused by the population growth spilling to use and misuse of resources, the advancement of land-related technologies, and the restructuring of national governments and local agencies led to the evolution of land administration systems. To this end, land administration has become a significant component of a country's structure to implement land-related policies and land management paradigms (Williamson *et al.* 2010:5).

Since the mid-1980s, many developed countries such as Australia, Canada, France, Germany, Netherlands, Spain, Sweden, United Kingdom, and the United States have initiated and supported land administration reforms and cadaster systems in developing countries (Williamson *et al.* 2010:76). However, land tenure processes and land administration systems in developing countries do not endure the pace of development expected by the supporting countries mentioned above (Buntinx *et al.* 2017). The land administration reforms introduced by the colonial powers were not sustained in developing countries as the local population considered them threats (Shibeshi *et al.* 2015:282). In Africa, in particular, the individualised land administration systems introduced and aided by Western institutions failed. The land sector policies and institutions' inability to fully accommodate informal and customary land tenure types worsened in East African countries such as Ethiopia, Kenya, and Rwanda (Buntinx *et al.* 2017:11).

A paradigm shift was observed with specific reference to the Ethiopian land administration after the downfall of the Derg regime in 1991. The succeeding Ethiopian People's Revolutionary Democratic Front (hereafter EPRDF) government introduced a decentralised urban land policy reform to respond to society's changing needs. Consequently, the country made several progressive urban land policy reforms to make urban land administration more inclusive and equitable in 1993 (TGE 1993; Crewett & Korf 2008; Adam & Birhanu 2018; Wubneh 2018; Adam 2019). Later on, since 1995, the land has also become a constitutional issue (FDRE 1995). As a result, the 1995 Federal Democratic Republic of Ethiopia

(hereafter FDRE) Constitution empowers regional states and municipalities to administer urban land in their jurisdictions (FDRE 1995).

Land ownership, land markets, and land-use reforms are an integral part of government policy interventions. Examples are poverty reduction policies and the country's growth and transformation plan, directly impacting land and land administration (Adam & Birhanu 2018: 35). However, the body of literature indicates that the country struggles to enhance good urban land governance, achieve an efficient land market, and enact inclusive urban land policies (Crewett & Korf 2008; Williamson *et al.* 2010; Shibeshi *et al.* 2015; Adam & Birhanu 2018; Tura 2018; Wubneh 2018; Adam 2019; Gebrihet & Pillay 2020b; 2020a; 2020c).

This study is based on three primary urban land administration dimensions: good governance, urban land markets, and urban land policies. The three dimensions are interrelated, meaning that they work together to influence urban land administration. For instance, effective and efficient land administration is impossible without sound governance (Williamson *et al.* 2010:326). Besides, a dynamic land market requires established rules of the game and land administrators who act as guardians of the right to land and the people who hold these rights (Williamson *et al.* 2010:138). Furthermore, formulating a comprehensive land policy to follow the land market and encompassing the societal needs into new areas is a typical global land administration process (Williamson *et al.* 2010:143). However, although academics and policymakers developed universal methods to assess land administration systems, they fall short of addressing developing countries' local situations and problems (Steudler *et al.* 2004; Klimach *et al.* 2018). The reason is that land administration systems are dependent on the political, social, and cultural values of societies of the country in which they function (Steudler *et al.* 2004; Shibeshi *et al.* 2015).

This article aims to provide a simple tool that a municipality can use to evaluate its operational procedures in urban land administration. The focus is on Mekelle City, and one of the main reasons for choosing the city is that compared to other large cities in the country and Tigray Regional State cities, a large and diversified area of urban land is needed for various services (Deininger *et al.* 2012; Mezgebo 2014; PSI and DPRU 2016). The increased land demand has put a strain on governance, the land market, and land policy in the city (Mezgebo 2014; PSI and DPRU 2016; Gebrihet & Pillay 2020a; 2020c). Therefore, the study is particularly relevant since it links the operational aspects of good land governance, urban land markets, and urban land policies.

The article is structured as follows. First, a brief introduction of land administration and contribution of SWOT analysis to urban land administration institutions is synthesised. Subsequently, the study reviews related literature in the area of land administration and SWOT analysis. A conceptual framework is then developed based on the theoretical and empirical literature reviews. The next section

discusses the method and materials used for the SWOT analysis, followed by presenting results and a subsequent discussion of critical issues emerging. Finally, the study makes concluding remarks and suggests policy implications encapsulating future research.

CONCEPTUAL CLARIFICATIONS

In this article, the land administration concept is seen from good governance, urban land lease market, and urban land policies' perspectives. Land policy is the federal and regional governments' official policy concerning the use, market, development, and land allocation (FDRE 2011; TNRS 2012; 2014). The urban land lease market in Ethiopia is the formal market where city administrations and municipalities transfer land ownership to third parties through auction and allotment (FDRE 2011; TNRS 2012; 2014). Land policies and land-related theories influence land administration (Hull *et al*. 2019:6).

Governance concerning urban land administration is a broad term that encompasses all the systems, procedures, decisions, and activities related to land irrespective of how they are carried out and evaluated (Bevir 2012:34). It translates land administration policies into practice, secures urban land tenure, allocates urban land at a fair market price, and controls informal housing (Zakout *et al*. 2006:9; Deininger *et al*. 2012:12). Hence, urban land administration institutions that operate based on sound governance principles serve as instruments to instill an appropriate urban land market, manage urban expansion and development, expand access to land, and implement land policies (Durand-Lasserve *et al*. 2015:33). The argument mentioned above makes good governance, the urban land lease market, and urban land policies interlinked.

THEORETICAL FOUNDATIONS

The relationship between people and land is based on two schools of thought. The first group where many African traditional land tenures belong argues that land policies should be rooted in social capital theory (customary ownership, state ownership, and the mix of state and customary ownership are categorised here). The proponents of traditional/communal tenure systems believe that custom-based tenure systems are the most effective way to ensure tenure security (Coleman 2010:105–106). For communitarians, tenure insecurity results from conservative values that marginalise traditional values (Obeng-Odoom 2012:164).

The second group argues that individualised land tenure systems (individual ownership) are more effective and desirable to realise land productivity. In land

economics, individual land ownership denotes the possibility of properties sold based on individual decision-making (Obeng-Odoom 2012:162). Moreover, the individualised land tenure system has its root in the capitalist system of production (Alchian & Demsetz 1972:16). The advocates of individualised land tenure systems further argue that people are more irresponsible with the common good than private property, which refers to the "tragedy of the commons" (Hardin 1968:1244).

Although secure land tenure is the desire of the land administration community, as a school of thought, it brings about a vicious controversy. The main reason is that the land and land administration reforms reflect the country's cultural and social context in which they are operating, making them distinctly different and, therefore, difficult to compare (Steudler *et al.* 2004:373).

Notwithstanding the theoretical foundations and advocates of the shift from the traditional/communal tenure systems to the individualised tenure system, the state ownership of land is the focus of this study. The justification for considering state ownership is that urban land ownership in Ethiopia is based on state ownership. Irrespective of the critics such as academia arguing against state ownership of land, Ethiopia has been following state ownership since 1975 (Crewett & Korf 2008; Deininger *et al.* 2012; Bezu & Holden 2014; Shibeshi *et al.* 2015; Bennett *et al.* 2016; Holden & Bezu 2016; Adam & Birhanu 2018; Tura 2018; Wubneh 2018; Adam 2019). What remains to be seen is the extent to which government measures are undertaken to reinforce service delivery at the municipal level paired with good governance, the land lease market, and land policy lenses, which is the aim of this article.

METHODOLOGY

This research is based on a case study within a qualitative research approach, and it focuses on the urban land administration system and actors of Mekelle City in Ethiopia. The city is the third-largest city in Ethiopia, after Addis Ababa and Dire Dawa, with a population of 215,546 (The World Population Review 2020). Mekelle City was purposively selected because large scale and diversified urban land are needed for various uses compared to other regional towns (Mezgebo 2014:41). The case was also selected to reflect the decentralised system of governance in Ethiopia. Consequently, SWOT analysis is considered as a strategic method to measure the performance of the overall urban land administration.

Both primary data (semi-structured interviews) and secondary data (document reviews) were sourced for analysis in the study. A purposive sampling technique was adopted to select participants for the semi-structured interviews. The interviewees were officials and experts in Mekelle City, the Tigray Region, and other stakeholders

in the urban land administration, as listed below. They were made up of Urban Land Lease Transfer officials (n=2 officials), Tigray Regional Urban Land Data Management experts (2), Mekelle City Urban Land Development and Management process officials (n=2), Mekelle City Urban Land Data Management experts (n=2), Mekelle Zone Courts (n=4 judges), Mekelle City Prosecutors (n=4 attorneys).

The number of interviewees was determined in line with the data saturation principle as a guideline. Participants were selected based on their authority and expertise in urban land administration. The interviews were completed (and transcribed) between September 2019 and January 2020 by the principal investigator in the Tigrigna language, the studied group's language. The interviews took approximately 30 minutes each. Detailed field notes and a tape recorder were utilised to gather the necessary data (with shared permission between the interviewees and the investigator). The data collected from the interviewees was validated with the legal texts.

The secondary sources of data are the urban land legislation of the Federal and Tigray Regional Government, among others, the Constitution of the FDRE Proclamation No. 1/1995, the Urban Lands Lease Holding Proclamation No. 721/2011, the Revised Constitution of the Tigray National Regional State Proclamation No. 98/2006, the Tigray National Regional State Revised Urban Land Lease Regulation No. 76/2012, and the Tigray National Regional State Revised Urban Land Lease Directive No. 05/2014.

SWOT analysis was used to analyse the data collected from primary and secondary sources. To date, many scholars, including Halla (2007); Toksoy *et al.* (2009); Carlsen and Andersson (2011); Koo *et al.* (2011); Liu *et al.* (2011); Gu (2015); Polat *et al.* (2017) have used SWOT analysis in different public sector fields and Non-Governmental Organisations (NGOs) to determine policy directions, by probing the current state of affairs of institutions. In this analysis, the strengths and weaknesses that arise from the status of urban land administration institutions in Mekelle City and the opportunities and threats that stem from the external situation are analysis subjects.

The strength dimension of SWOT denotes the positive features of the institutions examined. It includes the resources and capabilities that stem from the institutions. On the flip side, the weaknesses are negative aspects of the institutions, making urban land administration less efficient and effective. Opportunities in this analysis are possible favourable conditions that can be discovered when the status of the urban land administration institutions are examined and following the goals that have been achieved. On the other hand, threats are external limitations and new situations that impede urban land administration institutions from realising their dreams.

In analysing the transcript records, a thematic analysis was used. Consequently, the primary phrases that were supposed to explain the issue-spectrum were

systematically coded. Codes were then grouped to form themes and subthemes considering their affinities, and the process was reviewed several times to ensure reliability.

EMPIRICAL REVIEW

Given the significance of land to worldwide development efforts and as a vital tool for the urban economy, it is not surprising that literature on the evolution and paradigm of land use, land ownership, land development, a land market, and land governance has continued to grow (Zakout *et al*. 2006; World Bank 2007; Crewett & Korf 2008; Williamson *et al*. 2010; Deininger *et al*. 2012; Obeng-Odoom 2012; Alemie *et al*. 2015; Kefale *et al*. 2015; Shibeshi *et al*. 2015; Buntinx *et al*. 2017; Tura 2018; Wubneh 2018; Kalabamu 2019; Gebrihet & Pillay 2020a; 2020b; 2020c).

Findings in the literature reveal that countries formulate land administration programmes, establish governance systems to address land tenure insecurity, satisfy the demand for urban land, regulate the land market and taxation, and control illegal settlement (Williamson *et al*. 2010:121). However, findings by Deininger *et al*. (2012) and Obeng-Odoom (2012) confirmed that urban land faces unprecedented pressure due to the increase of urban populations who demand urban land for different uses, including residential, commercial, infrastructure, and social services. The pressure increases in developing countries like Botswana, where land conflicts arising from post-colonial socio-economic transformations are not addressed (Kalabamu 2019).

Buntinx *et al*. (2017) assessed land governance systems in three sub-Saharan Africa countries, including Ethiopia, Kenya, and Rwanda, from a land tenure tools perspective. The authors found that although these countries wish to acquaint themselves with innovative land tenure tools to modernise land administration, the actual situation indicates that their willingness did not go much further than rhetoric. Ethiopia particularly struggles to rectify the lack of suitable land governance (Gebrihet & Pillay 2020c), while Kenya is known for its land mismanagement (Buntinx *et al*. 2017:11).

The informal land market is another weakness of the countries mentioned above. Land administration stakeholders' failures to achieve the desired expectations have created the flourishing of the informal land market (Buntinx *et al*. 2017:11). The widespread corruption and ineffective urban land policies have also negatively influenced the land administration system in these countries (Zakout *et al*. 2006:7; World Bank 2007:3; Deininger *et al*. 2012:27). Tura (2018), Wubneh (2018), and Gebrihet and Pillay (2020c) found that the urban land lease policies affect the poor urban society to access urban land in Ethiopia. Besides, Alemie *et*

al. (2015) found that the absence of political steadiness and policy and legal clarity affected the operational role of cadaster in improving urban land governance.

Although several scholars assessed land administration institutions' status from developed and developing countries' perspectives, many studies did not specifically and clearly state the strengths, weaknesses, opportunities, and threats of each land administration institution. In addition to this, these studies are not specific to rural or urban land administration. More importantly, the general frameworks designed to evaluate land administration systems suffer from a problem of mismatch in application due to variations in societies' political, social, and cultural values across countries and even within countries (Steudler *et al*. 2004; Shibeshi *et al*. 2015:282). For instance, in Ethiopia, where the rural and urban land policies, administrative structure, and stakeholders are different, separately assessing urban land administration is significant. Hence, the study presents a novel SWOT analysis in urban land administration in Ethiopia.

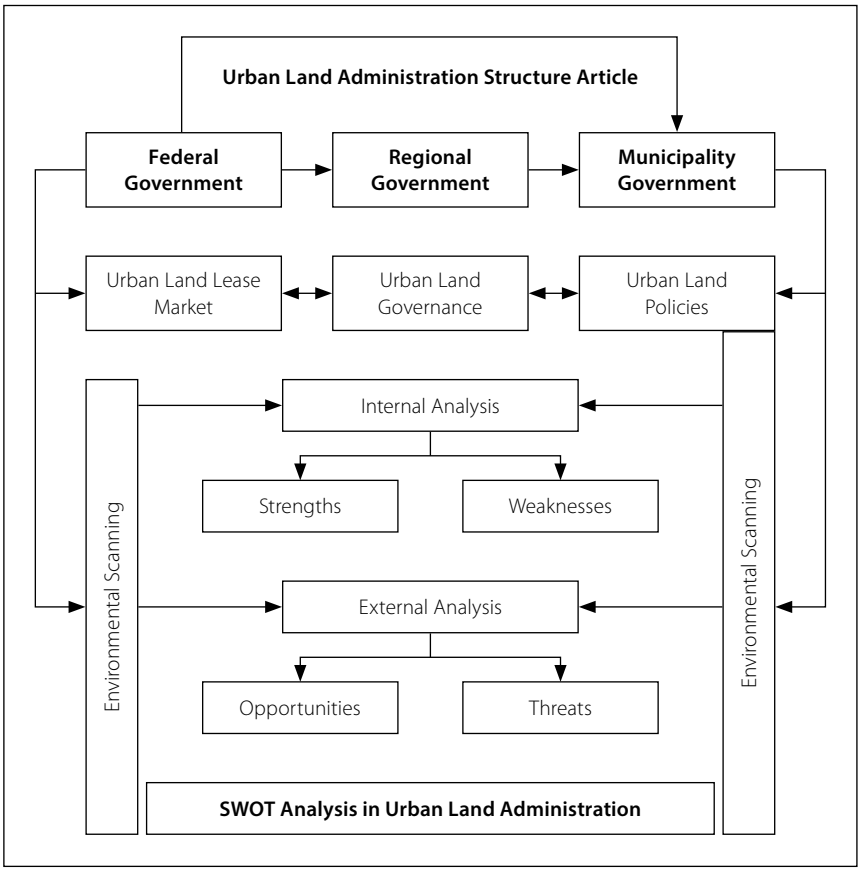
SWOT analysis emerged in the 1960s and was first used in business management to minimise weaknesses and take the most significant possible advantage of available opportunities (Tat & Gürel 2017:1001). However, public institutions and NGOs have been using this strategic management process to capitalise on their strengths and opportunities and minimise their weaknesses and threats (Tat & Gürel 2017:1002). In their way to assess the significance of SWOT analysis, Polat *et al*. (2017:153) argued that identifying an institution's current state of affairs is one step towards solving daunting problems making SWOT relevant for determining conditions for improving land productivity and efficiency (Adam & Birhanu 2018:37). Therefore, this study's central proposition is that better urban land administration can be achieved when urban land administration institutions and stakeholders take advantage of their strengths, manipulate available opportunities, curtail their weaknesses, and anticipate their threats. Nevertheless, there is a scarcity of literature that examines SWOT analysis in urban land administration; and hence, the objective pursued in this study is essential.

TOWARDS BUILDING A CONCEPTUAL FRAMEWORK

Figure 1 indicates the conceptual framework derived from this study. It is drawn from the reviewed concepts, theoretical, and empirical literature.

As shown in Figure 1, the good governance, urban land lease market, and urban land policies in urban land administration are interconnected and mutually reinforcing. Good governance is the first step to make the visions of urban land policies accurate and to ensure a better urban land market. Urban land policies cannot be well implemented without good governance. When a shortage of good governance engulfs urban land administration, the urban land market is distorted.

Figure 1: Conceptual framework for SWOT analyses in urban land administration



Source: (Authors' Construction 2021)

In line with the above reasoning, this section aims to evaluate urban land administration's internal and external aspects corresponding to good governance, the urban land lease market, and urban land policies, which could influence sustainable urban development.

DISCUSSION OF RESULTS AND FINDINGS

Table 1 provides a schematic of the main findings from analysing the information provided by the interviewees and document reviews. This study's literature

Table 1: SWOT Matrix of Urban Land Administration in Mekelle City

SWOT Analysis	Urban land governance	Urban land market	Urban land policies
Strengths	The establishment of service delivery reform	Formal land lease for various use	Federal land regional lease legislations
	Information desk and complaint hearing offices		The unity land legislations
Weaknesses	Lack of qualified professional staff	Lack of digitalised land market	Frequent change of land legislations
	Lack of quality services	The existence of false documents	Pro-rich nature of land policies
	The absence of good governance	Lack of land bank	Prone to corruption and rent-seeking
	Lack electronic database	Use of agricultural land for housing	Lack of comprehensive urban land policy
		Inefficient land use planning and the market	
	Non-harmonised land market and land legislation		
Opportunities	Socio-economic transformation		Policy reform
	A long-time tradition in land administration	The advent of land technologies	
	The existence of decentralised governance	The formal existence system of the land market	
	The existence of international best practices in the land administration		
Threats	Political instability in the country		Regime change
	Staff turnover	Inadequate ICT infrastructure	
	Lack of stakeholder integration		Lack of support from the constitutions
	Lack of qualified judges		

Source: (Semi-structured interviews and document review)

review and background also noted a clear need for SWOT analysis in urban land administration in sub-Saharan African countries. Therefore, this section focuses on the discussion of the main findings listed in Table 1.

As can be seen from Table 1, the second column is for the SWOT result of urban land governance, followed by the third column for the lease market and the

fourth one for the urban land policies. Thus, a case that represents the three study themes is merged in one column. Likewise, a problem/issue found in two themes is combined in one column, while a different subject across the study themes is written separately.

Strengths

The establishment of service delivery reform is one of the strengths of the urban land governance of Mekelle municipality. One of the respondents, a Land Development and Management process official, identified that the city conducted service delivery reform in 2019 to reduce the frequent meeting of the service providers at the daily work's expense. The interviewee mentioned above revealed that the municipality customers complained due to repeated meetings that overwhelmed civil servants, causing them not to address land-related problems on time. Consequently, the municipality decided to change the meeting time to weekends at the end of 2019 to reduce the service delivery complaints and number of pending cases.

The other strength of the municipality identified from analysing the interview records is the existence of an information desk and complaint hearing offices in the City and Regional Bureaus, which hear the community complaints. The Tigray Regional Urban Land Lease Transfer official revealed that the information desk is available at the regional and municipal land administration bureaus to show customers where they can get answers to their questions and to whom they can address their queries. Besides this, complaint hearing offices at the municipal and regional levels are operating to hear the community's complaints.

The land lease market has been the most crucial source of revenue for the municipality. Consequently, the city has carried out an active and functional land lease market in Mekelle. The interviewed Mekelle City Urban Land Data Management expert stated that substantial land plots allocated to customers on allotment and auction bases are the municipality's positive side. The city publicly released 2 335 plots of urban land for auction at the municipality's base price and transferred to winners based on their bid price and the amount of down payment they offered, where more than 72 000 auctioneers participated from 2014–2019 (Gebrihet & Pillay 2020b:457). Besides this, the self-help and public residential housing based on the "policy of providing plots and houses to the poor at a relatively lower price" benefited many residents (Gebrihet & Pillay 2020c).

As indicated in Table 1, the harmony of the federal and regional policies and the consistent communication provisions among these policies is the strength of the urban land lease policies. Gebrihet and Pillay (2020b:14) found that the land lease policies are compatible with each other vis-à-vis converting old possessions to leasehold. In this regard, a respective municipality can draw a lease benchmark

price on a plot converted into a leasehold based on the local area's lease rate. The authors also found that: "the land legislation, the Constitution of the Federal Democratic Republic of Ethiopia Proclamation no. 1/1995, the Urban Lands Lease Holding Proclamation no. 721/2011, the Revised Constitution of the Tigray National Regional State Proclamation no. 98/2006, the Revised Urban land Lease Regulation no. 76/2012, and the Revised Urban land Lease Directive no. 05/2014, are congruent with each other about the modality of urban land allocation, where tender and allotment are accepted considering the land use type" (Gebrihet & Pillay 2020b: 14).

Weaknesses

The findings of Table 1 demonstrate that Mekelle City's urban land administration does not seem ready to deal with the significant changes in the environment. Tigray Region Land Data Management and Mekelle City Urban Land Data Management experts revealed that the municipality depends too much on a traditional and manual land administration system which indicates the city lacks a digitalised process of the land market. The manual land administration system and lack of transparency in land lease auction and land allocation decision-making contributed to false land ownership documents. In addition, according to experts of the Tigray Region Land Data Management and Mekelle City Urban Land Data Management, the municipality lacks a strong archive structure and electronic database.

Although the advent of technologies potentially offers a conducive environment to the land market, one of the respondents, Urban Land Development and Management process official, stated that the municipality has a shortage of geospatial facilities, among other things, 'Total Stations, Gps, Limes, and Lease Applications'. The lack of technological use poses a challenge to having a well-organised and quality land market management. By its nature, urban land administration requires digitalisation in terms of land bank management, archive management, GIS, and remote sensing, land lease auction, and lease winner's selection (Rahmatizadeh *et al.* 2018; Biitir *et al.* 2021). The interviewed expert added that traditional bidding negatively affects service delivery and leads to deception and other fraudulent activities during and after lease tender processes.

The interviewed prosecutors also revealed that the absence of good governance is among the weaknesses of weak leadership. Consistent with this study's findings, Gebrihet and Pillay (2020) found that the absence of transparency, weak accountability, lack of public participation, violation of the rule of law, and corruption compromised service delivery quality contributing to customer dissatisfaction. Besides, the authors mentioned above found that the absence of municipal courts had increased the number of pending conflicts despite service delivery

reform. Although there are information desks and complaint hearing offices at the municipal and regional levels, prosecutors and judges have criticised its functionality and discovered that it was not fully operational to promote public interest and the public good. Consistent with the findings mentioned above, Buntinx *et al.* (2017:11) argued that the absence of a fit-for-purpose system is among the weaknesses affecting Ethiopia's land administration.

The Urban Land Development and Management process officials also identified that the municipality lacks qualified professional staff. Many of its staff are below the standard required of the position they hold. In the land lease market, the absence of a land bank is among the Mekelle municipality's weaknesses. In response to this challenge, the City's Urban Land Data Management expert pointed out the need to install land banks and its implementation strategies to ease the application and management of land acquisitions. The absence of a land bank creates confusion for the municipal government concerning which plots are either sold or not. It occasionally resulted in the municipal government erroneously selling a plot to two auctioneers.

Furthermore, the country's land-use policy is inefficient in controlling the rapid and unplanned conversion of agricultural land for residential and commercial use (Koroso *et al.* 2020:9). Consequently, Mekelle City witnessed massive boundary expansion through rural land conversion and used peri-urban land inefficiently (PSI and DPRU 2016). The region's Urban Land Data Management expert revealed that urban land's increasing value compared to rural land led to converting a significant portion of peri-urban agricultural land. The change of farmland to urban expansion cuts the amount of land available for agriculture, creating a long-term food shortage in the region. Consistent with the argument mentioned above, Rondhi *et al.* (2018:11) found that the relatively high demand for land for urban housing in developing countries significantly pressures agricultural land in peri-urban areas.

Frequent repeal and amendment of land policies is another weakness identified with the federal and regional governments' urban land administration. Since its first enactment in 1993, the urban land lease policy has been repealed and amended three times, with one of the land administration directives repealed without transformational directive. For example, the 2011 urban land directive for the 'old land possession' was repealed in 2014 without a transformational regulation, which has issues related to old possession pended for a while. Besides this, the continuous amendment and repeal of land and related legislation affect its implementation. Consistent with this, Gebrihet and Pillay (2020c) found that civil servants struggle to understand the legislation because of its frequent amendments, creating severe implementation gaps. Moreover, the formulation of the land policies without detailed discussion with the concerned stakeholders showed many unresolved legislation issues. Consequently, it resulted in repeal

and amendment of policies when a single case is raised, which has been a loophole for many years.

The pro-rich nature of urban land policies and the inability to ensure equitable urban land allocation is another set of weaknesses identified with urban land administration in Mikelle City. The point has been raised by scholars and experts familiar with the city. For example, Crewett and Korf (2008) and Gebrihet and Pillay (2020c) argued that the land lease policy achieved neither urban land allocation efficiency nor fairness in Ethiopia and Mekelle City despite its vision to speak in most people's interest.

The other weakness of the land policies is its corrupting nature. Tekle (2012) and Gebrihet and Pillay (2020c) criticised Articles 24/2 and 3 of proclamation No.721/2011 for providing support for corruption. The provision creates opportunities for urban land speculators to buy land and sell without commencement of construction. The authors argued that transferring land to a third party without beginning construction is against the general provisions of the urban land proclamation and regulations that stipulate "property that built-in, not land" shall be sold to the third party (FDRE 2011; TNRS 2012).

The non-harmonised nature of the land market and land legislation with international land administration standards is the other weak side of land administration and land use in Mekelle City. The urban lease holding proclamation No. 721/2011 fails to deal with informal housing formalisation (Deininger *et al.* 2012:94–95). Proclamation No. 721/2011 favoured the old possessors not paying lease rent and utilising their urban land for an unlimited period of time. At the same time, leaseholders are expected to pay rent for a land lease they have won, indicating the country's lease policy is discriminatory (Gebrihet & Pillay 2020c). Although decentralised urban land policymaking and implementation open a door for the legitimacy of the federal and regional governments, the lack of comprehensive urban land policy is considered a weak side of the urban land administration. According to Gebrihet and Pillay (2020c) the division of power and responsibilities for policymaking and implementation is explicit in terms of the following:

- "The federal government enacts urban land proclamations" (FDRE 2011).
- "The regional government enacts regional urban land regulations and directives that do not contravene national laws" (TNR, 2012, 2014).
- "The municipal governments are in charge of land use, land ownership, and land development" (Gebrihet & Pillay 2020c).
- "The judiciary resolves complaints and disputes that would arise in the process" (Gebrihet & Pillay 2020c).

The practice, however, is complex, and it raises concerns from a governance perspective. The delegation of mandates to the regional states and municipalities

without sufficient policy guidelines that define responsibilities for the different levels of governance causes vertical and horizontal overlap. Regional conditions determine land administration and allocation mandates by unpublished directives that often change quickly and without public notice (Deininger *et al.* 2012:96). The problem is worse on the judiciary side, where municipalities have no municipal courts (Gebrihet & Pillay 2020c).

Opportunities

The socio-economic transformation drafted post-1991 and the economic development recorded in the last three decades are opportunities for urban land administration of Mekelle municipality and its land lease market. In its Growth and Transformation Plan (GTP 2), the government of Ethiopia aims to drive the country's economy towards a middle-income country status by 2025. The land is itemised as the primary tool to achieve this goal (National Plan Commission 2016:91). In a country where land is its main production factor, this is an undeniable opportunity for the municipality to increase its revenue out of the land lease market.

The advent of new technologies and land-related software can positively impact the country's effective and efficient land market system. At present, several technological innovations can support land administration such as cadaster, 'total stations, GPS, lease applications', to list a few. In addition, the country can also tap developments in 3D data acquisition, data management, and data security, and the development of mobile and satellite technologies to collect spatial data and carry out a widespread intersectoral connection with information communication technology (ICT) to improve land administration (Polat *et al.* 2017b:158). Introducing these technologies would ease the bottlenecks in the land lease market and land administration in Mikelle City.

Ethiopia has had a long history of land administration since 1931, when land in the country was formally registered (Crewett & Korf 2008; Tura 2018; Wubneh 2018). The long history of land administration contributes to the decentralised urban land administration where decentralisation of power and function created over 15 000 neighbourhoods, 800 districts, 85 zones, two city administrations, nine regional states, with the federal government at the top (Buntinx *et al.* 2017:5). As a result, the country has significant self-rule in land governance and land acts (FDRE 1995, 2011; Deininger *et al.* 2012). In addition, the decentralised urban land administration system has helped the regional states, city administrations, and municipalities to proclaim region-specific protocols and directives to their context (FDRE 2011).

As stipulated in Articles 7, 12 of proclamation 721/2011, Article 21 of regulation 76/2012, land leases are accepted by who/for who depending on which land-use type is considered (FDRE 2011; TNRS 2012). In this regard, the Urban

Land Development and Management process officials revealed that the existence of a tender and allotment system of the land market gives a triple opportunity, among other things, to the Mekelle municipality, the rich, and the poor:

- It is an opportunity for the municipality to collect its revenue from it. As a result, the land lease's revenue covers a significant part of its recurrent budget.
- It is an opportunity for potential high-income auctioneers to get land through auction. In this regard, Article 11 (5) of proclamation No.721/2011 and Article 17 (2) of regulation No.76/2012 allow the highest bidder to win the plot based on their bid price and the amount of down payment they offer. It also enables auctioneers to participate in lease competitions without restriction.
- It is also an opportunity for the poor to get land through allotment. As enshrined in Article 12 (1) of proclamation No.721/2011 and Article 9 (1) of Regulation No. 76/2012, the Ethiopian government permitted allotment as another means to distribute urban land based on the initial lease benchmark price to address the recurrent increasing of the urban land lease price for the poor. These provisions aim to provide relatively cheaper urban land to poor urban residents (FDRE 2011; TNRS 2012). As a result, approximately 80 000 households benefited from self-help housing programmes in the Tigray region (Gebrihet & Pillay 2020c).

Adding to the opportunities mentioned above, the federal and regional governments' general policy reform post-1991 is another opportunity for the land reform policy adopted in 1993, 2002, and 2011 to improve urban land administration.

International best practices in urban land governance, land markets, and policymaking are considered sustainable land management opportunities. One reality about land administration is that there is no single, robust, and universally accepted land governance, land market, and land legislation due to different development priorities across countries (Steudler *et al.* 2004; Shibeshi *et al.* 2015). However, there are international best practices in land administration. Currently, various digitalised land administration software has been invented. In addition, donors such as the German Federal Ministry for Economic Cooperation and Development (GIZ), Swedish International Development (SIDA), IMF, USAID, UN-HABITAT, and World Bank, among others, are supporting modernising the land administration system in Africa (Obeng-Odoom 2012:161). The existence of donors is a significant opportunity to realise fit-for-purpose land administration in Mekelle City. Nevertheless, Ethiopia and Mekelle City will struggle to contextualise and appropriate the use of intervention tools.

Threats

Since the first written Constitution in 1931, Ethiopia has seen three regimes: monarchical, military, and EPRDF. The regimes had three different administrations

and ownerships concerning urban land (Wubneh 2018). The change from one government to another had a tremendous impact on sustainable land administration due to policy priority changes (Crewett & Korf 2008). In Ethiopia, land reform and land administration reform are political, leading the country to have an unstable future for land use and land ownership.

Urban land legislation at the local level was not given proper support by the Constitution beginning in 1991. The absence of legal consent by the Constitution imposed different academic and political disparagements. For instance, Crewett and Korf (2008) and Gebrihet and Pillay (2020c) found clarity lacking in the Constitution concerning the distribution and allocation of urban land for residential purposes. In the case of rural land, the federal constitutions clearly state the right of the farmers to acquire land for free (FDRE 1995). However, the right of urban residents to acquire urban land is neither enshrined in the Constitution nor are there procedures of acquisition and transfer of urban land to residents claiming urban land contained in the federal and regional legal systems.

From the constitutional perspective, it is illegal to include the right of urban residents to get urban land in the land legislation without the recognition of the Constitution (FDRE 1995; TNRS 2006). The threat mentioned above implies the political instability of urban land governance. The Urban Land Development and Management process officials revealed that the country faced ethnic-based conflict in the last couple of years. The political instability across the country forced the municipality to spend its time in different activities to curb rising ongoing challenges rather than rectifying the absence of governance. It also harms urban land governance, where service providers and other opportunists use this gap to chase their own benefit rather than respecting the land legislation.

Staff turnover is another threat hindering urban land governance. The Urban Land Development and Management process officials revealed that the absence of "equal pay for the equal profession" in Ethiopia has increased staff turnover in Mekelle municipality. Many municipality staff members are new with little work experience and knowledge about land legislation and related laws. In addition, the newly recruited staff need time to understand the land legislations fully. The statistics for the municipality's headcount showed that more than 75% of the municipality staff have fewer than three years' service. Staff turnover, therefore, affects the city not to apply the land legislation in its full scope, depth, and dimensions. It also forced the municipality to spend part of its budget on delivering on-the-job and off-job training for its new staff every year.

Mikelle City authorities have massive gaps in integrating stakeholders such as the Justice Bureau, Tigray Anti-Corruption Commission Bureau, Tigray Rural Land Administration Bureau, Tigray Region Water Bureau, Ethiopian Electric Power office, and Tigray Construction Road and Transport Bureau. The Urban Land Development and Management process officials revealed that all the stakeholders

mentioned above push the municipality for land allocation. Still, they do not follow the post-allocation process as required by the land law.

The absence of a post-allocation follow-up process contributed to the lack of quality services and coordination in urban land administration and spilled over into corruption. Apart from this, the interviewee mentioned above stated that the federal government's lack of institutional and technical support is another threat to the municipality's land administration. Article 32 (2) of proclamation No. 721/2011 stipulates that the Urban Development Ministry is responsible for providing capacity building to support the regional states and city administrations (FDRE 2011). However, the ministry does not provide the necessary material, technical and capacity building training to civil servants that limits the capacity of the municipality to scale up towards sustainable land governance.

Land is a complex factor of production. The interviewed official of the Urban Land Development and Management process of the municipality revealed that some customers try to influence the city and claim to get the benefit they do not deserve. It requires qualified judges to address such a claim. However, the absence of municipal courts creates a condition for free- riding by clients who believe that there are no channels for seeking redress within the municipality. Besides this, the lack of adequate ICT infrastructure and financial constraints throughout the country poses a threat to deploying land and related technologies to serve land administration purposes.

CONCLUSIONS

This article presents the performance of urban land administration using Mekelle City in Ethiopia as a case study. A SWOT analysis was used to evaluate the municipality's land administration taking urban land governance, urban land market, and urban land policies as references. The concept, theoretical, and empirical prescriptive of urban land administration reviewed in this study was vital for identifying the critical variables concerning urban land administration. The findings of this study similarly supported the theoretical and empirical literature review. This study concludes that while implementing good governance principles, operating the urban land market, and implementing urban land policies, the municipality's weaknesses and threats exceed its strengths and opportunities.

Despite the country's long-time tradition in land administration and socio-economic transformation, the absence of professional staff qualified with the necessary land management skills, and lack of good governance hinder the land administration. The regime change that led to political instability in the post-EPRDF, the frequent repeal, amendment of land policies, and the staff turnover

were the main threats to the municipality's journey towards better service delivery. In addition, the absence of a digitalised land market and lack of land banks adversely affect land lease auctions at the municipal level. Moreover, the pro-rich nature of land policies led to an illegal settlement in Mekelle City. Given these listed challenges, the municipality faces a daunting task to realise fit-for-purpose land administration.

In terms of its practical and policy implications, the article's main findings conclude that the weaknesses and threats of urban land administration institutions outweigh their strengths and opportunities. Those challenges obscure the municipality's journey to realise fit-for-purpose land administration. Therefore, the country needs to bring about institutional change in urban land management. The city and all relevant stakeholders must prioritise accountability, transparency, the rule of law, public participation, and the control of corruption.

The municipality must ensure equity and access to urban land by controlling land speculation and balance urban land supply and demand. In addition, the city should work with residents to set up various forums to prevent lease market instability and reduce inflation. Moreover, federal and state governments should reconsider their land policies and enact appropriate legislation to address the problems associated with land speculation and land market systems.

NOTE

* This article is partly based on an unpublished doctoral thesis under the supervision of Professor Pregala Pillay: Gebrihet, H.G. 2021. *Urban Land Administration in Sub-Saharan Africa Countries: Evidence from Ethiopia*. Submitted at the University of Stellenbosch.

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Administratio Publica

ISSN 1015-4833