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THE GREAT TRADE COLLAPSE: HOW SOUTH AFRICAN EXPORTS REACT TO FDI SHOCKS

W Akoto[1]

ABSTRACT

This study contributes to the debate on the effect of Foreign Direct Investment (FDI) on exports in developing countries by investigating the nature of the causal relationships between FDI, exports and Gross Domestic Product (GDP) in South Africa and examining how South African exports have historically responded to FDI shocks. The results indicate that there is short-run bi-directional granger causality between South African GDP and exports as well as unidirectional causality from FDI to exports and from FDI to GDP. The longrun FDI has a significant impact on boosting South African exports – a 10% increase in FDI inflow results in a potential 1.87% increase in export volumes. However, variance decomposition analyses show that historically, South African exports have not been markedly responsive to changes in FDI inflow.

Keywords: FDI; exports; Granger causality; error correction; structural breaks; economic growth; variance decomposition; impulse response.

JEL Classification: C32, F14, F21, F43, G01

INTRODUCTION

During the 2008-09 financial crises, global GDP contracted by 2.2% whilst global trade declined by 12.2% (WTO 2010; World Bank 2010). The fact that global trade contracted by over five times more than global GDP took many international economists by surprise, largely because this effect could not have been predicted and satisfactorily explained by conventional macro economic trade theory. The phenomenon came to be known as 'The Great Trade Collapse' largely because what started as a financial crises in the US and Europe quickly became a global crises of trade for many other countries (even those that had largely escaped the initial financial collapse). To explain why trade contracted more than world GDP, two complementary theories have taken centre stage. One theory – the compositional effect hypothesis – argues that because world trade is mainly composed of trade in durable consumer and investment goods, even mild shocks will have large effects on trade volumes since in most cases investors and consumers can postpone purchases of durable goods. The other hypothesis – the synchronicity effect – proposes that because many production processes have become globalised and synchronised across countries, often characterised by just-in-time supply of intermediate and other inputs, a shock to one part of the chain such as decreased export demand is quickly transmitted along the chain, amplifying the initial shock[2].

Although most developing countries escaped the worst of the initial financial crises, most were heavily hit by the ensuing trade collapse. South Africa is no exception. Between 2008 and 2009, its exports as a percentage of GDP declined by 8.16% whilst GDP itself contracted by 1.8%, underscoring the fact that in today's highly globalised markets, no country is completely immune to the effects of shocks to the system. FDI inflows around the world also took a heavy knock during the period. Global FDI flows as a percentage of global GDP declined by 1.03% whilst FDI inflows into sub-Saharan Africa contracted by 0.35% with inflows into South Africa declining by 1.61% of GDP (World Bank 2011). FDI is highly dependent on the health of the global economy so in

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[2]See Baldwin (2009) for a review of some recent literature on The Great Trade Collapse.

times of crises when investment uncertainty and risk levels are high, it tends to plummet (Won, Tsia & Yang 2008). Global crises such as the recent one have the tendency to decrease FDI inflow and are therefore of considerable concern as they could negatively affect exports and consequently economic growth, particularly in developing countries such as South Africa. In light of this, the objective of this paper is two-fold: to determine the causality between FDI, Exports and GDP in South Africa using a vector error correction model (VECM) and to analyse the responsiveness of South African exports to shocks in FDI inflow using variance decomposition and impulse response functions, shedding light on some of the mechanisms at play and their possible trade policy implications for South Africa and other similar developing countries.

The results indicate that in the long-run FDI has had a significant impact on boosting South African exports – a 10% increase in FDI inflow results in a potential 1.87% increase in export volumes. Additionally, in the short-run there is bi-directional granger causality between GDP and exports with unidirectional causality from FDI to exports and from FDI to GDP, highlighting the importance of FDI to South Africa's growth strategy. However, variance decomposition analyses show that historically, South African exports have not been very responsive to changes in FDI inflow. This may be due to the nature of South African FDI inflows, which are primarily through mergers and acquisitions and directed towards the production of goods and services for the domestic market.

The next section of the paper presents a brief overview of the theoretical and empirical literature on the FDI-Export-GDP relationships, followed by an overview of the methodology of the study and data sources. The results of the study are then presented followed by concluding remarks.

LITERATURE REVIEW

Theoretically, FDI has important spill-overs effects on the economy and – depending on where it is directed – could boost exports. For instance, Aaron (1999) shows that FDI contributes positively to job creation in the local economy by encouraging investment in human capital through the skills and knowledge transfer to the local workforce by means of specialised training and on-the-job learning. Klein and Giovanni (2000) add that FDI inflows also tend to be associated with increased domestic productivity through the transfer of more sophisticated and efficient technology, improved management techniques and enhanced worker training. There is therefore a vast literature that has developed on the relationships between FDI, Exports and GDP and their interactions.

FDI and Exports

The relationship between FDI and Exports can be complementary, substitutory or both. Most FDI is undertaken by Multinational Corporations (MNCs) which predominantly invest for strategic reasons, such as access to cheap raw materials and other inputs or the expansion of existing markets. As an example, instead of exporting manufactured goods from the home country to the host country, an MNC could manufacture the goods directly in the host country, reducing export volumes (and costs) from the home country (substitutory). On the other hand, the siting of manufacturing operations in the host country could increase imports of intermediate and other inputs as well as related goods and services from the MNC's home country (complementary). The results of empirical examination of the FDI-Export relationship have been mixed, varying across countries, time frames and methodological approaches. Some studies found that FDI tends to reduce exports from the home country (see Helpman 1984; Horst 1972) whereas others found that FDI tends to boost exports from the home country (see Ekholm, Forslid & Markusen 2004; Head & Ries 2001). The results of causality tests between FDI and Exports have also been mixed with some studies reporting bi-directional causality whilst others reported unidirectional causality from FDI to Exports and vice versa (see Dritsaki 2004; Cuadros 2004; Liu 2002).

FDI and GDP

Neo classical growth theory suggests that like domestic investment, the primary impact of FDI on the economy is through its effect on the capital stock. FDI helps finance capital formation, increasing the stock of capital and consequently boosting economic growth. Because of diminishing returns, the effect of FDI on capital disappears in the long-run. FDI's effect on the economy is therefore only felt in the short run. However in the new growth theory, the emphasis is on technological advances so FDI related technological spill-overs to the rest of the economy offsets the diminishing returns of capital, allowing the economy to continuously grow. FDI therefore has a positive impact on economic growth both in the long and short-run. Economic growth could also attract FDI as new markets and economic opportunities are created as a result of expansion in the productive sectors of the economy. Causality could therefore run in both directions. FDI may however have a negative effect on economic growth if it crowds out domestic investment to the point where the shrinking of domestic investment outweighs the positive impact of inward FDI. FDI inflows could also depend on the degree of trade openness, financial market depth and the available human capital resources.

Despite the importance of the FDI-GDP relationship, empirical testing of the relationship has been fairly recent. Early studies such as Borensztein, De Gregorio and Lee (1998), Zhang (2001) and Nair-Reichert and Weinhold (2001) used growth regressions with cross-sectional data to examine this relationship. The general conclusions from these studies indicate that FDI inflows do have a positive impact on economic growth. Later studies such as Basu, Chakraborty and Reagle (2003), Choe (2003) and Carkovic and Levine (2005) used panel co-integration and causality tests to examine the relationship, the general conclusion being that the direction of causality depends on various factors such as the level of development of the domestic financial system and the absorptive capacity of the domestic economy. More recent studies (eg Wang, Liu & Wei 2004; Hsiao & Hsiao 2006; Ahmed, Cheng & Messinis 2007) have examined this relationship for various country-groups using a wide range of cross-section, time series and panel data methods with results of either bi-directional causality or unidirectional causality from FDI to GDP and vice versa. Among the studies reporting bi-directional causality, the results are highly heterogeneous across countries suggesting that the causality between FDI and economic growth may be a country-specific issue, influenced by the economic and technological conditions of the host country.

Surprisingly, there is not much literature on the nature of the causal relationship between FDI and GDP in South Africa. The most widely cited paper is that of Fedderke and Romm (2006), who investigated the determinants of and the growth impact of FDI inflows into South Africa, using data over the period 1956 – 2003. He concludes that although in the short-run FDI tends to crowd out domestic investment, it has a positive impact on economic growth in the long-run with unidirectional causality from GDP to FDI.

Exports and GDP

Theoretically, exports can contribute to economic growth in a variety of ways. An increase in productivity in the tradable sectors of the economy could spur increases in exports, increasing GDP. Increased exports also bring additional revenue which can be used to finance growth-enhancing expenditures in other sectors of the economy such as infrastructure development. Increased exports could also positively impact on economic growth through the realisation of economies of scale, accelerating capital formation and technology advances. Exports can therefore be a key driver of economic growth and development, something that has been put to effective use by fast growing Asian economies such as China and South Korea which have aggressively pursued exports as a means of growth (Amoateng & Amoako-Adu 1996; Ekanayake 1999; Kemal *et al* 2002). However, GDP growth could attract export-enhancing investments from both domestic and foreign sources, spurring further economic growth and more investments in turn.

Early empirical contributions to the literature used cross-country correlation coefficients and regression applications to test the hypothesis that causality run from exports to GDP (export-led growth) or from GDP to exports (growth-led). In these studies, economic growth was often regressed on exports and other possible determinants, with a positive and statistically significant export coefficient indicating support for the export-led hypothesis (see Mbaku 1989; Kormendi & Meguire 1985; De Gregorio 1992). Although most of these studies found support for the export-led growth hypothesis, they have subsequently been heavily criticised for failing to account for country heterogeneity and for various other methodological issues that could result in biased findings (see Burney 1996; Greenaway & Sapsford 1994). Critics also point to the fact that cross-country studies that use least squares-based approaches do not provide much insight into the way the independent variables affect economic growth and the country-specific dynamic behaviour of the variables. Additionally, by failing to adequately account for endogeneity issues inherent in the growth-export relationship, any positive association between exports and economic growth could provide just as much support to the growth-led hypothesis (Giles & Williams 2001).

As a result of these criticisms, the next generation of studies employed time-series data with more sophisticated estimation techniques (see for instance Greenway & Sapsford 1994; Amirkhalkhali & Dar 1995; Sprout & Weaver 1993). The results have generally been mixed, with no clear support for either the export-led or growth-led hypothesis. The different methodological approaches, time frames, country sets and variables employed could explain why the results have been mixed. Cross-country results appear particularly sensitive to the time period under consideration so Rangasamy (2009) suggests that the test of these hypotheses may be a country-specific empirical issue and thus a country-specific rather than a cross-country test may be more appropriate (although country-specific results have also been contradictory, but less so than cross-country studies). He tested the export-led hypothesis for South Africa using quarterly data over the period 1975 – 2007 and found support for unidirectional causality from exports to GDP. This is in contrast to the results of Ukpolo (1998) who found support for unidirectional causality from GDP to exports over the period 1964 – 1993.

In general, the theoretical and empirical conclusions from the three strands of literature above suggest that exports, FDI and economic growth are intimately related but their overall effects are subject to country-specific factors. Many of the previous studies analysed the relationship between FDI, Exports and GDP independently of each other, but this approach could introduce omitted variable biases into the results. Additionally, stationarity tests were conducted without accounting for structural breaks in the data as well as endogeneity between exports and economic growth. This study attempts to address these shortcomings and contributes by expanding the available literature on the FDI-Export-GDP relationship in South Africa.

METHODOLOGY AND DATA

Econometric Model

This study uses a vector error correction model (VECM) to test for the direction of causality between the FDI, Exports and GDP in South Africa. Variance decomposition and impulse response functions are then estimated to analyse the effect of FDI shocks on South African exports. The coefficient of the error correction term captures the long-run adjustment while the coefficients of the lagged differenced variables capture the short-run dynamics. The results of the VECM granger causality tests are presented in Table 3. Exports are part of GDP in terms of the national accounting identity, so by definition there will be a positive relationship between exports and economic growth measured in terms of GDP. To overcome this accounting identity problem, real non-export GDP (GDP with exports netted out) is used. This allows the determination of the effect of exports on the non-tradable sectors of the South African economy.

The models tested are:

$$\Delta rEXP_t = \alpha_1 + \sum_{k=1}^{3}\left[\beta_{1k}\Delta rnGDP_{t-k} + \gamma_{1k}\Delta rEXP_{t-k} + \varphi_{1k}\Delta FDI_{t-k}\right] + \phi_1 ECT_{t-1} \quad (1)$$

$$\Delta FDI_t = \alpha_2 + \sum_{k=1}^{3}\left[\beta_{2k}\Delta rnGDP_{t-k} + \gamma_{2k}\Delta rEXP_{t-k} + \varphi_{2k}\Delta FDI_{t-k}\right] + \phi_2 ECT_{t-1} \quad (2)$$

$$\Delta rnGDP_t = \alpha_3 + \sum_{k=1}^{3}\left[\beta_{3k}\Delta rnGDP_{t-k} + \gamma_{3k}\Delta rEXP_{t-k} + \varphi_{3k}\Delta FDI_{t-k}\right] + \phi_3 ECT_{t-1} \quad (3)$$

Where:

ECT_{t-1} = One period lagged error-correction term

Where:

rEXP = seasonally adjusted real exports

rnGDP = seasonally adjusted real non-export GDP

FDI = Foreign direct investment

μ = i.i.d error term

Unit Root Testing

Conventional unit root tests such as the ADF, DF-GLS and PP tests do not allow for the possibility of structural breaks in the data. Perron (1997) showed that ignoring structural breaks in the data reduces the power of the test to reject a unit root when the stationary alternative is true. Therefore, conventional unit root tests may erroneously reject a stationary series when there are structural breaks in the data. Zivot and Andrews (1992) propose an alternative unit root test (the ZA test) which takes structural breaks in the data into account when testing for stationarity. The ZA test uses a data dependent algorithm to endogenously determine the most significant break point in the data. Following Sen (2003), the following model which allows for a one-time break in both the level and slope of the trend function of the series is used to test for stationarity:

$$\Delta y_t = c + \alpha y_{t-1} + \beta t + \gamma DU_t + \phi DT_t + \sum_{j=1}^{k} d_j \Delta y_{t-j} + \varepsilon_t \quad (4)$$

Where:

DU = mean-shift dummy variable

DT = trend-shift dummy variable

The results of the ZA test are presented in Table 1.

Co-integration Testing

For co-integration testing, the Johansen (1995) full information maximum likelihood test is adopted. This method first establishes the order of the integration of the individual variables and then determines the number of co-integration vectors among the variables to establish their long-run equilibrium relationship. This test is sensitive to the lag length used, so the selection of lag length is critical. This study uses a lag length of 4 based on the final prediction error (PFE) and the Akaike Information Criterion. The results of the co-integration tests are presented in Table 2.

Variance Decomposition (VDC) and Impulse Response Functions (IRFs)

Variance decomposition analysis provides information about the relative importance of innovations to a particular variable in affecting itself and the other variables in the VAR. Variance decomposition analysis therefore sheds light on the relative strength of the relationships among

variables by disentangling the portion of the error variance of a variable that is due to its own innovations vis-à-vis innovations due to other variables in the VAR system. Impulse response functions on the other hand show how each variable responds to a shock to another variable in the VAR system. VDCs and IRFs are sensitive to the ordering of the variables as the error terms across the VAR system are likely to be correlated to some extent. The residuals are therefore routinely orthogonalised and different orderings of the variables are tried.

However this approach is only valid if the true model is recursive and only the ordering is unknown, but in most empirical applications theory provides little guidance as to how the variables should be ordered. A more robust approach would be to use an orthogonalising method which is independent of the ordering of the variables. Pesaran and Shin (1998) provide such an approach – the Generalised Impulse Response Function (GIRF) – which constructs an orthogonal set of innovations which does not depend on the VAR ordering. The GIRF integrates historical patterns of the correlations among different shocks resulting in unique impulse responses invariant to variable orderings.

The GIRF is defined to be conditional on only one element at a time so a jth shock at a time t can be represented as:

$$GIRF_Y(h,\varepsilon_{jt},\Omega_{t-1}) = E\left(Y_{t+h} \mid e_{jt} = \varepsilon_{jt},\Omega_{t-1}\right) - E\left(Y_{t+h} \mid \Omega_{t-1}\right) \quad (5)$$

Where Ω = the information set and h = the time horizon.

The results of the variance decomposition analyses for Exports, FDI and GDP are presented in Table 4, 5 and 6 respectively.

Data

Quarterly data for South Africa from the first quarter of 1960 to the fourth quarter of 2009 were used. The data were sourced from the South African Reserve Bank.

RESULTS

Stationarity Tests

As expected, all series are non-stationary in levels, but stationary when differenced once. GDP, Exports and FDI all have significant structural breaks at 1981Q4, 1991Q4 and 1999Q1 respectively, which could lower the power of conventional stationarity tests to reject the hypothesis of non-stationarity.

Table 1 Zivot-Andrews Structural Break Unit Root Test

Variable	Level [lags]		First difference [lags]	
	ZA stat	Breakpoint	ZA stat	Breakpoint
Log of rnGDP	-2.25[1]	1968Q3	-6.25[4]***	1981Q4
Log of rExp	-3.80[3]	1980Q2	-12.81[2]***	1991Q4
Log of FDI	-7.01[8]	1999Q1	-5.76[11]***	1999Q1

Notes: *** denotes rejection of the null hypothesis at the 1% level. ZA stat is calculated from a standard t-distribution.

Co-integration

The Trace test indicates the presence of 1 co-integration vector implying that GDP, Exports and FDI all settle into a stable long-run relationship. However, the Maximum Eigenvalue test fails to find any evidence of co-integration. Since the Trace test is more robust (Liu *et al* 2002), the evidence of 1 co-integration vector is accepted.

Table 2 Unrestricted Co-integration Rank Test (Trace & Maximum Eigenvalue)

Hypothesized No. of CE(s)	Trace statistic	5% critical value[a]	Max-Eigen Statistic	5% critical value[a]
None	29.98**	29.80	14.88	21.13
At Most 1	15.09	15.50	14.77	14.26
At Most 2	0.33	3.84	0.33	3.84

Notes: ** indicates rejection of the null hypothesis at the 5% level. [a]Mackinnon-Haug-Michelis (1999) p-values.

Long- and Short-run Causality

The VECM suggests the following normalised long-run equilibrium relationship between the variables:

$$rEXP = 9.915 + 0.187FDI + 0.060rnGDP \quad (6)$$
$$(0.030) \quad (0.059)$$

All variables are in natural logs (standard errors in parenthesis).

The results suggest that FDI inflows into South Africa have a significant impact on exports in the long-run – a 10% increase in FDI causes a 1.87% increase in long-run exports. These results are encouraging because the imposition of financial and trade sanctions in the early 1980s at the height of Apartheid meant that historically, South Africa has attracted low levels of FDI. Between 1985 and 1994, average net FDI inflow was -0.38% of GDP primarily due to the many British and American companies that wound down their operations in South Africa during that period. In the last few years, the South African government has devoted considerable effort and resources towards attracting FDI in the hopes of helping to boost economic growth. These results suggest that the efforts may be bearing fruit. However, the effect of GDP in boosting exports does not appear to be significant. Table 3 presents the results of the short-run granger causality analysis.

Table 3 Short-Run VECM Granger Causality tests

H_0	Wald test/χ^2	Conclusion
EXP		
FDI does not granger cause EXP	9.716**	Causality
GDP does not granger cause EXP	6.651*	Causality
FDI		
EXP does not granger cause FDI	1.441	No Causality
GDP does not granger cause FDI	2.262	No Causality
GDP		
FDI does not granger cause GDP	8.381**	Causality
EXP does not granger cause GDP	11.654***	Causality

Notes: *** indicates rejection of the null hypothesis at the 1% level.

** indicates rejection of the null hypothesis at the 5% level.

*indicates rejection of the null hypothesis at the 10% level.

The results indicate that in the short-run, both FDI and GDP boost exports, consistent with theoretical expectations. FDI inflows into South Africa have largely consisted of investments

in existing assets, with mergers and acquisitions being the primary vehicle. Most of these mergers-and-acquisition type FDIs are made by foreign investors to gain access to natural resources and regional and local markets (Jenkins, Legpe & Thomas 2000). It is therefore not surprising that Exports and GDP both have no significant short-run impact on FDI. However, FDI and Exports are both significant in promoting economic growth in the short-run.

Variance Decomposition Analysis

Exports

A decomposition of export variance shows that shocks to export volumes tend to persist for a long time. Even in the 20th period, 88% of the variations in exports are explained by its own innovations, with 3.58% and 8.51% explained by variations in FDI and GDP respectively. Exports are also not very responsive to FDI and GDP up to and possibly beyond the 20th period.

Table 4 Variance Decomposition of South African Exports

Variance Decomposition of LREXP:				
Period	S.E.	LREXP	LFDI	LRNGDP
1	0.053900	100.0000	0.000000	0.000000
4	0.067829	93.35768	2.455787	4.186529
8	0.082967	91.36973	2.084721	6.545546
12	0.093737	89.90714	2.351576	7.741281
16	0.102233	88.83077	2.890270	8.278962
20	0.109320	87.91570	3.576405	8.507900

FDI

In the 1st period, 99.9% of variation in FDI is explained by FDI innovation. By the 20th period, this drops to 83%, with 15.92% and 1.20% explained by variations in Exports and GDP respectively. The influence of exports on FDI is thus bigger than the influence of FDI on exports. This is not surprising as increases in exports tend to be correlated with other factors such as improved terms of trade, improved regulatory and tax environment, etc which tends to attract more FDI. In contrast, the influence of FDI in boosting exports is mostly realised only after spill-over effects have become entrenched.

Table 5 Variance Decomposition of South African FDI

Variance Decomposition of LFDI:				
Period	S.E.	LREXP	LFDI	LRNGDP
1	0.111776	0.052221	99.94778	0.000000
4	0.190980	1.676246	97.11068	1.213078
8	0.250193	4.389344	93.78611	1.824550
12	0.294820	7.967066	90.32422	1.708717
16	0.332500	11.91648	86.64186	1.441660
20	0.366283	15.91569	82.88485	1.199460

GDP

The variance decomposition of GDP is quite interesting as it shows that shocks to non-export GDP have an immediate and significant impact on exports, as exports explain quite a significant amount (48%) of GDP variation. However, this steadily decreases to only 5% by the 20th period.

This underscores the importance that export growth plays in boosting GDP growth in South Africa. FDI is important in the long-run as well, explaining roughly 6% of the variation in GDP in the 20th period.

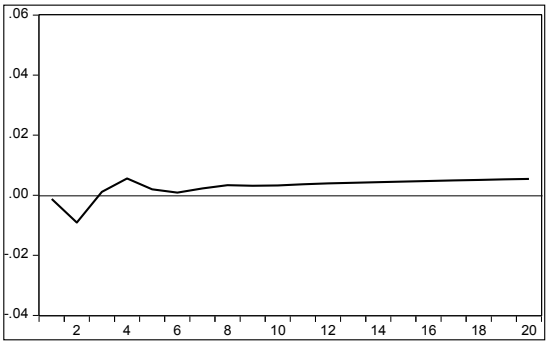
Table 6 Variance Decomposition of non-export GDP

Variance Decomposition of LRNGDP:				
Period	S.E.	LREXP	LFDI	LRNGDP
1	0.019763	47.79673	0.031705	52.17156
4	0.032843	21.86900	1.535341	76.59566
8	0.049920	10.08639	2.288932	87.62468
12	0.065489	6.103937	3.740694	90.15537
16	0.080293	4.970714	5.176727	89.85256
20	0.094561	5.022123	6.433409	88.54447

Export Response to FDI Shock

A one standard diviation innovation in FDI in period 1 causes an immediate drop in exports (Figure 1). This negative response persists into the 2nd period, after which exports begin to respond positively returning to pre-shock levels in period 3. Exports increase further in the 4th period, stabilising at a new equilibrium from the 8th period onwards. What we can deduce from this is that FDI innovations do not seem to have a positive effect on exports in the first 3 periods. This may be reasonable for two reasons. Firstly, most FDI into South Africa has traditionally not been geared towards expanding export markets so the initial influence on exports may have been negligible. In the long-run however, spill-over benefits may have been realised in export sectors, accounting for the new higher export equilibrium beyond the 8th period. Secondly, even if the initial FDI outlays were directed towards boosting exports, it takes time to break into the market and establish a foothold so initially, the effect may have been negligible with noticeable positive effects on exports only being reliased from the 4th period onwards. Additionally, negative shocks to FDI negatively affect exports, persisting through the medium to long-term unless positive inventions are made.

Figure 1 Export response to one S.D. innovation in FDI



CONCLUSION

This paper examined the granger-causal relationships between South African FDI, Exports and GDP as well as the responsiveness of exports to FDI shocks. The findings indicate that in the long-run FDI has had a significant impact on boosting exports with a 10% increase in FDI inflow resulting in a potential 1.87% increase in export volumes. In the short-run there is

bi-directional granger causality between GDP and exports with unidirectional causality from FDI to exports and from FDI to GDP. This highlights the importance of FDI to South Africa's growth strategy. However, variance decomposition analyses show that exports are not very responsive to changes in FDI inflow. This may be due to the nature of South African FDI inflows, which are primarily through mergers and acquisitions and directed towards production of goods and services for the local market. South Africa's FDI inflows are also comparatively low, possibly due to low economic growth rates, skills shortages and uncompetitive tax rates. For policy makers, this presents an opportunity to introduce remedial measures that will address the above issues, ensuring that South Africa attracts the right kind of FDI in the tradable sectors of the economy that will complement its export-led growth approach.

Variance decomposition analyses also show that shocks to GDP have an immediate and significant impact on exports. While this poses considerable risks to exports in the event of recessionary episodes, it is an opportunity for policy makers to take measures to ensure that any sudden unpredictable contractions in GDP are brief. These measures could include streamlining the legislative and regulatory processes required for government and the monetary authorities to respond to future crises in order to speed up the process.

Impulse response analyses indicate that although the initial response in the first two periods is negative, exports tend to respond positively to innovations in FDI beyond the 3rd period, settling into a stable higher new equilibrium beyond the 8th period. While this may be good news, it also underscores the risks associated with sudden drops in FDI inflow. In light of the recent financial crises which caused a marked drop in South African FDI inflow, there is an urgent need for policy makers to do more to attract the right kind of FDI.

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EMPLOYEE MOTIVATION AND ORGANISATIONAL CULTURE IDENTIFICATION IN MERGED HIGHER EDUCATION INSTITUTIONS IN SOUTH AFRICA: IMPLICATIONS FOR STRATEGIC MANAGEMENT

CA Arnolds & RN Stofile[1]

ABSTRACT

The transformation of higher education through a process of mergers has characterised the South African education landscape during the period 2001 to 2007. The question is whether these mergers were all successful given the recent suggestions for the unbundling of certain merged institutions. The main objective of this study is contribute to the effective strategic management of the post-merger universities in South Africa by investigating how the perceived attainment or non-attainment of merger goals and the satisfaction with merger outcomes are affecting their employees' motivation and identification with the organisational culture of the merged institution. The empirical results show that perceptions about merger goal successes and workload distribution (as a merger outcome) exert a significant influence on the employees' motivation and identification with the organisational culture of the merged institution.

Keywords: higher-education mergers, strategic management, employee motivation, organisational culture

INTRODUCTION

During the period 2001 to 2007 the South African Higher Education System has undergone a restructuring process, which included the merging of universities, universities and colleges and universities and technikons. Unlike in higher education, business mergers are an everyday occurrence. However, managers of merging institutions often fail to consider the impact of the mergers on their employees. Research has shown that from 55 to 70 percent of mergers fail because human resource issues are neglected (Schraeder & Self 2003: 511). Higher education could possibly learn some lessons from the failure of business mergers. The question is whether the South African higher education mergers were all successful mergers given the recent suggestions for the unbundling of certain merged institutions for various reasons, such as institutional mismanagement and lack of access to university studies (Sidimba 2011; SAPA 2011; SAPA 2012). Against this background, the present study asserts that an assessment is imperative to identify possible management issues that might need attention. Findings from this study could assist managers of troubled merged institutions to improve the management of their institutions.

LITERATURE REVIEW

Transforming higher education through a process of institutional mergers was not an uniquely South African phenomenon. Similar mergers have also taken place in countries such as Australia and Canada, among others. The experiences of these countries in this regard are briefly reviewed.

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The higher education mergers in Australia

In 1983, South Australia, through a series of mergers, reduced the number of higher education institutions from ten to three (Mildred 2002: 29). In July 1988, the Australian federal government adopted a White Paper on higher education which proposed the following:

- The dismantling of the binary divide between an university and college.
- Strengthening the link between teaching and research.
- The introduction of a new system of funding that encourages higher-education institutions to diversify their funding sources.
- The alignment of research to economic goals.
- The promotion of focus areas in national research policy.
- The placing of greater emphasis on institutional management (Dawkins 1988: 82).

In 1996, a new funding policy framework for higher education was adopted, according to which operating grants were reduced by 5% over three years. Commonwealth supplementation of academic salary increases was stopped and the Commonwealth funding of postgraduate course-work enrolment was phased out.

The institutional restructuring and new funding framework had a profoundly negative effect on higher education. These negative consequences included the neglect of basic infrastructure, the forced increases in student fees and the decrease in revenue flowing to higher education from research outputs and investments by business and industry (Wood & Meek 2002: 21). In addition, staff was alienated as a result of the cooperative style of institutional management and the quality of teaching and research suffered due to the decline in financial support (Wood & Meek 2002: 22). There was also a noticeable increase in the administrative, teaching and research supervision workloads of academic staff (Mildred 2002: 48).

However there were also positive reactions to the mergers (Wood & Meek 2002). These included the suggestion that marketisation had made the system more responsive and relevant to industry needs and that managers of the Australian higher-education institutions had substantially increased their skills and capacity to find new markets. This had led to considerable increases in student enrolments and graduates, the creation of a multi-billion dollar overseas student market and a substantial reduction in most institutions' financial dependence on the Commonwealth (Wood & Meek 2002: 22).

The higher education mergers in Canada

Post-secondary education in Canada, at both university and college levels, is the responsibility of the provincial and territorial governments. These governments provide most of the funding for both institutions (The Council of Ministers of Education, Canada nd). The federal government of Canada has only an indirect influence on higher educational matters through the provision of grants, the transfer of tax points as support for research granting agencies and student financial support. Funding therefore is provided by each respective provincial government to the post-secondary institutions through the administrative channels established by each province. The educational institutions are autonomous with respect to how they fulfil statutory mandates (Shale 2002: 1496). Each respective institution through the particular governance and budgetary processes identifies its own priorities and the financial requirements with these priorities.

In the early 1990s, institutions in Canada came under increasing pressure from federal and provincial governments to become more accountable on how they spend public funds (Association of Universities and Colleges of Canada, 1991 as cited in Curri 2002). The Canadian

government demanded higher-education institutions to become more efficient in using their resources and more flexible in preparing students for the labour market. At the same time both the public and government suggested that much duplication existed among the universities and that some universities should be merged or closed in order to reduce costs. By merging institutions, the Canadian government hoped to achieve greater efficiencies, such as educating more students without additional costs.

Some positive outcomes of the Canadian mergers have been reported. These outcomes include increased cohesion, access and standardisation of the curricula within high quality programme offerings (Barton 2005: 9). Various authors have also reported positive merger outcomes such as the sharing of overhead costs; reduction of administrative costs; the sharing of resources and expertise; the greater access to programmes and services; the opportunities to build skills around cooperation; the increased dialogue among colleagues in a network of different institutions; the greater diffusion of best practices; and the mobilisation for effective planning and control in higher education (see Konrad & Small 1986; Larrance 1990; Keim 1999 and Van Soeren, Andrusyszyn, Laschinger, Goldenberg & DiCenso 2000 as cited in Barton 2005: 9).

There were also negative outcomes to the mergers reported. These negative outcomes or challenges include inadequate communication; prolonged and/or ineffective decision-making processes and disrespecting institutional autonomy; lack of cohesion due to potential lack of trust and commitment as well as competition among the members; unarticulated roles and expectations; unclear mission, structure and philosophy underpinning merged institutions; poor visibility in each member institution; and lack of participation from various groups of people (see Konrad & Small 1986, Johnson 1998, Baus & Ramsbottom 1999. Keim 1999; Lang 2002 and Van Soeren *et al* 2002 in Barton 2005: 9).

Higher-education mergers in South Africa

In March 2001, the South African Minister of Education released a National Plan for Higher Education according to which the number of public higher-education institutions would be reduced from 36 to 22 through the mechanism of mergers (Ministry of Education 2002). Eleven institutions would become universities, five universities of technology (the former technikons) and six comprehensive universities, which offer both university and technikon-type programmes.

Reasons given for these mergers included, among others:

- Unifying the fragmented higher education system inherited from the previous dispensation and eradicating the profound inequalities and distortions that existed (Wyngaard & Kapp 2004).
- Increased student enrolments, especially from previously disadvantaged communities.
- Meeting national and global opportunities and challenges in terms of new technologies, research and training.
- Changing societal interests and needs as expressed in a transition from racial discrimination and oppression towards a democratic order (Mapasela & Hay 2005).

According to Goldman (2012: 1) most of the mergers are experiencing huge challenges. Issues affecting all these mergers include disparate organisational cultures and race issues manifested in diverse ways at different institutions (Gillard, Saunders, Terblanche & Sukel 2012). Theron and Dodd (2011) claimed that mergers were stressful life-events even in institutions with similar organisational cultures.

Gillard *et al* (2012) suggest that vertical mergers between universities and technikons, which were intended to provide students with greater choice, have been negatively affected by the National Qualifications Framework (Republic of South Africa, Department of Higher Education

and Training 2011) which makes articulation difficult. This also affected the staff at these institutions who were required to upgrade their qualifications. Gillard *et al* (2012) also argue that the safeguarding of vocational qualifications was undermined by the funding formula applied at these institutions, the undifferentiated requirements to increase research.

Theron and Dodd (2011) claim that in some instances the employees' relationship with the organisation changed leading to a decrease in employee commitment. Lalla (2009), for example, found that management relationships, job security, job position and promotion, communication, performance standards and collegial relationships were negatively impacted by the merger at a particular institution. Theron and Dodd (2011) warn that psychological contracts between the institutions and employees have become brittle and prone to breach, compelling management to pay closer attention to the employment relationship to maintain commitment and loyalty. Other matters which have not been addressed, or which have been addressed but at a very slow pace, include salary equity and the consolidation of academic programmes (Gillard *et al* 2012). Goldman (2012) also reported increased workloads at a merged institution.

Positive post-merger perceptions have also been reported (Goldman 2012). These perceptions relate to employee assertions that stronger institutions should emerge from these mergers if merger goals were achieved. An empirical assessment of perceptions about merger goals and outcomes has however not yet been done. The present study attempts to address this research gap.

Strategic management, employee motivation, organisational culture and merger goals

According to Thompson, Strickland and Gamble (2007: 19), the strategic management function of an institution consists of five phases, namely developing a strategic vision, setting objectives, creating a strategy to achieve the objectives and vision, implementing and executing the strategy and monitoring developments, evaluating performance and making corrective adjustments. All the South African higher-education institutions, including the merged ones were required to draw up strategic plans aligned to the vision and strategic direction of education restructuring as set by the South African government. This vision and grand strategy was not only to change the composition of staff and students, governance structures and course content, but it was also aimed at transforming the organisational culture and the development and acceptance of new shared values (Fourie 1999: 277). According to Viljoen and Rothman (2002: 3), it was expected that the transformation of higher education in South Africa would include a revolutionary change of previous management practices and ways of doing things, qualitative change in the experience of organisational members and multi-dimensional change which refers to all the changes of all the structures, processes and procedures and their attendant change in values, norms, attitudes, perceptions and behaviour.

The merged institutions, because of their different historical backgrounds, were particularly challenged to deliver on this vision and grand strategy. It appears that since the completion of the mergers in 2007, these merged institutions have been relatively successful in achieving the three strategic management phases of Thompson *et al* (2007). However, some of them are still challenged with achieving phases four and five which relate to the implementation and execution of the strategy, the monitoring of developments, the evaluation of performance and the making of corrective adjustments. The fact that four merged institutions are currently under administration attests to this assertion, to such an extent that the unbundling of one of the mergers has been mooted.

According to Thompson *et al* (2007), effective strategy execution is reliant on committed, motivated and better performing employees, as well as a healthy organisational culture. It is

therefore important to assess how the pursuit of merger goals has affected staff motivation and the organisational cultures of the merged institutions.

The ERG motivation theory of Alderfer (1969: 145-147) suggests that an employee's motivation to perform at his/her job depends on how well his/her Existence, Relatedness and Growth needs are satisfied by the job. Existence needs refer to the employee's need for a fair wage and fringe benefits; relatedness needs refer to the employee's need for respect from peers and superiors; and growth needs refer to the employee's need for opportunities to develop and advance in his/her job. These motivational elements were pertinent issues during the higher-education mergers (Fourie 1999: 287) and they therefore form the basis on how employee motivation is assessed in the present study.

Nel *et al* (2003: 22) defined organisational culture as a system of assumptions shared by members which distinguishes one organisation from another. Organisational culture shapes behaviour by helping members make sense of their surroundings and serves as a source of shared meaning that explains why things occur in the way they do (Kinicki & Kreitner 2006: 36). An organisational culture that is aligned with a firm's manufacturing strategy enhances teamwork, workforce loyalty and a shared manufacturing philosophy (Bates, Amundson, Schroeder & Morris 1995: 1576). Lack of cultural fit between organisations has however been identified as a possible reason for business mergers and acquisitions failure in most studies (see Weber, Tarba & Bachar 2012: 105). Mismatches in organisational cultures were also proposed as possible reasons for tensions at merged higher-education institutions in South Africa (Goldman 2012: 4866). For the purposes of the present study, organisational culture identification is measured as the extent to which employees identify with the organisational culture of the merged institution, this culture fills him/her with pride, this culture is seen to be better than the one the employee has come from, the atmosphere is better in the merged institution than in the one the employee has come from, and the employee is more comfortable with the values pursued in the merged institutions than in the one he/she is coming from.

Against the background of the preceding literature review, the present study investigates whether employee motivation and organisational culture have been positively impacted by the institutional mergers. In other words, the study explores the relationship between the attainment or non-attainment of the goals and the outcomes of the mergers, on the one hand, and employee motivation and organisational culture, on the other hand.

The literature shows that the South African government pursued the following goals with higher-education mergers (NCHE 1996; Wyngaard & Kapp 2004; Mapasela & Hay 2005); an increased contribution to the solution of societal problems; a better standard of higher education; an increase in training and development of higher-education staff; increased student access; improved administrative governance of higher-education institutions; curriculum restructuring; and improved use of financial and human resources. A merger would therefore be successful if a merged institution was successful in attaining these goals. Merger goal success for the purposes of the present study is therefore defined as the perceived extent to which the above-mentioned goals have been successfully attained in these merged institutions. It is argued that the attainment of these goals would be positively related to the motivation of the employees and the organisational culture of merged institutions. It is therefore hypothesised that:

H1: Perceived merger goal successes are positively related to employee motivation, as measured by satisfaction with monetary compensation (H1a), fringe benefits (H1b), relatedness to peers (H1c) and growth factors (H1d).

H2: Perceived merger goal successes are positively related to employee identification with the organisational culture of the merged institution.

The literature review on higher-education mergers in South Africa and other countries pointed

to various experiences and outcomes of these reforms. These experiences and reactions included whether government funding of the merged institution has increased or decreased after the merger (Wood & Meek 2002: 21); whether managers have successfully managed the merger process (Viljoen & Rothman 2002: 6); whether there has been an improvement in co-operation among staff after the merger (Mildred 2002: 45); whether workloads have increased after the merger (Goldman 2012: 4873); whether access to financial support from the business sector has increased (Wood & Meek 2002: 21); whether the demand for educational services has increased (Cloete & Moja 2005: 716); whether there was a stronger emphasis on cutting costs in the new institution than was previously the case (Wood & Meek 2002: 21); whether student fees and therefore debt have increased (Cloete & Moja 2005: 709); whether the improved programme mix has improved the academic status of their merged institutions (Fourie 1999: 283) and whether social integration of staff has improved (Goldman 2012: 4867). In the present study it is argued that the extent to which staff members hold positive perceptions about merger outcomes will be positively related to their motivation, organisational commitment and job performance. It is therefore hypothesised that:

H3: Positive perceptions about merger outcomes are positively related to employee motivation, as measured by satisfaction with monetary compensation (H3a), fringe benefits (H3b), relatedness to peers (H3c) and growth factors (H3d).

H4: Positive perceptions about merger outcomes are positively related to the way employees identify with the organisational culture of the merged institution.

THE RESEARCH OBJECTIVE

The primary objective of the study is contribute to the effective strategic management of the post-merger universities in South Africa by investigating the implications for managers of the perceived attainment or non-attainment of merger goals, as well as employee perceptions about merger outcomes. More specifically, the study investigates the relationship between the perceived attainment or non-attainment of merger goals and perceptions about merger outcomes, on the one hand, and the employees' motivation and identification with the organisational culture of the merged institutions, on the other hand.

RESEARCH METHODOLOGY

The sample

Data were collected at three comprehensive universities in South Africa in 2008. Although it could be argued that the data are almost four years old, the literature review on the South African mergers above suggests that the findings (especially the challenges) that emanate from the present study are still relevant today in these institutions. This study also provides an empirical assessment of how perceptions about merger goals and outcomes are related to important employee attitudes. These data therefore still have important value.

Comprehensive universities came into being as a result of mergers between universities and technikons. The South African Department of Education (DoE) established comprehensive universities for specific purposes, namely to increase access to career-focused programmes, to improve articulation between career-focused and general academic programmes, to strengthen and develop applied research and to enhance capacity to respond to social and economic needs of the regions in which these institutions were located (Republic of South Africa, Department of Education 2004). Initially, there was huge uncertainty about how a comprehensive university would operate (Goldman 2012: 4866), making the integration of these different institutions "fraught and complicated" (Mgqibela 2008). Due to their special focus from the DoE and their complicated beginnings, comprehensive universities were chosen as the locations of the present study.

After acquiring the permission of the Registrars of the three comprehensive universities, questionnaires were e-mailed to heads of divisions at these institutions requesting them to distribute the questionnaires to the staff members in their divisions. Not many questionnaires were returned. The researchers then physically distributed the questionnaires to whoever was willing to complete the questionnaires at these institutions. Some questionnaires were e-mailed to respondents. This allowed the researchers to ensure as far as possible that respondents at all occupational levels completed the questionnaires. After physically and via e-mail distributing two hundred (200) questionnaires at University A and 500 each at Universities B and C, a total of three hundred and twenty-nine (329) questionnaires were returned (total response rate = 14.9%). This total comprised eighty-two (82) questionnaires from University A, one hundred and twenty (120) from University B and one hundred and twenty-seven (127) from University C. Table 1 depicts the demographic composition of the total sample.

Table 1 shows that the sample consisted of 129 (39.2%) males and 200 (60.8%) females, mostly academics (66%), and was fairly evenly spread over the age groups. Most of the respondents possessed at least an honours degree and were mostly English speaking (39.2%). Xhosa-speaking and Afrikaans-speaking respondents comprised 28.9% and 23.1% respectively of the sample. About 29% of the sample had been working for less than five years at their respective universities prior to the mergers, while the rest had job tenure of more than five years. About 20% of the respondents had total job experience of less than five years, while the rest had job experience in excess of five years.

Table 1 Demographic Composition Of Sample

VARIABLE		**N**	**%**
Gender	Male	129	39.2
	Female	200	60.8
		329	100.0
Age	20 – 29 years	46	13.9
	30 – 39	94	28.6
	40 – 49	98	29.8
	50 – 59	74	22.5
	60 +	17	5.2
		329	100.0
Education	Grade 12 or equivalent	25	7.6
	National diploma or equivalent	43	13.1
	Bachelor’s degree	35	10.6
	Honours degree	76	23.1
	Master’s degree	97	29.5
	Doctoral degree	53	16.1
		329	100.0

Job category	Academics	217	66.0
	Non-academics	112	34.0
		329	100.0
Language	English	129	39.2
	Afrikaans	76	23.1
	Xhosa	95	28.9
	Zulu	12	3.6
	Other	17	5.2
		329	100.0
Tenure	< 5 years	95	28.9
	5 – 9	89	27.1
	10 – 14	68	20.7
	15 – 19	47	14.2
	20 +	30	9.1
		329	100.0
Job experience	< 5 years	65	19.8
	5 – 9	88	26.7
	10 – 14	58	17.6
	15 – 19	55	16.7
	20 +	63	19.2
		329	100.0

The measuring instruments

A shortened version of Alderfer's (1969) instrument was used to measure employee motivation, in terms of satisfaction with monetary compensation, fringe benefits, peer relations and growth factors. Favourable results on the convergent and discriminant validation and reliability coefficients ranging from 0.64 to 0.90 were reported for these scales (Alderfer 1969: 169; Arnolds & Boshoff 2000: 57).

A self-constructed scale was used to measure organisational culture identification. In the present study, organisational culture is defined as the individual's identification with the culture of the merged institution. No existing measuring instrument was available to measure organisational culture as defined above.

Self-constructed instruments were also used to measure merger goal success (8 items) and satisfaction with merger outcomes (13 items). The measurement items were sourced from the literature that described the experiences and reactions to the higher education mergers in South Africa and other countries (see the section on hypotheses above).

The questions in all the above-mentioned instruments were anchored on a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree.

THE EMPIRICAL RESULTS

The data collected using the above-mentioned instruments were analysed with the STATISTICA Version 10.0 (Statsoft Incorporated 2010) computer software program. The data analyses included an assessment of the reliability and validity of the measuring instruments, as well as the multiple regression relationships among the variables in the hypothesised model.

The reliability of the data

The first step in the data analysis procedure was to assess the internal reliability of the data by means of Cronbach alpha coefficients. The results, reported in Table 2, show that all the instruments returned initial alpha values of more than 0.60, which indicate fair to good reliability according to Zikmund, Babin, Carr and Griffin (2010: 306). All these variables were therefore retained in subsequent analyses.

Table 2 Empirical Factor Structure After The Exploratory Factor Analyses

LATENT VARIABLE	MEASURING ITEMS	RANGE OF FACTOR LOADINGS	INITIAL ALPHA VALUE	FINAL ALPHA VALUE
Remuneration package	ALPY 1, 2, 3, 4 ALFB 1, 2, 3, 4	0.647 – 0.777	N/A	0.88
Relatedness to peer satisfaction	ALRP 1, 2, 3, 4	0.632 – 0.741	0.73	0.73
Growth need satisfaction	ALGR 1, 2, 3, 4	0.570 – 0.747	0.65	0.65
Organisational culture identification	CULT 1, 2, 3, 5, 6	0.601 – 0.788	0.69	0.83
Improved student access	OBJEC 5, 7, 8	0.537 – 0.845	N/A	**0.54**
Merger goal success	OBJECT 1, 2, 3, 4, 6	0.528 – 0.773	0.78	0.76
Increased HE demand	OUT 6, 9	0.689 – 0.766	N/A	**0.29**
Cost-induced workload	OUT 7, 11	0.625 – 0.673	N/A	**0.19**
Increased university finance	OUT 1, 3, 5	0.439 – 0.688	N/A	**0.46**
Workload fairness	OUT 4, 8, 10, 12	0.429 – 0.782	0.66*	0.61

Note: * Part of the original satisfaction with merger outcome variable

The validity of the data

The second step in the data analyses was to assess the discriminant validity of the data by conducting exploratory factor analyses, using the STATISTICA Version 10.0 (Statsoft Incorporated 2010) statistical software package. Principal Component Analysis was specified as the method of factor extraction and Varimax rotation of the original factor matrix was used in all instances. Table

2 indicates the most interpretable factor structure which emerged from the factor analysis.

The exploratory factor analysis results reveal that merger goal success was not a single construct, but that it consisted of two constructs, namely perceptions about *improved student access* and perceptions about to what extent DoE (the then Department of Education) goals underpinning the mergers were achieved *(merger goal success).* In the same fashion, satisfaction with merger outcomes was not a single construct, but four, namely *increased HE demand, cost-induced workload* (the extent to which cost saving led to increased workloads), whether *university finances have increased* and to what extent mergers have resulted in a *fair workload* distribution. The factor analysis (Table 2) further revealed that respondents did not view satisfaction with monetary compensation (ALPY) and satisfaction with fringe benefits (ALFB) as two independent constructs, but rather as one variable, namely *remuneration package.* The hypotheses in this regard therefore needed to be revised.

Due to the emergence of workload fairness as a specific merger outcome latent variable in the exploratory factor analysis, the following revised hypotheses were formulated:

H3: Positive perceptions about merger outcomes (as measured by perceived workload fairness) are positively related to employee motivation, as measured by satisfaction with monetary compensation (H3a), fringe benefits (H3b), relatedness to peers (H3c) and growth factors (H3d).

H4: Positive perceptions about merger outcomes (as measured by perceived workload fairness) are positively related to employee identification with the organisational culture of the merged institution.

The Cronbach reliability coefficients of the variable instruments as they emerged from the factor analyses were re-calculated. Table 2 reveals that four variables, namely improved student access, increased higher-education (HE) demand, cost-induced workload and increased university finances, did not satisfy the minimum cut-off point of 0.60 needed for fair reliability (Zikmund *et al* 2010: 306). These variables were consequently omitted from all subsequent analyses.

Multiple regression analysis

Multiple regression analysis was conducted to investigate the hypothesised relationships. The results are reported in Table 3.

Table 3 shows that perceived success in attaining merger goals is significantly and positively related to growth need satisfaction ($r = 0.32$, $p < 0.001$), remuneration package satisfaction ($r = 0.34$, $p < 0.001$), peer relation satisfaction ($r = 0.16$, $p < 0.05$), and organisational culture identification ($r = 0.70$, $p < 0.01$). This result means that the more employees perceive that the mergers have attained their intended objectives the more they identify with the new organisational culture and the more they are satisfied with their growth factors, remuneration package and peer relations. The empirical results therefore support the hypotheses H1a to H1d and H2.

The empirical results further show that a perceived fair workload dispensation as an outcome of mergers is significantly positively related to growth need satisfaction ($r = 0.19$, $p < 0.01$), remuneration package satisfaction ($r = 0.35$, $p < 0.01$), peer relation satisfaction ($r = 0.29$, $p < 0.001$), and organisational culture identification ($r = 0.14$, $p < 0.001$). This means that the more employees perceive their workload distribution as fair, the more they identify with the new organisational culture and the more they are satisfied with growth factors, remuneration package and peer relations in the merged institution. The empirical results therefore support the revised hypotheses H3a to H3d and H4.

Table 3 The Influence Of Perceived Merger Outcomes And Objectives Achieved On Employee Motivation And Organisational Culture Identification

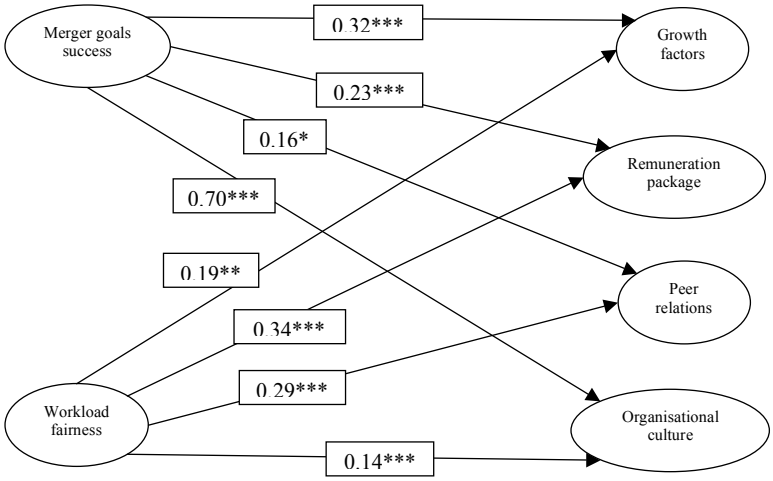
	b*	Std.Err. - of b*	B	Std.Err. - of b*	t(326)	p-value
Dependent variable: **REMUNERATION PACKAGE** $R^2 = 0.26147380$ $F(2,326) = 57.710, p < 0.0000$						
Intercept			0.776488	0.170416	4.556433	0.000007
Merger goal success	0.229345	0.058182	0.254692	0.064612	3.941848	0.000099***
Workload fairness	0.343778	0.058182	0.385759	0.065287	5.908666	0.000000***
Dependent variable: **PEER RELATIONS** $R^2 = 0.16443655$ $F(2,326) = 32.078, p < 0.0000$						
Intercept			2.098050	0.172095	12.19121	0.000000
Merger goal success	0.156195	0.061886	0.164682	0.065249	2.52390	0.012081*
Workload fairness	0.295017	0.061886	0.314294	0.065930	4.76707	0.000003***
Dependent variable: **GROWTH FACTORS** $R^2 = 0.21497756$ $F(2,326) = 44.637, p < 0.0000$						
Intercept			2.299878	0.151512	15.17955	0.000000
Merger goal success	0.323636	0.059986	0.309928	0.057445	5.39522	0.000000***
Workload fairness	0.194502	0.059986	0.188208	0.058045	3.24248	0.001308**
Dependent variable: **ORGANISATIONAL CULTURE IDENTIFICATION** $R^2 = 0.61818129$ $F(2,326) = 263.90, p < 0.0000$						
Intercept			0.329055	0.114491	2.87407	0.004318
Merger goal success	0.696129	0.041835	0.722323	0.043409	16.64007	0.000000***
Workload fairness	0.141739	0.041835	0.148608	0.043862	3.38809	0.000790***

Note: * indicates significance at $p < 0.05$
** indicates significance at $p < 0.01$
*** indicates significance at $p < 0.001$

Table 3 also reveals that perceptions about merger goal success and workload fairness explain on average about 21.0% of the variance in employee satisfaction with growth factors, remuneration package and peer relations. This means that these perceptions about merger objectives and outcomes are important correlates of employee motivation, as measured by satisfaction with growth factors, remuneration package and peer relations.

Table 3 also indicates that perceptions about merger objectives and outcomes explain 62.0% ($R^2 = 0.618$) of the variance of organisational culture identification. This high R^2 indicates the strong influence perceptions about the successes and outcomes of the mergers exert on employees' identification with the organisational culture of their new institutions. The above-mentioned results are graphically illustrated in Figure 1.

Figure 1 The Influence Of Perceived Achieved Merger Objectives And Outcomes On Employee Motivation And Organisational Culture Identification



Note: * indicates significance at $p < 0.05$
** indicates significance at $p < 0.01$
*** indicates significance at $p < 0.001$

DISCUSSION OF RESULTS AND MANAGERIAL IMPLICATIONS

The empirical results show that merger goal success has the strongest positive influence ($r = 0.70$, $p < 0.001$) on employees' identification with the new organisational culture. This means the more employees perceive the mergers as achieving what they set out to achieve the more they can identify with the organisational culture of the merged higher-education institution. In other words, the more merger successes are attained and highlighted the more employees will experience the new organisational culture as an improvement on the one they are coming from, show pride in the new culture and identify with the values of the new culture. It is therefore imperative for the managers of merged institutions to manage employees' perceptions about mergers, more specifically highlighting and celebrating merger successes. Merger successes that need to be highlighted include whether the new merged institution is in a better position to contribute to the solution of societal problems than was the case before the merger; whether a better standard of education has been achieved in the merged institution than in the previously separate constituents; whether more services are demanded from merged institutions than before; and whether the mergers have achieved an increase in training and development of staff.

The empirical results show that perceived merger successes also are positively related to the motivation of employees (satisfaction with growth factors, remuneration and peer relations). In other words, when university managers vigorously pursue merger goals, attain and celebrate them, their staff will have a more positive view about their monetary compensation, fringe benefits, peer relations and opportunities for growth in their jobs. This finding reinforces the notion that managers of merged institutions should at the very least highlight the successes of the merged institution, manage the perceptions about the merger among the employees, attempt to change negative perceptions and attitudes towards the mergers and facilitate coping skills where employees experience difficulties in adapting to institutional changes.

The results also show that employees' perceptions about workload fairness are positively related to employee motivation and identification with the new organisational culture. Employees at merged institutions feel that the extent to which they have a say in the fair distribution of

their workload and its relation to operational costs, the social integration of staff and comprehensive programme mix are significantly positively related to their satisfaction with monetary compensation, peer relations and growth opportunities, as well as their identification with the organisational culture of the merged institution. Workload fairness is therefore an important issue to focus on in merged institutions. Research (Goldman 2012) and qualitative information gathered in the open-ended question section of this study suggest that workloads have increased considerably at all higher-education institutions, but more so at merged comprehensive universities. The general view is that the increased implementation of cost-cutting measures has led to increased workloads. This perception has the potential to negatively affect the job and overall performance of staff and institutions respectively, especially where the remuneration of staff members is not matching their workloads. The latter could manifest in staff members neglecting some duties in favour of others in an attempt to find a balance between expectations. The effective management of workload issues is therefore of strategic importance in merged universities.

CONCLUSION

The study emphasises the importance of two of the elements for successful strategy execution in the management of merged higher-education institutions, highlighted by Thompson *et al* (2007): favourable organisational culture and motivated employees. The study particularly shows that perceptions about merger goal success and workload distribution are significantly related to the motivation of employees (satisfaction with monetary compensation, relatedness to peers and growth opportunities) and the extent to which they identify with the organisational culture of the merged institution. By effectively managing these elements, merged institutions will be better managed.

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CHARACTERISTICS OF THE CHRISTIAN ENTREPRENEUR

MDM Cullen, AP Calitz & L Boshoff[1]

ABSTRACT

Governments globally are encouraging entrepreneurship and creating platforms for new entrepreneurial business opportunities. The study of entrepreneurship has been approached from many perspectives and grounded in various theories. Historically, research to understand why individuals become entrepreneurs has centred on secular considerations, leaving many unanswered questions. It is the fundamental precept of the Christian faith that God calls not only ministers and other spiritual workers, but everyone to specific roles in His kingdom. Christian entrepreneurs must realise that their calling is to establish and lead business organisations that are designed to achieve positive Christian faith related results in the secular world.

In this exploratory study, the role of the Christian belief in entrepreneurship and in entrepreneurial businesses in South Africa was investigated. The characteristics of entrepreneurs and secular entrepreneurs as well as specific Christian entrepreneurial characteristics were identified from literature and by means of an empirical study. The results indicate that entrepreneurship provides Christians the opportunity to use their talent to the glory of God and run businesses based on Christian values and principles.

Keywords: Entrepreneurial characteristics, Christian entrepreneurship, Christian business principles.

INTRODUCTION

Entrepreneurship is essential for international social and economic well-being, as new ventures are the dominant source of job creation, market innovation and economic growth in many societies (Baum, Frese & Baron 2007). Theories and research on entrepreneurs date from the early Industrial Revolution. Deakins and Freel (2009) explore three approaches which have contributed to the study of entrepreneurship. These include:

- Contributions of economic writers and theorists on the economic role;
- The psychological approach based on personality characteristics;
- The social behavioural approach.

Historically, the majority of the research to understand why individuals become entrepreneurs has centred on secular considerations, leaving many unanswered questions (Kauanui, Thomas, Rubens & Sherman 2010). The impact of religion on entrepreneurs is a field that has not been studied extensively. Research by Audretsch, Bonte and Tamvada (2007) indicated that religion shapes entrepreneurial decision-making. In fact, Islam and Christianity were found to be conducive to entrepreneurship whilst other belief systems such as Hinduism, inhibit entrepreneurship. Anderson (1999) argues that it is the fundamental precept of the Christian faith that God not only calls ministers and other spiritual workers, but everyone to specific roles in His kingdom. In this study, the role of the Christian faith in entrepreneurship and in entrepreneurial businesses is investigated. The Christian entrepreneurial characteristics are investigated and the set of Christian entrepreneurial characteristics are extended.

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The layout of the paper will include a literature review (Section 2) of the characteristics of entrepreneurs and specifically Christian entrepreneurs. The research problem is identified in Section 3 and the research methodology is discussed in Section 4. The research findings are presented in Section 5 and in Section 6 the implications for business, conclusions and directives for future research are discussed.

LITERATURE REVIEW

Entrepreneurial characteristics

Initial studies in entrepreneurship were based in economic, social and psychological theory (Casson 1982). More recent studies tried to identify the traits that distinguish entrepreneurs from the rest of society (Swedburg 2000) with no resultant unique or definitive profile (Baum 2004). Baum (2004) argues that many of the characteristics commonly associated with entrepreneurs, such as ambition, initiative, motivation, optimism, passion, perseverance and tenacity could also be found amongst non-entrepreneurs (Figure 1).

Figure 1 General entrepreneurial characteristics

General Entrepreneurial Characteristics			
*Ambition	*Motivation	*Optimism	*Passion
*Perseverance	*Tenacity	*Initiative	

Entrepreneurs have been identified as risk-takers (Emmett & Knight 2010), as creative and imaginative people (Deakins & Freel 2009), as organisers of resources (Casson 1982) and people who are opportunity obsessed (Timmons & Spinelli 2007). The approach to the identification of opportunity, as an integral part of entrepreneurship, resulted in numerous additional studies. Chaisson and Saunders (2005) saw opportunity recognition and formation as complementary, rather than contrasting.

The study by Ardichvili, Cardozo and Ray (2003) recognised personality traits, social networks and prior knowledge as antecedents to entrepreneurial alertness, a trait required to identify, evaluate and develop opportunities. The study of Corbett (2005), underpinned by experiential learning theory, focused on individuals with different learning modes and their performance in different areas of the opportunity identification and exploitation process. The interplay of social, capital and cognitive biases (social cognitive theory) explains why some people exploit opportunities whereas others do not (De Carolis & Saparito 2006). McMullen and Shepherd (2006) studied the willingness of people to explore opportunities in terms of tolerating the uncertainty needed to take entrepreneurial action.

Opportunities emerge from changes in the environment as well as changes within the entrepreneur (Baron & Ensley 2006). Bhave's model (1994) defined opportunity recognition as twofold: external and internal. Opportunity recognition is key to entrepreneurship (Short, Ketchen, Shook & Ireland 2010). Analysis of market needs, deployment of resources and the identification of self-readiness may help an entrepreneur to develop an opportunity. The influencers of opportunity recognition include entrepreneurial alertness, information asymmetry and prior knowledge, social networks, personality traits (including optimism, self-efficacy and creativity) and the type of opportunity itself as well as the fit of the entrepreneur (Ardichvili *et al* 2003).

Recent research, which contrasts with opportunity thinking, focuses on a creation theory of entrepreneurship (Alvarez & Barney 2007). Rather than focusing on the characteristics of the entrepreneur and the environment, the creation perspective views opportunities as actively constructed by participants and their mental models or mind-sets (Edelman & Renko 2010). The environment composition is not something that is taken as a given, but instead is enacted by entrepreneurs.

Further research focused on entrepreneurial orientation (EO), which reflects on how a business operates rather than what it does (Lumpkin & Dess 1996). Entrepreneurial orientation can be an

important measure of how a business is organised to discover and exploit market opportunities (Ireland, Hitt & Sirmon 2003; Wiklund & Shepherd 2005; Zahra & Garvis 2000). Recent studies on EO include resource-advantage theory (Li, Haung & Tsai 2009), knowledge creation studies (Nonaka & Toyama 2005) and the five dimensions of EO identified by Lumpkin and Dess (1996).

The resource-advantage theory views entrepreneurial orientation as resources that facilitate a business to out-perform other rivals and yield marketplace positions of competitive advantage (Li *et al* 2009).

Research has further been conducted in the cultural, regional and national differences in entrepreneurial behaviour. The Global Entrepreneurship Monitor (GEM) (2011) suggests there are marked international differences in entrepreneurial activity and regional variations within countries. Factors such as differences in local market opportunities, skill levels for new venture creation and management, unemployment levels, availability of grants and loans for start-ups, variations in entrepreneurial culture and the presence of entrepreneurial role models influence sub-national patterns (Reynolds 2009; Bosma, Acs, Autio & Levie 2008). Oviatt and McDougall (2005) focused on the cross-national-border behaviour of entrepreneurs, their behaviour and the circumstances in which they are imbedded. Entrepreneurial orientation has been deemed a crucial organisational process that contributes to business performance and survival when the environment changes (Clausen & Korneliussen 2012).

Entrepreneurial intention is another field of study in this domain. Early approaches to entrepreneurial intention focussed on the existence of personality characteristics, features or traits that explain entrepreneurial behaviour (McClelland 1961). Among these factors are the desire for personal control (Grennberger & Sexton 1988), locus of control, risk-taking propensity (Brockhaus 1980), desire for autonomy (McClelland 1961), tolerance of ambiguity (Schere 1982) and a need for power and achievement (McClelland 1961), as summarised in Figure 2.

Demographic or background variables have also been associated with entrepreneurial intention. Gender, for instance, as pointed out by Kolvereid, Shane and Westhead (1993), significantly impacts on the intentions of individuals to become entrepreneurs. Crant (1996), in the same manner, argues that it is more likely for men to openly express their preference or intention to engage in self-employed activities than women. Furthermore, Scott and Twomey (1988), highlight that family background plays a major role in shaping people's ambitions and inclinations to become entrepreneurs. Crant (1996) adds that it is much easier for someone raised in a family of entrepreneurs to engage in entrepreneurial activities than someone with no relatives engaged in such activities. Other studies found a positive relationship between previous employment and entrepreneurial education (Wilson, Kickul & Maulins 2007); religion (Weber 1930); ethnic group (Aldrich 1980) and entrepreneurial intentions. The socio-political environment includes factors such as ethnic group, the impact of networks, government support, family assistance and cultural acceptance (Fatoki & Chindoga 2011: 162), all of which are positively or negatively associated with entrepreneurial intention.

Figure 2 Secular entrepreneurial characteristics

Secular Entrepreneurial Characteristics		
* Risk takers	* Organiser of resources	* Opportunity recognition
* Imaginative	* Opportunity obsessed	* Family background
* Locus of control	* Entrepreneurial orientation	* Desire for personal control
* Creative	* Desire of autonomy	
* Tolerance for ambiguity		
* Need for power and achievement		

Source: Johnson (2006)

The Theory of Planned Behaviour (TPB) (Fatoki 2010; Fatoki & Chindoga 2011; Pihie & Hassan 2009; Steenekamp, Van Der Merwe & Athayde 2011) postulates that human behaviour results from one's intention to perform that behaviour and that intention itself depends upon three factors: attitude towards the behaviour, subjective norms and perceived behavioural control (Ajzen 1991: 181-184). Empirical studies (Fatoki 2010; Fatoki & Chindoga 2011; Goethner, Obschonka, Silbereisen & Cantner 2012; Krueger, Reilly & Carsrud 2000; Mazzarol, Volery, Doss & Thein 1999; Steenekamp *et al* 2011) found strong support for a positive relationship between having a favourable attitude towards entrepreneurial activities and entrepreneurial intention. On the other hand, subjective norms are defined as the degree to which society impacts on the individual's intention to carry out or not to carry out the intended behaviour.

The Social Cognitive Theory (SCT), which bases human behaviour on three interacting factors, namely personal factors, behaviour and environment (Bandura 1986), provides a useful framework for understanding, predicting and modifying various types of human behaviour. Personal factors include cognitive, affective and biological events (McStay 2008: 41). Environmental factors refer to both the social and physical environment. The social environment includes role models, family members and friends, while the physical environment refers to one's access to resources and surroundings (Pajares 1997: 19). These three factors constantly influence each other and neither one is necessarily the result of the others as intervening factors exit (McStay 2008: 42).

The decision to become self-employed may stem from the push effect of unemployment or from pull effects induced by an economy producing entrepreneurial opportunities. Reynolds *et al* (2005: 16) distinguish between opportunity-based and necessity-based entrepreneurship. Opportunity-based entrepreneurship involves those who choose to start their own business by taking advantage of an entrepreneurial opportunity as defined above. Necessity-based entrepreneurship involves people who start a business because other employment options are either absent or unsatisfactory (Stokes, Wilson & Mador 2010).

As indicated above, historically much of the research to understand why individuals become entrepreneurs has centred on secular considerations, leaving many unanswered questions (Kauanui *et al* 2010). Rindova, Barry and Ketchen (2009) suggest that there are many entrepreneurs who give up financially successful jobs to become entrepreneurs in oder to make a difference or create change for the betterment of society. The new global economic order is based on knowledge, intelligence and innovation and not on planning, control and obedience. Competitive advantage lies in human capital, with the qualities of commitment, responsibility, creativity and energy determining success (Ashar & Lane-Maher 2004). Organisations need to cultivate the human spirit – individuals who find joy and passion in their work when they feel a spiritual connection to their occupation (Kauanui *et al* 2010; Chalofsky & Krishna 2009).

Anderson (1999) pointed out a fundamental precept of the Christian faith, namely that God not only called ministers and other spiritual workers, but everyone to specific roles in His kingdom. Christian entrepreneurs therefore realise that their calling is to establish and lead businesses that are designed to achieve positive results in the business world. Businesses established by Christian entrepreneurs differ from secular businesses because they believe they do business while being guided by the Holy Spirit as indicated in Ephesians 2:8-10; John 15:16a and 1 Corinthians 12:12-18.

Christian entrepreneurship is not a new idea, but a return by unfulfilled business leaders to the sense of "calling" enjoyed by fellow laity in the U.S.A. and Western Europe (Anderson 1999). The Christian goal is to develop a business that blends business excellence and entrepreneurship with Christian Biblical and theological perspectives. Christians bring an

unique perspective to entrepreneurship as they have a religious motivation to conduct their business ethically and legally, with an understanding that the entrepreneur was created by God to be a steward of His earth (Johnson 2006).

The subject of entrepreneurship has been extensively researched. However, Christian entrepreneurship has not been the subject of notable academic investigations. The researchers therefore consider this article to be exploratory research, with the view to conducting further investigations in this important research area.

Christian faith as the source of power

Power has its origin in the position or behaviour of the person initiating the power base (Victor 2007). Krejcir (2007) described the Christian character as the spiritual fruit that is built in the individual's relationship with Christ. The Fruit of the Holy Spirit promotes the Christian's ability to relate to others and grow in character. A combination of these Christian character traits forms the backbone of internal power and Christian purpose (Krejcir 2007).

Purpose is the knowledge that Christians have that they are in a relationship with Christ and that they are acting out this calling. Christians devote their abilities, spiritual gifts and calling to bring out the best in people and situations. Christian entrepreneurs understand that giving meaning to life will bring eternal treasure and results (John 15). They obediently submit to God in their daily relationship. They recognise the authority and direction from appointed leaders, family and the church (Deuteronomy 13:4; Proverbs 19:16; John 14:14 & 15:14; 2 Corinthians 10:5). Christians remain flexible and open to the ideas of others and are willing to be instructed and challenged to change for the better (Colossians 3:2).

Wisdom is the true desire for the knowledge contained in God's Word and the ability to apply this knowledge in everyday life. Wisdom enables Christians to have sound judgment and make quality decisions (1 Kings 3:9; Psalm 119:97-98), choosing to follow Scriptural precepts as the primary important schedule and value for life (Matthew 6:33). Joy and peace allow Christians to enjoy their own circumstances with expression of real happiness in harmony with God and others (Proverbs 15:13; John 15:11 & 17:13). Christians develop the ability to surrender and yield to God's control in every situation. God is seen as the ultimate provider and the giver of peace. Christians, by handing over control of heart, will and mind to God, are able to make and maintain peace with others (Matthew 5:9; Colossians 3:15; Philippians 4:7).

Courage, confidence and endurance come from the realisation that God is the source of strength in any situation. Christians have the ability to react, knowing that God is in control and "that He who is in me is greater than he who is against me" (Deuteronomy 31:6; 1 John 4:4). Christians rely on God for all things in their lives. This confidence will enable them to push forward in the direction that they are called because God is governing. It makes them realise that they are not responsible for the results, only obedience to his Godly calling (Philippians 4:13). Christians develop endurance and staying power in order to accomplish God's will (Galatians 6:9).

Diligence allow Christians to live with excitement and passion in order to complete their work and calling from God (Proverbs 10:4; Romans 12:11; Colossians 3:23). The diligent love is their calling, always doing their best to glorify God (Colossians 3:23). They are well organised, competent and resourceful, efficiently making the most of every situation and seeking better ways to do their work (Psalm 90:12; Ephesians 4:23; 5:15-16; 1 Peter 4:10). Christians must have integrity and obedience to a moral code of ethics and values with honour, truth and reliability as a foundation (Hebrews 7:26). It will allow them to keep their word and do their best even when no one else is looking (Psalm 78:72). They are loyal and remain committed to those whom God has brought into their lives and has called them to serve (Proverbs 17:17).

Profile of the Christian entrepreneur

Nel (2006: 11) described how God established the evangelists, the pastors, the teachers, the prophets and the apostles. No one replaced the other or became more important. He appointed individuals with each of the gifts. They had to take their rightful place in the body of Christ. This gifting in church life has counterparts in the business world. Marketplace evangelists use business as their platform to evangelise customers, employees and suppliers.

Nel (2006: 12) argued that most Christians in business have not moved past their evangelistic role. The marketplace needs Christian business men and women to become mentors, care-givers, visionaries and entrepreneurs. Nel (2006: 13) claimed that the relevant church is everywhere on earth. This includes the market where the plans of God are to be fulfilled (Nel 2006: 12). Apostolic thrust is based on preparedness to go into the world, take new ground in unknown and risky places. An apostolic ministry is exciting and nerve-racking; it may come with severe discomfort and even pain. An entrepreneurial spirit is in essence apostolic in nature and the Christian entrepreneur has a wonderful, although sometimes painful, calling to fulfil (Nel 2006: 12).

Called to make a difference

Anderson (1999) argued that it is the fundamental precept of the Christian faith that God calls not only ministers and other spiritual workers, but everyone to specific roles in his kingdom. Christian entrepreneurs realise that their calling is to establish and lead business organisations that are designed to achieve results in the world. Christian entrepreneurial organisations differ from secular businesses because they do business while being led by the Holy Spirit (Ephesians 2:8-10; John 15:16a; 1 Corinthians 12:12-18).

The idea is not new, but a return by unfulfilled business leaders to the sense of *"calling"* enjoyed by fellow laity in the U.S. and Western Europe (Anderson 1999). The goal is to develop a business that blends business excellence and entrepreneurship with Christian Biblical and theological perspectives. For many entrepreneurs, joy and happiness come from productive, challenging, integrative and creative activities, which can translate into the realisation of being part of something bigger than themselves (Kauanui *et al* 2010). Christianity changes an entrepreneur's priorities, but Christianity can be integrated with entrepreneurship as entrepreneurs conduct their enterprises in a way that is distinctly Christian (Johnson 2006).

The Bible places emphasis on spiritual gifts. Christian entrepreneurs believed that their gift is the specific position in which God has placed them. They believe that God has given them the opportunity to create a business enterprise which meets the needs of people in the marketplace. Christian business men and women can be even more relevant when they become mentors, care-givers, visionaries and entrepreneurs in their areas of influence. The plans of God are to be fulfilled in their business (Nel 2006: 12).

Christian entrepreneurs develop a specific vision of the future because of the position in which God has placed them (Anderson 1999). This vision creates a very strong commitment in the Christian entrepreneurs to weather setbacks and adversities. Anderson (1999) argued that through their relationship with God, the Christian entrepreneur becomes empowered by his vision. Although their motives are often misunderstood, dedication to the unfolding truth of their vision as revealed by God is the guiding premise of their labour (Romans 1:1-14; 2 Corinthians 4:1, 6: 4-10; Galatians 6:9-10).

The Christian entrepreneur knows that entrepreneurial business requires major commitments to be made. Generally, there isn't sufficient information available in order to totally justify

decisions. Therefore, the Christian entrepreneur becomes a calculated risk-taker, with risk-taking based in belief. There is significant Biblical foundation for taking risks. The Christian entrepreneur is drawn to a life of adventure in service, but recognises that the price of the adventure will be occasional failure and setbacks (Genesis 12:1-12; Acts 21:13-14).

Christian entrepreneurs are called to a life of serving customers through the realisation of their Godly vision (Anderson 1999). Christian vision does not see the entrepreneur against the world; it sees the entrepreneur involving a group of committed individuals to embrace the Godly vision in order to constantly bring new value to the customer. Christian entrepreneurs prize their personal relationship with stakeholders to ensure the necessary commitment (Anderson 1999). Not only do Christian entrepreneurs have unique understanding of their role, they also have an unique understanding of how they carry out that role (Johnson 2006).

Christian entrepreneurs gratefully receive material blessings as the result of successfully developing a business. Material goals are always secondary to the primary calling and vision. Christian entrepreneurs constantly seek out strength from their relationship with Christ to stay in line with the vision.

Barbee (1983) found that businesspeople who take religious values most seriously score significantly higher than others in their ethical judgments. A Christian worldview can be seen as supportive of ethical entrepreneurship. Barbee's finding is consistent with the findings reported by Nash, a Harvard professor, in her book 'Believers in Business' (cited in Barbee 1983). She interviewed approximately ninety evangelical Christian CEO's of entrepreneurial firms concerning the way they resolved ethical business issues. She reported that the majority of these entrepreneurs seriously attempted to integrate their faith commitments into their difficult business decisions.

Longenecker in Barbee (1983) stated as follows: "In fact, we might also apply Martin Luther's idea of God's calling as it applies to secular work. In the light of Luther's teaching, entrepreneurship can be viewed as a noble calling, a calling that permits the entrepreneur and the entrepreneurial organisation to serve God by the service they render to customers and the broader society."

Role of the church in entrepreneurship

Weber (1922) argued that religion played a big role in motivating people to take up entrepreneurial activities. He claimed that this explained the rise of capitalism in the West. He further observed that religious groups such as Quakers had strong links with entrepreneurial activity.

Weber's thesis about Protestant religion and the rise of capitalism was in part based on the idea that certain elements of religious belief helped shape people's motivations towards business development. Business was thus regarded as a religiously valued endeavour.

The characteristics of Christian entrepreneurs are summarised in Figure 3.

Figure 3 Characteristics of Christian entrepreneurs

Christian entrepreneurial characteristics	
* God's calling	* Working under
* God's control	* Diligence
* Improvement ethical judgment	* Reliance on God
* Understanding of role in life	
* Christian biblical and theoretical perspectives	
* Conduct business being guided by the Holy Spirit	

Source: Johnson (2006)

THE RESEARCH PROBLEM

This exploratory study investigated the role of the Christian faith in entrepreneurship and in entrepreneurial businesses. It set out to identify some of the Christian entrepreneurial business practices and the impact of the Christian belief system on entrepreneurial behaviour as well as the different approaches this group of entrepreneurs have to that of their secular equivalent. The research aimed to address the question: *Does Christian entrepreneurship differ from secular entrepreneurship?*

Objectives of the study

The main objectives of the study can be summarised as follows:

- Determine the relationship of Christian entrepreneurs with God and how their business purpose combine into a work/life/Christian calling
- Investigate how Christian entrepreneurs develop a future vision and mission, and the role that prophecy plays in implementing their vision and mission as well as concomitant implementation strategies
- Investigate how Christian entrepreneurs conduct operational management including decision-making, ethics and leadership.

RESEARCH METHODOLOGY

Case study research brings understanding of complex issues and can extend experience to what is already known through previous research. Case studies emphasise detailed analysis of a limited number of events or conditions and their relationships. Social scientists have made wide use of this qualitative research method to examine real-life situations and provide the basis for the application of ideas and extension of methods (Vosloo 2004).

Researcher Yin (2003) defined the case study research method as "…an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used".

The first step in case study research is to establish a research focus by forming questions about the issue to be studied and then to determine a purpose for the study (Vosloo 2004). The research object in this case is a group of entrepreneurs with a common belief system. Vosloo (2004) indicated as follows: "The case study method, with its use of multiple data collection methods and analysis techniques, provides researchers with opportunities to triangulate data in order to strengthen the research findings and conclusions".

Triangulation was used to increase the reliability of the data. The need for triangulation arises from the ethical need to confirm the validity of the research process (Yin 2003). Triangulation examines information collected through different methods and then corroborates data across different data sets (Yin 2003).

Case study subjects

Throughout the research project the identity of the individuals participating in the interviews was protected and all information provided by them was treated as confidential even though the subjects had chosen to give up the right to confidentiality.

The researchers carefully selected five unrelated Christian entrepreneurial cases to ensure the validity of the study. The subjects were all considered to be established Christian entrepreneurs. Criteria as described by Timmons and Spinnelli (2007: 9) and their entrepreneurial models were utilised. The cases were unique and they could be considered typical, representing a variety of Christians in the entrepreneurial business environment. Subjects were asked to discuss their history which included family and religious background, education and business profile. The

interviews were conducted in private and each interview lasted more than two hours. Personal interviews were conducted in Port Elizabeth, South Africa. The personal interviews were undertaken to limit the possibilities of misunderstandings and to ask good quality questions in which to interpret the subjects' answers. The interviews were recorded for further analysis.

The questionnaire was designed to include the four themes as indicated below and consisted of nineteen questions.

- The demonstration of entrepreneurial character traits
- Work as a calling and a life purpose of worship to God
- Structural bases of power: basic Biblical management
- Internal bases of power: vision, prophesy and prayer.

The questions posed during the interviews were chosen in terms of the problem being investigated and the goal and objectives of the investigation. These questions were based on the literature study. The results and data were analysed and reported on using the methods suggested by Miles and Huberman (cited by Yin 2003: 110) and Yin's suggestions (2003: 111), on the basis of the frequency of the various corresponding responses. Theme analysis was conducted using AtlasTi and the results of this analysis were compared to the problem being investigated and literature.

RESEARCH FINDINGS

The research findings below address the research problems identified earlier. The nineteen questions asked to each of the five individual Christian entrepreneurs are reported on in the four above themes.

The overarching thinking of all the respondents concurs with the research done by Johnson (2006), in that their businesses are a means to an end, where the business is used to glorify God.

The demonstration of entrepreneurial character traits

All the subjects agreed that they are excited, rather than obsessed, by entrepreneurial opportunity. The word "obsessed" clashed with all the subjects' belief systems. They all believed that every person who walks the road with Christ will be successful and that they are not obsessed with opportunity, but see ideas and opportunities that others often don't see because of their strong faith. All the subjects agreed that they are capable not only of the creation and recognition of business opportunities, but also the will and initiative to seize them. The thought patterns are those of opportunism. Opportunities, rather than threats, are identified, even if the opportunities are for others. Their relationship with Christ and a process of failures enabled opportunity recognition even if for someone else. The risk associated with new ventures is taken, because it is inspired and prompted by the Holy Spirit. Risk taking is directly connected to faith. All secular business decisions are made through either fear or greed.

Work as a calling and a life purpose of worship to God

All the respondents agreed that God created the people of the earth to bring Him glory. They all believe they are living within God's will and purpose for their lives. Three have realised that God wants them to live in harmony with their wives and to be a godly father to their children. One believed that God's plan and purpose for his life will only be revealed gradually. He agreed that his main purpose is to extend the Kingdom of God on earth and bring Him glory. The fifth respondent said that God's purpose for him is to serve and have a good relationship with God and others. Their life purpose is to worship God. They believe that everything they do is an act of worship. They all agreed that it is impossible to have a dualistic lifestyle. Goals include "to be exactly where God wants me to be at any time"; "Let God's Kingdom come on earth"; "to be King, Priest and Prophet in his own home and family" and "to be witness of what God has done in their

lives". This belief is the base for their Entrepreneurial purpose. All the respondents believe that God's favour ensures sustainability and growth in their businesses.

All the respondents want to uplift and develop others as part of their entrepreneurial businesses. Goals include: to establish a business hub where entrepreneurial men can find a mentor and a spiritual father in the office next door; to be available to anybody that wants to further the Kingdom of God; to mentor young business partners and finance their entrepreneurial projects. One respondent identified with the Apostle Paul. Paul was a tentmaker because he did not want to be a burden to others. Paul had to produce for self and teach others. Entrepreneurship is part of their Christian calling. They believe that there is no difference between an individual's private, his entrepreneurial and Spiritual life. Spiritual life must run hand in hand with entrepreneurial life and balanced with truth. It is impossible to divorce one from the other. Business purpose is to "Let God's Kingdom come on earth". To be King, Priest and Prophet in business and private life. Everything must be done as a stewards and an act of worship to God. They believe that they must be Christ-like examples to their families, friends and the stakeholders in their business ventures. The world must see Jesus in their actions.

Structural bases of power: basic Biblical management

All the entrepreneurs are involved with their staff in a personal capacity. They all give more than is legally required. All the entrepreneurs teach and mentor their staff. All the subjects agreed that they treat their staff the same way that they would want to be treated. They all attempt to get their staff involved in entrepreneurial activities of their own. They also want to recognise their worth, reward them well, financially and to encourage them to be entrepreneurs. The human factor plays a large role in recognising that workers have the same needs as they do. It was suggested that the main difference between their businesses and any secular business is prayer. They pray for each other as much as they pray into the business. "The way I treat my staff is a reflection of my relationship with God".

All the entrepreneurs tithe in their personal capacity. None of the businesses tithe. All the businesses offer at least ten percent of their time, skills and resources to the communities and people they serve. "Everything I have, God can have. God must just say when and where". Three of the respondents have made the commitment to God to part with ten percent of every office day for His purpose. They assist others to succeed in their own endeavours. Giving is closely connected to life purpose. Gifts are in the form of time and money because of his pastoral heart. Generosity is a fundamental Christian principle, tithing as an individual, but using the business resources to bless others.

All the entrepreneurs surveyed have lost everything on more than one occasion. They all approach God with their problems. They are all in agreement that everything belongs to God in the first place. Even if they lose everything it will not affect their relationships with Christ. They agreed that God did not plan to let them fail in the past; it was through their own disobedience. Either greed or fear was involved in most mistakes. Entrepreneurs must go through a learning process after failure and then ask God to give them peace; having learnt all there is to learn from failure.

Three respondents tend to be autocratic and strong willed. They claim that they are softening because of their increasing relationship with God. They all tend to be very goal focused and task orientated rather than people orientated. The other two tend toward servant leadership. They believe that they are only stewards of all they own and not the owner. "God is the boss".

Internal bases of power – vision, prophesy and prayer

The general agreement in the group is that they focus on God and that they can only react to God's prompting. Business vision is part of God's vision for the organisation. The essence and focus

of vision is obedience to Christ. Prophecy plays a big role in their long-term decision-making. Problems are brought before God in prayer time. God provides the strategies in problem situations. If God gives peace about business decisions, it is as good as God is giving the go-ahead.

Time is spent in prayer and fasting. "I hear God better when my stomach grumbles". All the respondents constantly pray about corporate decisions. "God's norm is unity" and business decisions should be made in accordance to an unity principle. "Unless you are able to be quiet, you won't be able to hear God. You won't be able to think; you won't have peace in a particular situation".

All the respondents agreed that the communal purpose for all people on earth is to worship God and to bring Him all the glory. The respondents agreed that they must live each day in obedience to God's plan, to have a meeting with Christ every day, because the task list of the respondents originates from this meeting. "My dream is to be totally dependent on God, specifically in decision-making… to really be so tuned in to God's voice that it blurs out the white noises of the world". Three guiding questions are asked: "Is it from God?"; "Is it from Satan?" or "Is it from the flesh?"

The main findings from the study are presented in Figure 4 and possible interpretation of the results is discussed in the following section.

Figure 4 Research findings: additional Christian characteristics

Research findings – additional Christian entrepreneurial characteristics	
* Opportunity recognition for someone else	* Serving God
* Uplift and develop others	* Bring glory to God
* Living and working in harmony	
* Offer time, skills and resources to community	
* Work is an act of worship	
* Incorporate prayer into business	

Source: Johnson (2006)

CONCLUSION

The core and desirable attributes of entrepreneurs in general are present in most entrepreneurs, including secular and Christian entrepreneurs. The aim of this study was to focus on the research question: *Does Christian entrepreneurship differs from secular entrepreneurship?*

From the results of the study it can be concluded that courage, confidence and endurance come from the realisation that God is the source of strength in any situation. Christians rely on God for all things in their lives. Christians determine their business entrepreneurial vision by only focusing on their relationship with Christ. They only react to God's prompting. The essence and focus of their vision is obedience to Christ. This relationship enables Christians to push forward in the direction that they are called because God is in control. It affirms the realisation that they are not responsible for the results, but only obedient to His Godly calling (Philippians 4:13).

It is further concluded that it is quite acceptable in Christian circles to experience a calling regarding a specific business endeavour, the family or even to embark on a political career. It was not the purpose of this paper to investigate how callings should be confirmed; however in all areas of life, not excluding entrepreneurship, problems occur when individuals misinterpret a calling. In business, spiritual guidance, when wrongly interpreted, could have negative consequences when quality business decisions are needed.

The respondents believed that business failures were significant in that they set their spiritual

foundation. Business failures allowed Christians to experience Christ in a deep and personal way. It helps them to develop an understanding of the faithfulness of God and a deep reliance on God as the source of their power. The danger in such thinking could be that 'spiritual obedience' might not be equated to maybe the lack of business skills or purely bad business decisions.

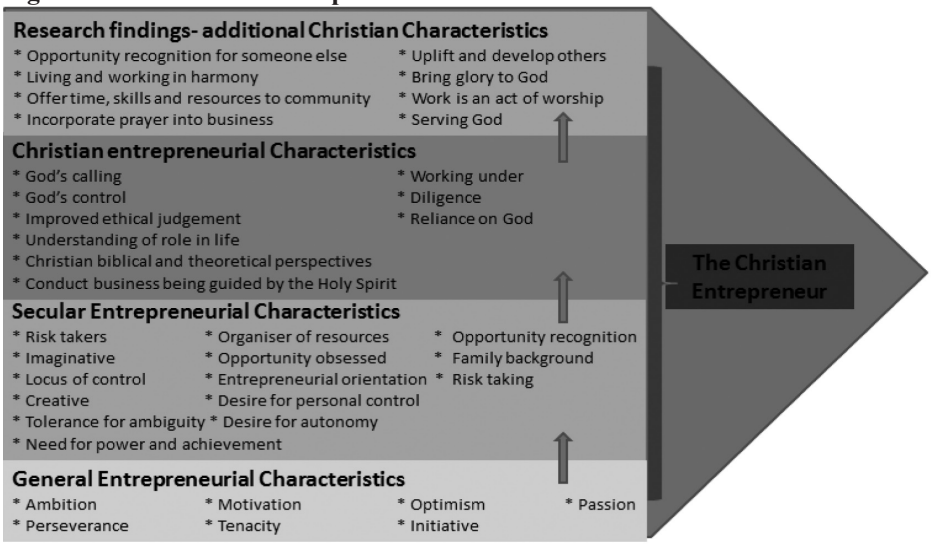
All the respondents have the will and initiative to recognise and react to entrepreneurial opportunities. They all believe that God is in control and that God owns their businesses and all of their resources. If the opportunity is from God, they will respond and get involved.

The research also revealed that Christian entrepreneurial purpose differs from secular entrepreneurial purpose. Christian entrepreneurial purpose is about being obedient to and serving God. The Christian entrepreneur must be a witness to God's goodness, serve others and use the business as a vehicle to worship Him. Christian entrepreneurs are not in control of their situation; they trust God for daily purpose, direction, calling and task. There are non-negotiable principles in Christian teachings, for example, "Do unto others as you wish them to do unto you". For Christians to apply both spiritual and business principles at the same time need not to be problematic, but could lead to decisions which would not benefit the business. The findings concur with Johnson's (2006) findings that entrepreneurship presents Christians with an unique opportunity to use their vocation for the glory of God.

A further conclusion is that Christian vision sees the entrepreneur involving a group of committed individuals to embrace the Godly vision for the business and to constantly serve and bring new value to the customer. Christian entrepreneurs put their personal relationships with stakeholders at the top in order to get their necessary commitment (Anderson 1999). Their goal is to develop a business that blends business excellence and entrepreneurship with Christian Biblical and theological perspectives.

The general entrepreneurial characteristics, the secular entrepreneurial characteristics and the Christian entrepreneurial characteristics discussed in the literature have been combined with the Christian entrepreneurial characteristics extrapolated by means of this study (Figure 5). The research contribution of this study is the identification of additional Christian entrepreneurial characteristics that extend the traditional Christian entrepreneur characteristics (Figure 5).

Figure 5 Christian entrepreneurial characteristics



Source: Johnson (2006)

The subject of Christian entrepreneurship is by no means exhausted and should be researched further. The researchers propose that the link between Christian Entrepreneurship in small and

medium business and their sustainability must be studied. There seems to be a strong correlation between the entrepreneurial character traits and those of the Christian in business. A study that attempts to draw this direct correlation should be considered. The role of entrepreneurship in other religions should also be reviewed.

The impact of their belief system on business vision, entrepreneurial purpose and business sustainability gives Christian entrepreneurs competitive advantage in that they see entrepreneurship as a *calling*. The characteristics of entrepreneurs are evident in Christian entrepreneurs. However, they have the added advantage of faith and spiritual guidance.

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CITIZEN PARTICIPATION, DECENTRALISATION AND INCLUSIVE DEVELOPMENT IN SOUTH AFRICA

C Robino & R Haines[1]

ABSTRACT

Decentralisation and participation are words that form part of today's mainstream development thinking. It is argued that under decentralisation reforms, the political objectives of increased political responsiveness and participation at the local level can coincide with the economic objectives of better decisions about the use of public resources. Both strands should therefore contribute towards the legitimisation of the democratisation project. We will demonstrate, however, that the frequently assumed symbiotic relationship between decentralisation and citizen participation is not such. The relations between decentralisation, citizen participation and more democratic and inclusive models of local governance are far more complex than what is frequently assumed. Drawing from an empirical study conducted in South Africa, this paper identifies and analyses the key challenges and constraints restricting the incorporation of participatory development approaches in local governance. Beyond the diagnosis based on the lack of capacity of local government, the paper identifies and analyses two additional critical issues to explain the gap between the actual results and the faith being placed on decentralisation and citizen participation. On the one hand, it examines the degree of fiscal autonomy. On the other, it explores the informal dimension of the participatory spaces by examining the understandings of local government officials of citizen participation and the articulation of power in practice. By revealing how different dimensions of decentralisation and citizen participation operate and intersect, the findings demonstrate that, cotrary to most studies and literature, citizen participation and decetralisation can be frequently at odds. There is the threat that opening new spaces for participation in decentralised local governance could result in fewer changes and disappointing results at best, udermining the transformative potential of the concepts of citizen participation and decentralisation with the potential to deepen citizens' lack of trust in local governments, thereby enhancing the perception of local government illegitimacy.

Keywords: citizen participation; decentralisation; local governance; participatory development; inclusive development; South Africa

INTRODUCTION

Currently, a renewed emphasis on the need to undertake decentralisation reforms and to enhance participation in development seems to have achieved a degree of consensus in the most influential development institutions and among multilateral and bilateral donors, the governments of developed and developing countries non-governmental organisations (NGOs) and research institutions. Decentralisation and participation are words that form part of today's mainstream development thinking. Three related processes have conflated. Firstly, there is an increasingly global agenda on the part of aid donors to promote 'good governance', which is a package that encompasses many different processes: democratisation, rule of law, human rights protection, transparency, participation and accountability[2]. Secondly, many developing countries are

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[2]While all of these concepts have received considerable academic attention, the relation between them has not been carefully examined and, although usually put together, these processes do not always go together and the frequently assumed direct relation to democratization processes is not so clear cut.

following democratisation trends. Thirdly, there is recognition in academic circles that past development models were over-centralised and thereby inefficient and ineffective, as were those later attempts that sought to implement a crude withdrawal of the state. The reactions from donors, governments and citizens have resulted in the emergence of more 'localised' models of development. In the development jargon that has accompanied these trends: 'development from below', 'territorial development', 'bottom-up approaches' and 'endogenous development' are proposed as concepts and approaches aimed at remedying previous development failures.

The arguments that call for increasing citizen participation related to local governance are threefold. Gaventa and Valderrama (1999) clearly summarize this point: Firstly, they argue that it will improve the efficiency and efficacy of public services. Secondly, it is meant to render local government more accountable. Finally, it should deepen democracy as it will reinforce representative democratic institutions with participatory forms (Gaventa & Valderrama 1999). The concept of citizen participation has been part and parcel of the debate of the representative democracy 'crisis'. It is seen as the remedy for this crisis: models of representative democracy need to be complemented with more participatory forms of democracy.

At the same time, decentralisation reforms have been proposed as a response to the failures of highly centralised states. From a political perspective, it is frequently argued that decentralisation allows greater political representation for diverse political, ethnic, religious and cultural groups in decision-making, and can provide better opportunities for local residents to participate in decision-making. Decentralisation reforms can thus help the central state gain legitimacy and have been seen as a strategy for maintaining political stability. They provide an institutional mechanism to bring opposition groups into a formal bargaining process (Burki, Perry & Dillinger 1999) and therefore act as a key strategy for peaceful conflict resolution. From an economic viewpoint, the arguments in favour of decentralisation are mainly centred on issues of allocative efficiency. Decentralisation can improve the match between the mix of services produced by the public sector and the preferences of the local population. It has frequently been argued that physical proximity makes it easier for citizens to hold local officials accountable for their performance. Additional economic arguments in favour of decentralisation reforms note that people are more willing to pay for services that respond to their priorities and that increased competition between local governments (assuming certain degree of population mobility) can improve the delivery of basic services and generates spaces for more creative responses adapted to local needs (Bahl 1999).

It is thus argued that, under decentralisation reforms, the political objectives of increased political responsiveness and participation at the local level can coincide with the economic objectives of better decisions about the use of public resources. Both strands should therefore contribute towards the legitimization of the democratisation project. In this paper we demonstrate, however, that the frequently assumed symbiotic relationship between decentralisation and citizen participation is not such. The relations between decentralisation, citizen participation and more democratic and inclusive models of local governance are far more complex than what is frequently assumed.

Actually, current decentralisation programmes and calls for more participatory forms of governance often fall short of the great expectations that precede them and fail to 'deepen' democracy. And, while it is important to recognise the potential of decentralisation and citizen participation in democratic models of local governance, this gap needs to be better understood because it shows the need to understand the nature, dynamics, methods and relations of decentralisation and participation. This interrogation should be based on the following key questions:

- What is the relationship between decentralisation reforms and citizen participation?

- What are the effects in terms of democratised local governance and what are the challenges and problems that need to be overcome with regards to this form of governance?
- To what extent is citizen participation in local governance influenced by the share of government revenue raised locally or transferred from higher levels of government?
- What are the consequences of citizen participation in local governance in terms of changes in policy and improved governance?
- Is there any evidence of new systems of accountability and greater responsiveness of administration and political organs of government to local needs and thus increased efficiency?
- Has this diversified the types of voices heard and considered in the political process?

In South Africa in particular, citizen participation has been positioned as a critical element of a new system of local governance. Since the demise of apartheid and the first democratic elections, the content, roles and aims of local governments suffered a critical redefinition. One of the main themes of the transformation project in post-apartheid South Africa is the creation and expansion of local democracy and institutions that encourage citizen participation, especially in local governance. However, and despite the fact that local government in South Africa has improved its service delivery substantively over the past ten years, according to available scholarly literature and statistics in South Africa (Afrobarometer 2006) there seems to be no sign that the massive reorganization that culminated in the 2000 local government elections has had any positive impact in terms of greater public esteem towards local government (Mattes *et al* 2003). Various studies seem to confirm that public dissatisfaction with local government has not subsided (IDASA 2008; HSRC 2007). Moreover, during 2005 and 2006 in South Africa, local government has been the target of considerable protests that paralleled those in the apartheid era. But if the reform of the system of local governance implied the creation of formal structures for people to channel their views and concerns and to work in partnership with the governments to tackle development and governance challenges, why did massive protests take place? Why does it seem that the new spaces created are not working (or at least are not used) as a way of voicing citizen needs and concerns regarding local government performance? This paper seeks to shed light on some of the possible causes of this phenomenon.

After a brief description of the research methodology this paper will explore the possible causes that explain the gap between citizen participation and the expected results of decentralisation and what in fact has been occurring. It intends to identify and analyse the key challenges and constraints restricting the incorporation of participatory development approaches in local governance in South Africa. Beyond the diagnosis based on the lack of capacity of local government[3], it is argued that two critical issues explain the gap between the actual results and the faith being placed on decentralisation and citizen participation.

[3]Most of the literature and policy documents focus their discussion on local government's lack of capacity. While its significance is recognised, (as it is also highlighted by empirical data gathered for the study), we do not find this to be the only crucial factor explaining why the new system of local governance is not delivering on its promise. The study (also corroborated by other analyses) highlights the lack of training and political education of the councillors, the residents and CBOs, as relevant elements in explaining why the system of participatory local governance seems not to be working. This is coupled with the novelty of the participatory tools and spaces. However, it can be argued that this diagnosis is only partially true. The issue of building the right capacities in municipalities, as well as the other spheres of government and local communities to be ready to perform their new responsibilities is crucial but cannot be approached in isolation from other critical factors and issues.

The paper also reviews the legal and fiscal framework for decentralisation and citizen participation in South Africa. In particular, it looks at the composition, size, source and expenditure of municipal finances to contextualize the extent to which citizen participation tools are able to achieve their objectives as stated in the legal and policy frameworks. It digs deeper into the intricacies of the fiscal decentralisation context for citizen participation. The paper further assesses the extent to which citizen participation is being undertaken by local government as articulated in South Africa's legal framework and explores the extent to which the developmental role of municipalities is being conceived through the incorporation of participatory practices. In this part, the paper delves into the informal dimensions of the policy process. It examines the understanding of local government of citizen participation and how the power structures associated with two new spaces for citizen participation and decentralised governance – the Integrated Development Plan (IDP) and the ward committees – are being articulated in practice. The final section includes the conclusions of this paper. It highlights the main results emanating from the study as well as its policy implications for the design and implementation of more inclusive and democratic systems of local governance.

METHODOLOGICAL APPROACH[4]

Framed under an emerging stream of studies focusing on the governance implications of non-tax sources of income (Moore 2007), an empirical assessment of the fiscal decentralisation process and its relationship to citizen participation was undertaken using statistics provided by South Africa's Treasury. A more in-depth analysis of the size, source of finance and expenditure patterns of the South African government, and in particular the Eastern Cape municipalities, are undertaken. An analysis of the period 2003/2004 to 2006/2007 was undertaken. Estimates for 2008/2009 to 2009/2010 were also integrated into the study. To take into account the high degree of variation among municipalities, indicators of 'dependency' or financial autonomy were constructed for each municipality in the Eastern Cape. This component of the research work contextualizes the extent to which decentralisation and citizen participation tools and mechanisms at the local level are actually able to meet their objectives of implementing locally generated solutions to local development priorities. It follows some of the ideas developed in Ambert and Feldman (2002). This part of the analysis is not concerned with the assessment of a particular citizen participation tool, but rather it explores the fiscal context where these tools are to be implemented. If expenditure priorities or the use of resources cannot be decided locally, then the instruments generated by the legislation and policy framework for citizen participation in local governance will be reduced to a local conduit for the implementation of centrally defined programmes and strategies.

The second part of the empirical study was carried out in order to consider understandings of participation of the local government as well as the local community, their 'intensity' levels and the challenges with respect to integrating participatory approaches in the local governance process. The perceptions of municipal decision-makers and representatives of civil society organisations (CSO) regarding the causes for success and failure of decentralisation and citizen participation processes were key foci of the investigation. This part of the study was also developed to assess the extent to which different mechanisms for citizen participation in local governance are being used and what problems this practice presents. It provides an assessment of the intensity level of citizen participation as understood by local government authorities, while comparing these answers with the perceptions of CSOs.

A core set of research questions constituted the major investigative focus of the field research.

[4] This paper uses data gathered by Dr Carolina Robino for her thesis, presented in fulfillment of the requirements for the degree of Doctor of Philosophy in Development Studies at the NMMU.

All 45 municipalities which form the Eastern Cape were contacted and major role players in the policy formulation and implementation process in each of these municipalities were requested to participate in the research study. The research included those local authorities positioned in local government bureaucracies, for example municipal managers and elected officials (such as mayors) who affect strategic direction, interpretation and implementation of mechanisms and structures in relation to citizen participation in local governance. After intense follow up, 23 completed questionnaires were returned. At the same time, a random sample of 100 developmental non-profit organisations (NPOs) working in the Eastern Cape (as per data provided by the Directorate of the Department of Social Development) was constructed using an auto-administered questionnaire. Although it is not possible to claim validity for their views and consider the sampled NPOs statistically representative, they provided useful insights into the process of decentralisation and citizen participation in the Eastern Cape. In this case 41 completed questionnaires were returned. A small sample of ward councillors was also interviewed[5] and the questions in the above-mentioned questionnaire were adapted to this specific analytical unit and research method.

These data were assessed, summarized and synthesized to produce the findings detailed in this paper. A critical analysis of citizen participation and decentralisation regulations, laws, policies and practices was undertaken by merging the information collected through these diverse tools and methods. The study focused on the viability and policy coherence of the (formal and informal) institutional arrangements of decentralisation and citizen participation.

CITIZEN PARTICIPATION AND DECENTRALISATION IN SOUTH AFRICA

In the new system of local governance, local government is identified as a development agent with the aim of redressing inequality and poverty, supporting the extension of local democracy and ensuring the delivery of basic services, as put forth by the Constitution, legislative acts and policy documents. Section 152 of the Constitution recognises the following objectives for local government:

> *"…to provide democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment; and to encourage the involvement of communities and community organisations in the matters of local government" (South African Government 1996: vii).*

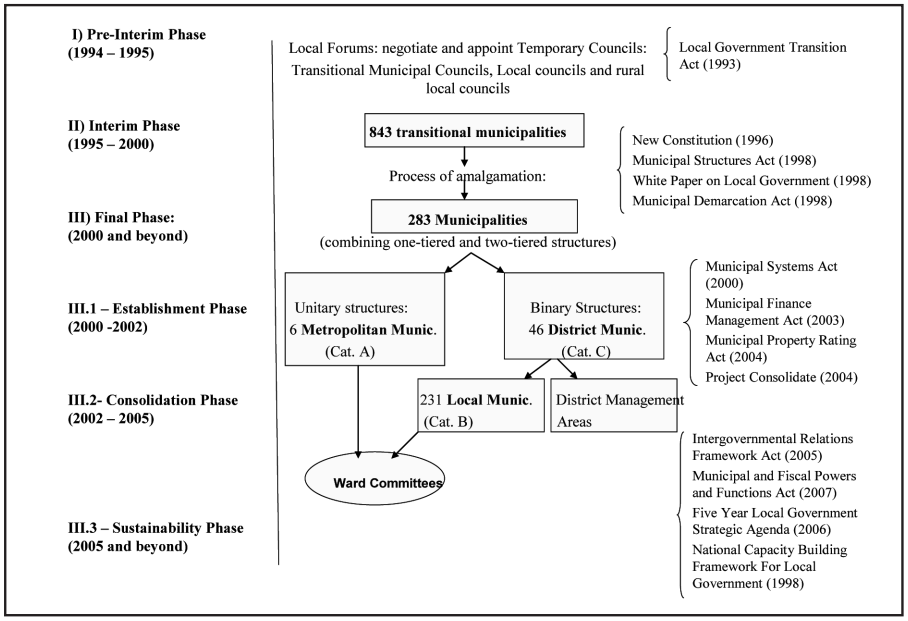
A developmental role for local government has been understood as the central responsibility of municipalities. Municipalities are now mandated to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives. Key policy documents such as the White Paper on Local Government, or WPLG (South African Government 1998a) and other relevant legislation such as Municipal Structures Act (South African Government 1998b) and Municipal Systems Act (MSA) (South African Government 2000a), place participation at the core of the local government system. Municipalities are called upon to support social and economic development in their communities and they are mandated to consult and involve the communities in these matters, since the communities are expected to "own the development processes" (IDASA 2003: 8).

The local sphere consists of municipalities vested with legislative and executive authority. The country is now divided into 283 municipalities whose power, functions and type vary according to a series of features defined in the legislation. This authority is protected by the Constitution and municipalities can theoretically govern "on their own initiative, although subject to national and provincial legislation" (IDASA 2003: 8). Moreover, the three tiers of government conform to a system regulated by the principles of cooperation.

[5]Structured interviews were used.

The suite of legislation, including the Municipal Structures Act (South African Government 1998b), the Municipal Demarcation Act (South African Government 1998c), the MSA (South African Government 2000a), the Municipal Finance Management Act (South African Government 2003a), the Municipal Property Rating Act (South African Government 2004a), the Intergovernmental Relations Framework Act (South African Government 2005a) and the Municipal and Fiscal Powers and Functions Act (South African Government 2007a), enacted since 1994, forms the foundation of the new local government system, embodying the critical package of policy reforms in local government and in the system of intergovernmental fiscal relations. The purpose of these acts is to make municipalities more accountable, financially sustainable and capable of delivering essential services to their community in order to fulfil their developmental mandate.

Figure 1 The new system of local government (its restructure and current configuration)



Source: Own elaboration

Beneath the three spheres of government are wards. The Municipal Structures Act introduced a ward committee system to give effect to the principle of participatory local governance as reflected in key policy documents such as the WPLG (South African Government 1998a); the Constitution (South African Government 1996) and other relevant legislation such as the MSA (South African Government 2000a) which place participation at the core of the system of local governance.

Furthermore, an Integrated Development Planning (IDP) approach was introduced in the Municipal Structures Act (South African Government 1998b) as a form of strategic planning for local government, which must reflect the needs of local communities. This planning instrument is regarded as a key to redressing past inequalities and overcoming poverty and, at present, is conceived as the key planning instrument to guide and inform all planning and decision-making in South African municipalities. Local community participation must be included in the planning process followed by each municipality to reflect its IDP as mandated by the Municipal Structures and Systems Acts (South African Government 1998b; 2000a).

This approach to local government is supposed to create a framework in which municipalities can develop *their own strategies* for meeting local needs and promoting the social and economic

development of communities as embedded in the local government reform process. The reform of the system of local governance implied the creation of formal structures for people to channel their views and concerns and to work in partnership with the governments to tackle development and governance challenges.

However, municipal elections held in March 2006 were preceded by a series of violent protests over the pace and extent of public service delivery. A report notes that there were more than 5 000 service delivery protests in the 2006/07 financial year (Alexander 2010). In the 2004/05 financial year there were 881 illegal demonstrations and 5 085 legal protests. Given the number of citizen demonstrations and protests, clearly the options for citizen participation are not working, and the issue raises concerns about the capacity of local governments in terms of service delivery. Possible reasons for this phenomenon are explored in the next sections.

Section 3.1 of the Act examines the system of intergovernmental fiscal relations and the degree of financial autonomy of municipalities. Section 3.2 of the Act digs deeper into some aspects associated with the informal dimension of the policy process and examines local government understandings of citizen participation and how power structures associated to IDP and WC are being articulated in practice. Relevant reasons for the dysfunctional participatory system are to be found in how the participatory system articulates with the intergovernmental relation system and the fiscal decentralisation process and how the power structures associated to IDP and ward committees are defined. We turn to these issues in the following sections.

FINANCIAL AUTONOMY AND THE ASSIGNMENT OF FUNCTIONS AND POWER TO LOCAL GOVERNMENTS

Decentralisation is essentially about local governments having power to define and implement locally defined agendas. In assessing any decentralisation process, the assignment of expenditure responsibilities and functions must be studied against the budgeting framework in which the municipal sphere operates. This is especially relevant in assessing the extent to which municipalities have the power, through their planning processes, to determine investment and, the overall financial priorities for their municipality. This in turn indicates the effective degree of 'autonomy' of municipalities. The pattern of revenue collection and the main sources of revenue also explain the direction of accountability and, at least partially, explain the poor responsiveness of municipalities to citizen grievances.

As suggested by the theory of fiscal decentralisation – and as is frequently the case in practice – South Africa's intergovernmental fiscal system is characterized by centralised taxation and relatively decentralised service delivery, and thus by dependence of sub-national governments on fund transfers, which produces vertical fiscal imbalances between revenue sources and expenditure responsibilities. Horizontal imbalances also occur due to uneven allocation of revenue raising capacities among the sub-national governments themselves, requiring compensation between levels of government.

This observation leads to questions such as: How much autonomy does a municipality have in deciding on the development priorities for its locality? How much of the overall municipal revenue can municipalities effectively use to meet the development challenges identified by their own planning processes?

Aggregated statistics presented earlier reveal that about three quarters of municipal activity is self-funded. In other words, the proportion of intergovernmental transfers, grants and subsidies to aggregated municipal income (considering both capital and operating income) for South African municipalities was about 22% for 2006/07 fiscal year (see Figure 2). However, this is not the case

for the smaller municipalities, especially in the Eastern Cape, KZN and Limpopo. Nelson Mandela Bay (NMB) Municipality represents almost 40% of the combined expenditures of Eastern Cape municipalities. Together, all 38 local municipalities account for a similar share, while six District Municipalities represent 21%. However, the Nelson Mandela Bay Municipality's budget is 225 times greater than the smaller budgeted expenditure of a local municipality in the Eastern Cape. However, again, a heterogeneous picture emerges and for the smaller municipalities (those with aggregated budget less than R100-million, which represent 84% of municipalities in the Eastern Cape) the average share of salaries rises to 40% of the total operating budget of these municipalities. This percentage does not include the remuneration of councillors, which absorbs a relative high proportion of municipal operating expenditures in the Eastern Cape – especially for local municipalities, where, for the smaller ones, it explains about 10% of total operating expenditures.

Table 1 Operating revenue – South African municipalities 2003-04/2006-2007

Operating Revenue (% of total revenue)	2003-04	2006-07	2008-09	2009-10
Property rates	18.94	18.77	18.13	17.46
Service charges	48.96	44.33	41.88	41.96
Regional Service Levies(4)	6.75	8.02	7.92	0.36
Investment revenue	2.27	2.42	2.46	2.80
Government grants	12.16	15.73	18.12	25.67
Public contributions and donations	0.06	0.67	0.69	0.66
Other own revenue	10.87	10.05	10.81	11.09
	100.01	99.99	100.01	100.00

Source: Own elaboration based on data extrapolated from the Intergovernmental Fiscal Review 2008:

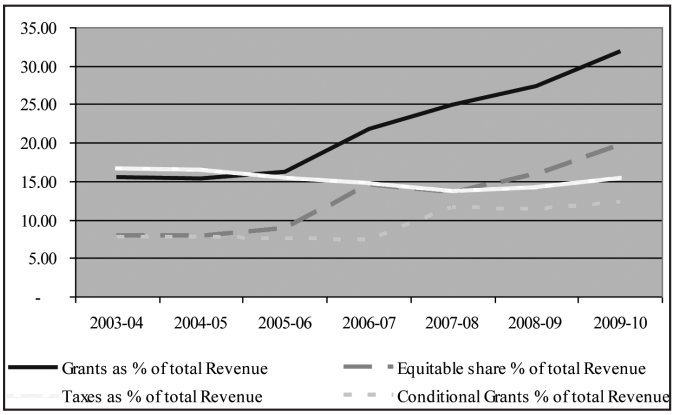
- Output;
- Estimate,
- Medium-term estimate;
- RSC levies abolished from July 2006 and grant replacement are included in Government grants.

In particular, as shown in Table 1, government grants represented 25.6% of municipal operating revenues in South Africa for the year 2009-2010. However, this figure varies considerably across provinces and municipalities. In particular, it is important to note the relevance of grants in the Eastern Cape where this figure rises to 41%. Moreover, while the Nelson Mandela Bay Municipality shows the lowest dependency ratio (13%), the average figure for municipalities with budget inferior to R100-billion jumps to 54%.

The unconditional nature of the equitable share means that it is clearly the main source of municipal revenue that those municipalities who do not have a meaningful fiscal base, can use to implement their own development plans. However, if we consider that in these municipalities, salaries and remuneration to councillors alone make up more than 50% of total income, and that bulk service purchases also explain a relevant share, this clearly does not leave much room for considering other kinds of municipal led investment. The significant dependence on grants is more worrisome in a context of declining revenue collection efforts. Moreover, an increase in municipal dependence on conditional grants and reduced fiscal autonomy has important implications for local

governance, as it reduces independence of municipalities and shifts the pattern of their accountability from citizens towards the national government.

Figure 3 Government grants and municipal revenue 2003-2004 to 2009-2010



Source: Own elaboration based on data extrapolated from the Intergovernmental Fiscal Review 2008.

Accessing other conditional grants is dependent on the acceptance of project proposals by the relevant sector/department and thus generates no incentive with the municipality to engage in a local decision-making process to respond to locally articulated priorities. As Ambert and Feldman (2002:13) asserts: "It is not locally defined priorities that have a chance at being financially resourced, but rather national priorities".

Moreover, recent studies are highlighting the "governance implications" of heavily relying on non-tax sources of income (Brautigam, Fjeldstad & Moore 2008). These authors argue that the dependence of governments on non-tax sources of funding is likely to have adverse effects on their accountability and responsiveness to the community they serve (Moore 2007). The relation between decentralisation and transparency and increased accountability heavily relies on bringing expenditure assignments closer to revenue sources and hence to the citizenry. But if local governments depend to a large extent on conditional grants to finance recurrent expenditures, there are no incentives for local political accountability on the part of elected politicians (Robinson 2004).

For what has been called 'democratic decentralisation', (a) participation must be at the cornerstone of any local government reform process, and (b) it is unlikely to be the case unless, national and provincial regimes are committed to a political strategy in which real opportunities for local-level influence and participation are enhanced. In other words, there must be a supportive intergovernmental relations framework as well as the opportunity to make expenditure and resource decisions independently at the local level.

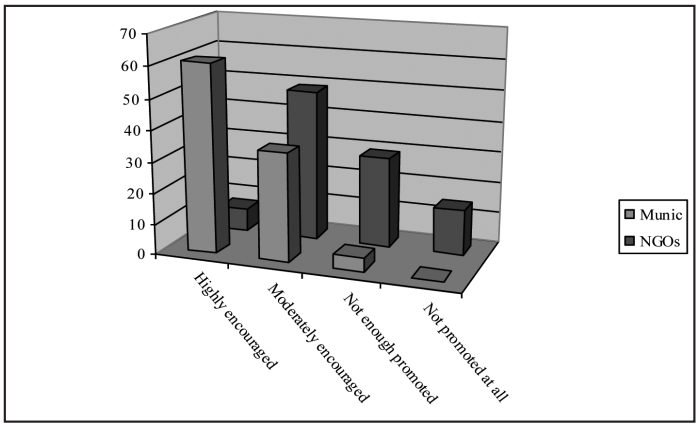
The informal dimension of participatory spaces: understandings by local government of citizen participation and the articulation of power in practice

Data gathered for this study suggest that local government is not truly committed to encouraging citizen participation. Its main motivation appears to be that they are mandated to establish participatory structures by law. Most of the respondents noted that the most frequent approach to citizen participation by local government is to ask communities to endorse processes and policies they have already decided on. A respondent put it this way: "Local government approach to citizen participation is restricted to meetings with the local community to inform people on decisions that have already been taken" (respondent No. C16). Findings therefore suggest that participation is 'supported' for reasons of compliance instead of genuine or meaningful participation and, therefore, is not connected to decision-making.

A factor that was frequently mentioned, namely voting, reflects confusion as to the roles of citizen participation and democracy conceptions:

> "Local government comes to the community when it needs votes. After the elections they disappear from the eyes of the community"(respondent No. C2);
>
> "There are mixed aims and agendas and very little that is substantive in nature flows from these [participatory] events, which are used particularly near election times" (respondent No. C9).

Figure 4 Is citizen participation encouraged by local government?



Source: Own elaboration based on a survey on citizen participation in the Eastern Cape conducted for this thesis.

Although any classification will necessarily be a simplification where categories introduced might overlap each other, for operational purposes it is useful to distinguish between the different levels of 'intensity' in the process of citizen participation. These are not fixed categories and these levels refer to a continuum that implies different degrees of commitment and involvement of people and communities in the process. For the empirical assessment of participatory spaces[6] at the municipal level in South Africa, and following the classification used by Participa (2004), four differentiated levels were established.

- *Information:* the objective is to provide information on the issue under discussion. At this level, the information flux is one-sided and there is no feedback or direct negotiation in terms of what it is being informed.
- *Consultation:* the objective is to invite citizens to participate by offering their opinions. To develop this level it is necessary to provide channels where citizens' opinions can be received.
- *Decision-making:* the objective is to invite citizens with real possibilities to influence a particular issue. In terms of social programmes and projects, citizens are regarded as executors and managers of programs responding to local problems. In this way, local citizens participate in a negotiation process, after which agreements are established with a binding character, and thus they have real influence in the final decision adopted.
- *Co-management:* the objective is to invite citizens and stakeholders in a decision-making process that involves more than one specific issue. At this level, citizens acquire capaci-

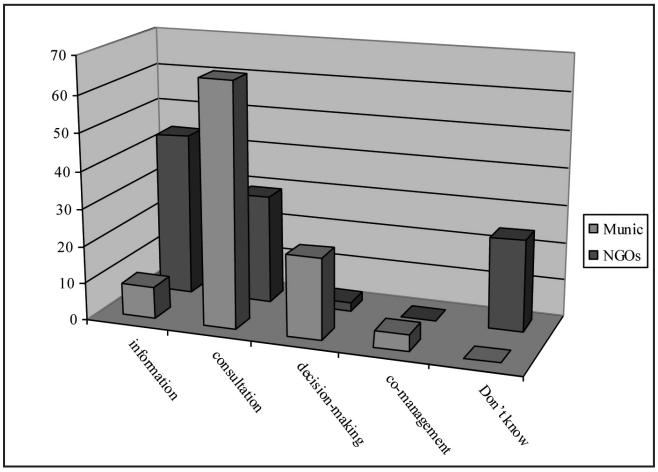
[6]The expression 'participatory spaces' is used here to refer to the various mechanisms, norms, organisations and institutions created to enable citizen participation in local governance.

ties and a sense of identity, their organisations and spaces are strengthened and they are empowered to initiate action by themselves (Participa 2004).

To provide information that allows citizens to understand the impact of their decisions is a key element in promoting an active and responsible citizenship (Participa, 2004) and, under this approach, access to information must be considered as a fundamental right. However, while it is important to state that the information level, more so than a participation intensity level, should be considered as a precondition for citizen participation to materialize, it should not be considered 'genuine' or 'authentic' participation (Uphoff 1991; Souza 2001). Again, although they should be considered in terms of a continuum of citizen participation, these diverse levels of citizen participation are useful for analysing and discussing the challenges and possibilities of citizen participation in development.

Most of the responses from local government expressed a vision of representative democracy which does not require being complemented by more participatory forms of democracy. It is quite revealing that those positioned to promote the mechanisms of direct democracy (ward councillors specifically) tend to exclusively consider local democracy as representative democracy. Democracy seems to be confined to representation at the polls.

Figure 5 Intensity levels of citizen participation in local government



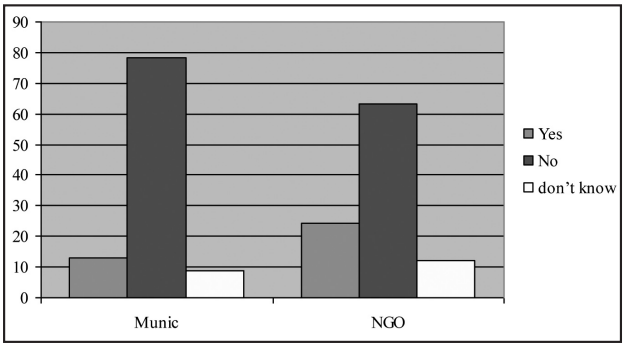
Source: Own elaboration based on a survey on citizen participation in the Eastern Cape.

Almost 60% of the local government representatives stated that local government promotes consultation. A ward councillor interviewed mentioned that the local government approach "goes back to the consultative approach", another mentioned that "if citizen participation is encouraged it allows smooth running of the local development process" (Interviewees No. 4 and No. 9 respectively). Only about 25% of the respondents from municipalities said that a more 'meaningful' form of citizen participation was promoted, either in decision-making or co-management. This last figure, however, drops to only 2% in the opinion of CSO representatives (Figure 6). About 70% of the respondents in this group stated that either information or consultation was the level that best reflects the local government approach to citizen participation. More specifically, 40% of these respondents indicated that the local government approach reduces citizen participation to just providing information.

The degree of commitment to 'meaningful' citizen participation was also tested by asking whether respondents considered that legislation should be reformulated to allow for a mechanism in which some specific decisions emanating from ward committees could have binding character (that is, a

percentage of resources of each municipality to be allocated on these bases). Almost 80% of the respondents from municipalities argued negatively, while 60% of CSOs took the same position, as shown in Figure 6. However, the reasons given for their answers varied significantly.

Figure 6 Binding character of decisions of ward committees

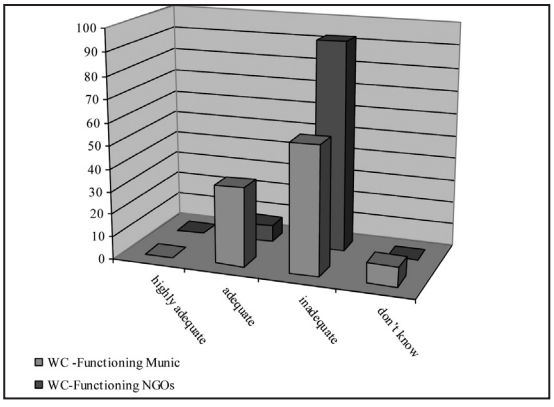


Source: Own elaboration based on a survey on citizen participation in the Eastern Cape.

Municipal decision makers argue that citizens have little understanding of budgetary constraints and that it might be difficult to take binding decisions at that level. Beyond these issues, the underlying vision of representative democracy was again raised through various responses to this question. One respondent suggested that "the council is elected to run the local authority, not the Ward Committee or IDPs" (Respondent No. M19). The most frequent reasons as stated by respondents from CSOs revolved around the dysfunctional nature of these mechanisms, and of their not being truly representative[7]. Concerns of political and elite capture were frequently raised.

Many respondents noted that committees are being used by political elites as legitimacy tools. This could have the effect of alienating organisations and individuals who are not formal allies of political parties, especially CSOs which are wary of being too closely identified with a specific political party.

Figure 7 Overall assessment of the functioning of ward committees



Source: Own elaboration based on a survey on citizen participation in the Eastern Cape.

Ward committees are reinforcing a trend towards politicizing citizen participation in local governance and, therefore, undermining their accountability and effectiveness as spaces for more cooperative relationships. At best, these committees are working as another channel for voicing the same voices that are being heard through the more traditional participatory practices and

[7]This concern was explicitly highlighted by Prof Monty Roodt in an interview held on May 23, 2005.

institutions associated with representative democracy such as political parties and voting. Access to these newly created spaces for citizen participation seems likely to be limited to those groups which already influence council through parties, and thus few new voices are likely to be heard in municipal processes. Most probably partisan ward committees would add little of value to local democracy in South Africa (Benit-Gbaffou, 2008b). Moreover, the findings suggest that traditional community-based structures (civic associations, residents' associations, etc) are being side-lined as more attention is given to ward committees. This 'crowding-out' effect is more worrisome if these same ward committees are colonised by party agendas, as our findings suggest.

Citizen participation as currently being developed and promoted by local government in South Africa seems to be widening the gap between citizens' expectations and participatory politics at the local level. In other words, contrary to the expectations being placed on citizen participation by the policy framework and legislation, in practice, citizen participation is widening the gap between the citizen and the local state.

CONCLUSION

If decentralisation and citizen participation hold so much promise (as reflected in international summit declarations and a growing body of literature, and especially in South African legal and policy framework for local governance), why does there appear to be a widening gap between the promised land of participatory and decentralised development and everyday reality? While the reform of local governance systems in South Africa included the creation of formal structures for people to channel their views and concerns and to work in partnership with the governments in tackling development and governance challenges, these new spaces are not working as a way of voicing citizens' needs and concerns regarding local development needs. Despite the introduction of a new framework for a developmental local government formally very supportive of participation, citizens in South Africa are becoming increasingly alienated from local politics.

Our study suggests that the key reasons for the dysfunctional decentralised participatory system are to be found in how the participatory system is articulated with the fiscal decentralisation process; how local government authorities understand citizen participation and in their overall development approach; and in how the power structures associated to IDP and ward committees are defined and are actually implemented.

Firstly, it was noted that the intergovernmental system has largely failed to adequately support local government. By integrating a fiscal perspective (by analysing the intergovernmental relations system, the expenditure allocations and revenue raising capacities of municipalities) into the analysis, the researchers have shown that the relationship between decentralisation and citizen participation is more complex than can be captured in any single summary statement. Rather than finding that decentralisation is always a contributing factor to citizen participation in more democratic models of local governance, the results from this research, both theoretically and empirically, show wide divergences depending on type and conception of the decentralisation process, how it is being implemented and key contextual variables.

One of the central challenges that confront the democratisation efforts in most transitional and developing economies has been to find independent sources of financing for locally-based organs of governance. In South Africa, municipalities are increasingly dependent on grants to fund their operating costs and infrastructure needs. So, even in the case of South Africa, where transfers are relatively adequate and reliable, a fiscal regime which compels local structures to depend so heavily on central financial arrangements for practically all of their expenditure requirements, undermines the development of lateral (rather than vertical) relations within the state, with serious implications for public participation and effective accountability. It has also been shown that unconditional grants (equitable grants) are mainly dedicated to paying salaries and bulk services purchases. At the same time, the use of conditional grants is predetermined, because they are defined in terms of national sector strategies and programmes. This clearly does not

leave any room for considering other kinds of municipal led investment. This is especially relevant in terms of facilitating citizen participation in local governance. The dependence of governments on non-tax sources of funding is likely to have adverse effects on their accountability and responsiveness (Moore 2007; Robinson 2004).

As this research shows, apart from the enactment of legislation and establishment of institutional spaces, it is also necessary to keep a balanced view of what relevant laws and administrative reforms can achieve. In addition to the limitations in the institutional framework, as in the case of South Africa, there is a powerful, informal dimension constantly influencing such processes. Legislation may be changed while leaving organisational structures unreformed. The specific understandings of local government representatives in particular will have an impact on the objectives, goals and procedures a municipality develops to promote citizen participation in decentralised governance. The study found that at the local level, the prevailing orientations and approaches to citizen participation in local governance held by local government officials and politicians have also impaired the implementation of more participatory modes of governance. In the cases where a basic willingness to promote participation was found, municipal officials often lacked the necessary skills and resources, and few policy makers and managers appear to appreciate the degree of difficulty, or the capacity building and commitment required to develop effective partnerships at the local level. The causes for concern increase when this view is contrasted with the expectations and perspectives of CSO. Our findings tend to point out the fact that ward committees are being used as legitimising tools by political elites. Ward committees are reinforcing a trend towards politicizing citizen participation in local governance and, therefore, undermining their accountability and effectiveness as spaces for more cooperative relationships. The research findings also confirmed that traditional community-based structures (civic associations, residents' associations, etc) are being side-lined as more attention is given to ward committees. If our findings are correct, this crowding-out effect is more worrisome, as ward committees are governed by party agendas. Therefore, ward committees are not only failing to advance territorial interests, but are also supplanting organisations which, to an extent, did advance democratic interests.

While citizen participation and decentralised governance hold promise for the future development of localities, government needs to be cognisant of actual constraints and challenges. Inviting citizens to participate in spaces where decisions have already been taken, or where there is no meaningful issue to decide on, results in citizens losing their confidence in local government as an institution that is able to respond effectively to the challenges citizens raise. When decision-making power and resources remain at the higher spheres of government, but responsibilities are transferred to more decentralised spaces, the illegitimacy crisis of local government is reinforced by its incapacity to deliver. Decentralisation – conceived in this sense – is impeding more than facilitating participatory local governance.

Citizen participation as being currently developed, 'promoted' and sustained by local government in South Africa seems to be widening the gap between citizens' expectations and participatory politics at the local level. Thus, contrary to the common statement that citizen participation in local governance can be an answer to the 'crisis' of representative democracy, invitations to participate under this guise could instead be contributing to the opposite trend.

Policy recommendations emanating from this study suggest that for the local governance system to function, coherence between the diverse spheres of government is essential. In addition, the degree of financial autonomy of municipalities is a crucial concern that needs to be carefully assessed. A revision of the current local governance process should focus on the viability and policy coherence of institutional arrangements of decentralisation and citizen participation and the informal dimensions of the policy process.

If these issues are not addressed, opening new spaces for participation in decentralised local

governance can result in fewer changes and disappointing results at best. It could also go on to undermine the transformative potential of the concepts of citizen participation and decentralisation, which could deepen citizens' lack of trust in local governments, enhancing the perception of local government illegitimacy.

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BUILDING LEADERSHIP CAPACITY FOR POST-WAR RECOVERY: THE CASE OF SOUTH SUDAN

S Heleta[1]

ABSTRACT

Countries ravaged by wars face enormous challenges on the road to recovery and stability. In most cases, they lack funds and capacity for reconstruction, development and delivery of basic services. While external support and assistance are often necessary to kick-start post-war recovery, the long-term reconstruction, development and stability will depend on the local capacity to govern and plan, design and implement projects and programmes. Stability, security, peace, poverty eradication, development and functionality and effectiveness of institutions in post-war countries require skills and leadership capacity on all levels of government and other public institutions for delivery of basic services, strategic planning, good governance and economic development. This can only be achieved through extensive and long-term capacity building, training and education of government officials and youth in countries that are recovering from war. While workshops and seminars can help address the short-term challenges and needs, there is no substitute to real, comprehensive education.

Key words: Capacity building, post-war recovery, external support, stability, security, peace, poverty eradication, service delivery, good governance, economic development.

INTRODUCTION

Countries emerging from civil wars face enormous challenges. Death, destruction and displacement leave physical and psychological marks that take a long time to go away. Populations are traumatized, disillusioned and often divided along ethnic, religious or other lines; social cohesion is damaged, economies and infrastructure are destroyed and government institutions are dysfunctional or non-existent and unable to provide even the most basic services to the population. Further, many educated and skilled individuals die in wars. Others leave war-torn countries and start their lives elsewhere; a great number of them never come back even after formal peace is established in their former countries. This extensive list of problems and challenges facing post-war countries requires effective local leadership and capacity to deal with all these issues and lead the countries to sustainable peace, recovery, stability and prosperity.

South Sudan is a prime example of a challenging post-war environment. After decades of violent conflict and enormous human suffering, South Sudan has been experiencing relative peace since the 2005 Comprehensive Peace Agreement ended the second Sudanese North-South civil war. In July 2011, South Sudan became an independent country after a referendum on self-determination. However, due to the wars, instability, and economic, social and political marginalization since the colonial times, Africa's newest country, despite its vast natural and mineral resources, is one of the least developed parts of the world. Today, more than fifty percent of the population lives below the poverty line while physical infrastructure such as roads, bridges and power plants is almost non-existent.

If South Sudan is to become and remain a stable and functioning country, apart from economic and infrastructure development, delivery of basic services and security, extensive leadership capacity building will be the key. It can be argued that all the above will largely depend on having qualified and competent leadership on the local, regional and national levels. Currently, most officials

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who work for the government and other public institutions, especially on the county and local levels, lack education and even the most basic skills required for efficient governance, policy-making, strategic planning and service delivery. This paper argues that while external support and assistance are necessary to kick-start post-war recovery in countries such as South Sudan, the medium-to-long-run reconstruction, development and stability will depend on the local capacity to plan, design and implement projects and programmes and deliver services to the population.

The first section explains the methodology used in the paper. The second section explores various post-war recovery approaches and practices. The author examines the trends related to external technical assistance for post-war countries and external efforts to build local capacity. The third section focuses on post-war recovery in South Sudan, external capacity support, opportunities and future potential in the country. The last section discusses Nelson Mandela Metropolitan University's capacity building efforts aimed at supporting capacity building in South Sudan.

METHODOLOGY

This paper employs the qualitative research paradigm. It is based on an extensive desk study about post-war recovery and field research. The author has conducted semi-structured and open-ended in-depth interviews with selected individuals, officials and policy-makers from or working in South Sudan in November 2010 and October 2011. Additional interviews with South Sudanese officials were conducted in Port Elizabeth in June 2011 and May 2012. Moreover, the author has reflected on and used his own observations and experience of being part of a team that planned, designed and implemented a leadership capacity building programme for high ranking government officials from South Sudan at the Nelson Mandela Metropolitan University[2] in Port Elizabeth, South Africa.

POST-WAR RECOVERY

Post-war recovery is a relatively new phenomenon, emerging in its current form only in the aftermath of the Cold War. Prior to the 1990s, due to superpower politics, post-war operations around the world focused mainly on traditional peacekeeping such as monitoring ceasefire and borders. The end of the Cold War significantly lifted geopolitical limitations and opened the door for multilateral operations and interventions in countries emerging from violent conflict. Over the last two decades, post-war recovery – including socio-economic reconstruction, development, peace-building, state-building and security sector reform – came to be seen as key tasks for the international community and various international organizations, aiming to promote political and socio-economic recovery and development 'modelled after neo-liberal democratic societies in the West' (Ali & Matthews 2004: 408). Consequently, between 1990 and 2007, there were forty-eight United Nations-led post-war operations around the globe. Apart from peacekeeping, the majority of these operations also involved externally driven reconstruction of state institutions, socio-economic development, peace-building and local capacity building.

Liden, Mac Ginty and Richmond (2009: 590) note that externally driven post-war operations have become 'major enterprises in global politics'. Their stated aim is to establish security, stability, good governance, rule of law, promote justice and reconciliation and enhance socio-economic well-being of the people in countries emerging from violent conflict (Hamre & Sullivan 2002: 89). Ultimately, the goal of post-war recovery programmes and operations is to create a stable environment after war, establish long-term peace and prevent the return of violent conflict in the future.

Over the years, the majority of externally driven post-war operations have been shaped by the

[2]The views and opinions expressed in this paper are personal and do not necessarily reflect those of the Nelson Mandela Metropolitan University.

concept of liberal peace which assumes that a rapid transmission or imposition of neo-liberal and democratic norms and values combined with the Western-style institutions would create conditions for lasting peace and prosperity (Liden 2011: 59). In practice, however, this approach has not produced positive results. In countries such as the Democratic Republic of Congo, Angola, Mozambique, Bosnia and Herzegovina, East Timor and Kosovo, to mention only a few, external factors[3] have not been able to create stability, economic growth and development or improve the livelihoods of the people despite the extensive financial and technical help and support from donors and international organizations (Mac Ginty & Williams 2009: 13; Richmond 2011: 37). Instead, as Tadjbakhsh (2011: 3) points out, the often intrusive external efforts have in most cases 'created empty states, or a virtual peace, mainly populated by either compliant or predatory elites'.

The problem with externally driven post-war operations and the liberal peace is that they assume that models, norms, political and economic systems that work in the West can easily and quickly be exported to the war-torn countries. Too often, externally driven operations and actors implementing them express overly paternalistic behaviour, pretending to know what is best for post-war countries and acting on their behalf. Because of this, many critics argue that this form of meddling into domestic affairs of sovereign countries resembles colonialism and imperialism (Ottaway 2003: 265; Duffield 2007: 7).

The proponents of externally driven operations claim that local actors in countries ravaged by war often lack capacity and skills to lead their countries out of destruction, instability and poverty (Fearon & Laitin 2004: 43). They see this as a justification for meddling into domestic affairs. Some, such as Mosegaard Søbjerg (2007: 483), go further and claim that local people and elites in countries emerging from violent conflict may not know what is best for them. She adds that their decision-making may be based on 'passion and irrational impulses' and 'in the name of their own good' outsiders should act on their behalf. As a remedy for the local lack of capacity, skills and rationality, proponents of external interventions recommend that foreign experts become 'surrogate governing authorities for as long as it takes' to build local capacity and effective institutions (Paris 2004: 206).

Isaac Albert (2008: 31) thinks that the key shortcoming of externally driven post-war recovery is its exclusive focus 'on how members of the international community come to make, create and keep peace'. Similarly, Englebert and Tull (2008: 134) point out that the 'very nature of international reconstruction efforts suggests that the knowledge, capacity, strategies and resources of external actors are crucial ingredients for success'. In reality, however, external actors who design and impose 'solutions' and 'blueprints' in countries recovering from violent conflict as well as the developing countries in general are in most cases 'unable to change the social forces and state practices that shape development' as they do not fully understand the societies they are trying to influence and change, seeing only what is on the surface (McEwan 2009: 195). Easterly (2006: 22) points out that the fundamental problem with externally driven operations is the fact that they assume that just because international experts have 'studied and lived in a society that somehow wound up with prosperity and peace, [they] know enough to plan for other societies to have prosperity and peace'.

Oliver Richmond (2011: 41) emphasizes that the people and elites in post-war countries need to be able to decide on their own 'what type of peace' they want as well as the economic, political and governance system and structures that are appropriate for their context. Krasner and Pascual (2005: 160) write that external actors can offer advice, support, assistance and incentives to

[3]This refers to international organisations such as the United Nations or World Bank, donors, government agencies and non-governmental organisations.

local people, 'but ultimately, those within a society must define their own future'. Hanlon and Yanacopulos (2006: 319) add that external actors need to help build local capacity and develop 'local ways of carrying out actions' instead of imposing their own programmes, norms and visions. Goodhand and Hulme (1999: 24) think that external actors who honestly want to help post-war countries 'need to be "smart" and recognize that, at the very best, they can only help build [local] capacities that increase the likelihood of peace'.

The importance of post-war reconstruction, development and establishment of functioning institutions capable of providing security, planning and implementing projects and programmes and delivering services to the population cannot be overstated. A study by Collier, Hoeffler and Söderbom (2008) found that there is a forty percent chance that post-war societies will return to fighting within a decade if recovery is not managed properly and if governments do not provide basic services to the population. Kofi Annan (1998: 19) points out that 'unless there is reconstruction and development in the aftermath of conflict, there can be little expectation of progress or durable peace'. Schomerus and Allen (2010: 81) add that 'peace holds a meaning far beyond "peacefulness" or simply "absence of conflict"'. Peace requires improvements in living conditions, including better infrastructure, employment opportunities, basic services and reliable and effective government structures.

FOREIGN EXPERTS AS A SUBSTITUTE FOR INADEQUATE LOCAL CAPACITY

External technical assistance is often seen as an adequate substitute for ineffective or lacking local capacity in countries that are recovering from war. Proponents of external assistance claim that war-torn countries, as well as developing countries in general, need foreign experts to assist with reform of the institutions, kick-starting of economic development and growth and building of local capacity. Moss (2007: 120) argues that the large part of the overall Western foreign aid is spent on external experts offering technical assistance. For example, in 2005, over US $3.2 billion was spent on over 100 000 foreign experts to provide assistance and advice to African countries (Ghani & Lockhart 2008: 19).

In many cases, people with experience and expertise are employed to provide assistance. However, there are also countless cases where key advisory positions have been given to totally inexperienced individuals or people without any knowledge of local conditions. Ghani and Lockhart (2008: 102) write that the USAID regularly sends consultants to the 'third world' and post-war countries without first consulting with local governments which are to receive assistance. These 'experts,' often lacking even the most basic knowledge of the situation and real needs on the ground, in most cases offer 'generalized advice delivered from rules of thumbs and so-called best practices'. In post-US invasion Iraq, for example, young and inexperienced American college graduates in their early twenties, with hardly any previous work experience apart from being interns for members of US Congress, ended up writing the new Iraqi constitution and setting up the privatization of public enterprises. Some of these young Americans were tasked with setting up and running Iraq's stock exchange (Easterly 2006: 273) while others managed budgets of tens of billions of US dollars without having any previous experience in financial management (Mac Ginty & Williams 2009: 50).

Another problem with using foreign consultants and experts as a substitute for inadequate local capacity in post-war countries is the lack of mechanisms that that would make external actors accountable to the local people and institutions. Even if external actors make serious mistakes and undermine stability and socio-economic recovery in countries recovering from war, there is hardly anything that these countries can do to hold them accountable (Pugh 2011: 158). What is more, in the current setup that governs externally driven post-war operations, external actors working for the UN or other international organizations are 'virtually untouchable by any social or legal

consequences of their administrative conduct' (Korhonen 2001: 526).

Unfortunately, the above mentioned practices are the reality in most post-war operations. Foreign 'experts' working as a substitute to local capacity in the developing world and countries that are recovering from war often lack even the most basic knowledge about local conditions, history, structures of power and socio-economic relations and realities. Apart from the lack of knowledge about local contexts and realities as well as the accountability to the locals, the majority of foreign experts do not spend enough time in these countries. Generally, foreigners stay in 'the field' for a year or less. This does not give them enough time to learn about the countries, problems, needs and complexities, let alone positively and constructively contribute to post-war recovery (Rocha Menocal 2009: 4; Elhawary, Foresti & Pantuliano 2010: x).

LOCAL CAPACITY BUILDING

Local capacity building is lauded by external actors, analysts and academics as the key for long-term post-war recovery success and stability. According to Peter Uvin (1999: 10), capacity building needs to be one of the main concerns for the donors and receive substantial support from the beginning of any post-war operation. Wolpe and McDonald (2008: 141) think that in cases where there is a lack of capacity and skills, local officials and people need to be provided with extensive training and skills in order to be able to meaningfully contribute to rebuilding of their societies. Kumar (2006: 11) writes that internal capacity building is a prerequisite for long-term stability. He adds that 'if societies do not develop their own [capacity and] infrastructures for peace, peace is unlikely to be sustained'.

In most cases, however, capacity building is not the key priority and receives small fraction of donor funding for post-war operations. In Bosnia, for example, the international donors and other foreign actors have for years lauded local capacity building as the key for long-term success of the PWRDPS mission; however, instead of building local capacity, the international community created a situation where the country has become dependent on the external actors' expertise and assistance in policy-making and decision-making (Recchia 2007: 5). Susan Woodward (2011: 103) thinks that international organizations often deliberately do not want to improve local capacity because that would mean they do not need to provide services any more, losing lucrative projects and well-paid jobs in the process. Elhawary *et al* (2010: 5) note that even where local capacity exists, external actors, looking for quick-fixes, often sideline local authorities and provide post-war assistance and support directly through international organizations and experts, thus undermining the long-term capacity and legitimacy of the state.

Very often, external actors are a part of the problem when it comes to the lack of capacity for local governance. Able to pay much more than local governments, international donors, aid agencies and NGOs 'drain the talent of the government and private sector while lamenting the government's lack of capacity' (Ghani & Lockhart 2008: 99). In Bosnia, the presence of hundreds of international organizations after the war has 'undermined the long-term ability [of the country] to develop a sustainable local economy and social structure' (Belloni 2001: 165). For over a decade, many highly qualified local professionals and experts refused to work for local businesses or government institutions as the international organizations paid much more. In turn, this has significantly reduced the economic competitiveness of the country (Talentino 2002: 37).

Achim Wennmann (2005: 490) reminds that 'donor support is temporary… priorities change and international experts come and go – and with them relative levels of material support and political commitment'. Most external actors stay in post-war countries 'for a year or two and most agencies need "results" in a year and are gone in three' (Hanlon & Yanacopulos 2006: 320). On the other hand, in most cases, local actors are there to stay and will have to live with the consequences of their decisions. Furthermore, as Englebert and Tull (2008: 137) point out, outsiders are not

necessarily better than locals in building political institutions and reconstructing war-ravaged states and economies.

THE CASE OF SOUTH SUDAN

Since the 1956 independence from the British colonial rule, Sudan's successive central governments and military dictatorships, controlled by the northern Arab elites, have marginalized country's provinces and peripheries politically, socially and economically. The root causes of the North-South Sudanese conflict that broke out on the eve of independence were in the 'policies of separate, unequal and sometimes exploitative development'. These policies were first introduced in Sudan by its colonizers. After independence, the northern elites took over and continued with the same colonial-style rule, keeping South Sudan isolated, marginalized and underdeveloped (Thomas 2009: 9). This consequently triggered southern rebellion and two civil wars over power, resources, marginalization, basic needs, race, religion, ethnicity and self-determination. Only during the second North-South civil war, which broke out in 1983 and lasted for over two decades, about two million people were killed and another four million were forced to flee their homes. During this time, people in South Sudan saw no social, economic or educational development.

In July 2011, South Sudan became world's newest nation following the referendum on self-determination. The referendum was a result of the 2005 Comprehensive Peace Agreement which brought peace and relative stability to the war ravaged South Sudan. The peace deal also gave the region political and economic autonomy and substantial funds from oil revenues to function independently from the central government in Khartoum during the six-year interim period that ended with the referendum.

When the war ended in 2005, South Sudan completely lacked infrastructure such as roads, hospitals or schools; there were no industries apart from the oil industry controlled by the northern Sudanese regime; no basic services such as drinking water and electricity and no civilian governance institutions[4]. The Sudan Joint Assessment Mission report, compiled in the aftermath of the war by the United Nations and World Bank, states that after decades of protracted violent conflict, civil service and service delivery structures were nonexistent and had to be 'created essentially from scratch' (UN World Bank 2005: 9). Without infrastructure, public goods, complete lack of civil service and basic service delivery structures (Samasuwo & Ajulu 2006: 3), what South Sudan needed in 2005 was construction rather than reconstruction (Jooma 2005: 2).

After the peace agreement was signed and South Sudan began forming its autonomous institutions, the majority of positions in government and other public institutions were not given to people based on their qualifications and competence, as there weren't many qualified people available, but based on their previous involvement in the liberation struggle. Furthermore, the government also had to give positions in the government and army to members of various rebel groups from South Sudan who were seen as potential threats to stability and peace. All this created a very big, cumbersome government as well as the army, both of which have been expensive to maintain and which have required a lot of money that could have been spent on reconstruction and development[5].

In the face of all these challenges, South Sudanese have made a substantial progress, creating institutions and government structures and promoting reconciliation and peace-building (Human Rights Watch 2009: 12; Schomerus & Allen 2010: 25). This, however, has only brought a 'negative peace' – a mere end to fighting – to the majority of the population. There is still a very long way

[4]Interviews in Juba, South Sudan in November 2010 and October 2011.
[5]Interview in Juba, South Sudan in November 2010.

to go and so much work to be done in order to address numerous social, economic and political challenges and achieve a 'positive peace' in the form of socio-economic recovery, security, reconstruction and development.

Despite the availability of over US $7 billion in oil revenues between 2005 and 2011 (Yoh 2010: 54), the government of South Sudan was unable to provide even the most basic services to the population. The reasons for this were the allocation of at least half of the funds to the military, corruption as well as the lack of capacity. Outside the major urban centres, people saw little or no tangible peace dividends apart from the formal end of the war (Downie & Kennedy 2010: 6; International Crisis Group 2011b: 1).

One of the primary reasons for the lack of reconstruction and development in South Sudan has been the fact that during the interim period the government could not afford to think about medium-to-long-term post-war recovery plans. It had to stick to short-term plans which prioritized security, political stability and holding of the self-determination referendum over basic services and economic reconstruction and development[6]. In addition, the focus on security and sidelining of other priorities came from the fact that almost everyone in the government has a military or security background and this is what they see as the key issue and priority[7].

In the same way the local authorities focused only on short-term priorities and ignored service delivery and medium-to-long-term reconstruction and development, the international donors and organizations working in South Sudan have also hesitated to begin working on reconstruction and development during the six-year interim period, not sure if the peace would hold and what would happen with the referendum on independence. Because of this, they focused mainly on short-term humanitarian issues[8].

Another reason for limited peace dividends and post-war improvements was the lack of skills and capacity in government and other public institutions (International Crisis Group 2011a: 5). Decades-long wars and marginalization created a situation where local people hardly ever had a chance to receive any education and be able to contribute to rebuilding and development in the aftermath of the war. As mentioned above, the majority of the current government officials in South Sudan come from military and security backgrounds. Many of them have never had an opportunity to complete secondary or higher education, often lacking even the most basic skills for civilian leadership and running of the country. In addition, the country also lacks skilled people able to run entrepreneurial, trade and services sectors, fully depending on the labour force from the neighbouring countries to fill this gap. Thus, unsurprisingly, in most parts of the country, basic services that are supposed to be delivered by the national and local governments have for years been almost entirely provided by international organizations (Young 2010: 9). For example, since the end of the war, international NGOs and aid agencies working in South Sudan have been delivering about 85% of primary health-care services to the population (Mailer & Poole 2010:24).

The current delivery of basic services by international organizations, while important and necessary in the short-term, is creating an enormous 'credibility gap' for the South Sudanese authorities (Schomerus & Allen 2010: 71) and potential long-term problems caused by the act that the population sees the government and local authorities as institutions incapable of providing them with basic services. A gradual shift of responsibility for delivery of basic services from external actors to the government is necessary for country's long-term stability and credibility of the local authorities.

[6]Interview in Juba, South Sudan in November 2010.
[7]Interview in Juba, South Sudan in October 2011.
[8]Interview in Juba, South Sudan in October 2011.

OPPORTUNITIES AND POTENTIAL

Apart from many challenges, there are also numerous opportunities in South Sudan. The country has an enormous economic potential. In January 2007, South Sudan's proven oil reserves were estimated at about four billion barrels (D'Agoôt 2009: 119). While significant, the oil reserves are expected to start declining in the next five years if the current exploration does not lead to new discoveries (International Crisis Group 2011b: 20). In order to ensure that the country and population benefit from the oil in the long-run, the government will have to combat corruption and ensure that the oil does not become a curse but a blessing.

Furthermore, it is of outmost importance that South Sudan diversifies its economy and does not rely primarily on oil revenues. Currently, oil revenues make up over 90% of the government budget. Apart from oil production, the country could become one of the major food producers on the continent, given its climate which is highly favourable to agriculture (Brenthurst Foundation 2010: 11). Even though agriculture is not a backbone of the formal economy, the majority of the population depends on subsistence agriculture and pastoralism. However, the current use of arable land is minimal, with only 4% of the land being cultivated at the moment (Barber 2011: 20).

In the years to come, South Sudanese will have to work hard on state-building and nation-building. South Sudan must create institutions that can deliver services to the population and build a viable nation and common identity that is based on more than the historical opposition to North Sudan. They will also have to manage diversity of the country. Currently, the South Sudan is 'only slightly more than a geographical expression'. The country is made up of more than sixty ethnic, tribal, cultural and/or linguistic groups which have a 'stronger sense of citizenship in their tribe than in the nation' (Jok 2011: 2).

To ensure socio-economic and political stability, the government will need to create open political and economic spaces, develop and diversify economy, decentralize governance, share power and resources equally among the regions, deliver basic services and protect people's human rights. Coming out of decades of war and without experience in civilian governance, this will be a difficult and long process. To succeed as an independent country, South Sudan will need a lot of help and assistance from Africa and the rest of the world but the South Sudanese themselves will have to lead the state-building, nation-building and long-term development processes.

Jok Madut Jok (2011: 13) thinks that the key for long-term stability of South Sudan will be the identification and development of 'its own home-grown philosophy of development, democracy and open participatory system of governance'. A county commissioner from one of the ten South Sudan's states argues that, when it comes to medium-to-long-term development of South Sudan, it should be the responsibility of the government and local authorities to plan this with the help of international partners [9]. Another respondent thinks that the only way South Sudan can become a stable country is 'if the local people and elites take control of their own destiny. If we allow foreigners to set priorities and impose "solutions" they think are needed, we will never be truly independent, stable or prosperous'[10].

EXTERNAL CAPACITY SUPPORT IN SOUTH SUDAN

Despite the clear lack of local capacity and skills and all the rhetoric about the need for capacity building in post-war countries by donors and international organizations, not much has been done on this front in South Sudan since 2005. In the country with enormous developmental and capacity

[9]Interview in Port Elizabeth, South Africa in June 2011.
[10]Interview in Juba, South Sudan in November 2010.

needs after four decades of war, destruction and complete lack of education opportunities, the international community earmarked only US $22.7 million specifically for capacity building (Mailer & Poole 2010: 23). What is more, a significant portion of this amount was not spent on capacity building at all but on clearing the payroll system of the government and other public institutions 'of ghost workers' (Goss and Donors Launch 2010). In addition, between 2005 and 2010, hundreds of international organizations working in South Sudan could not agree on a broader capacity building strategy. Instead, each organization had its own capacity building goals and programmes, often competing with other organizations for donor funding and local participants in need of training and support (Schomerus & Allen 2010: 95) through seminars and workshops. As Rebecca Barber (2011: 11) points out, 'throughout the years of humanitarian and development assistance [in South Sudan], adequate attention has not always been paid to the development of local capacities'.

The external capacity building efforts that have taken place happened on two fronts. On one side, foreigners have been working as advisors to local ministries and high ranking officials. On the other side, numerous international organizations have been organizing short workshops and seminars about peace-building, conflict management, reconciliation, project planning and implementation, sustainability and many other topics[11] .

However, apart from a few exceptions, these efforts are not seen by respondents interviewed in Juba as significant contributors to capacity improvements. Workshops and seminars are in most cases short, once-off events without follow-up. In terms of advisory efforts, very often, young people in their twenties from Europe or United States, without any previous experience working for government institutions in their own countries, have been appointed as advisors for various South Sudanese ministries as part of the external capacity support programmes funded by the European Union or the United States[12]. A respondent who works for an international organization engaged in peace-building and security initiatives thinks that sending people in their twenties to tell the South Sudanese government how to do things better is an example of the blatant arrogance of the international community. 'These are the people who hardly have any experience apart from the college education and perhaps some internships and entry-level jobs and do not know yet how to properly run their own lives'[13]. Another respondent added that,

> It is very interesting when one takes a look at the foreigners who come to work for international organizations in South Sudan. Most of them are in their twenties, right from university and in need of 'field experience'. They do not know much, if anything about South Sudan and Africa when they arrive. The majority of them are here for a year, some maybe two years. They are not interested in the long-term prospects. They are hoping that their work in South Sudan will be a good addition to their CVs[14].

Apart from the above mentioned problems, the frequent staff rotations among 'the internationals' further undermine building of local capacity and contribution to post-war recovery. One respondent said that out of tens of thousands of international staff, there is a very small percentage of people who stay in South Sudan for more than a year and who truly engage with local people and try to learn about the country[15]. Another respondent added that this creates a lot of problems when it comes to continuity of the projects and programmes and prevents long-term involvement and development of extensive knowledge, experience and relationships with local actors[16].

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[11]Interview in Juba, South Sudan in October 2011.
[12]Interview in Juba, South Sudan in November 2010.
[13]Interview in Juba, South Sudan in October 2011.
[14]Interview in Juba, South Sudan in November 2010.
[15]Interview in Juba, South Sudan in November 2010.
[16]Interview in Juba, South Sudan in October 2011.

A high ranking UN official thinks that instead of inexperienced and disinterested foreign advisors, South Sudan 'needs a mentorship programme, where experienced administrators from Africa and around the world would work in pairs with local officials on all levels of government over a longer period of time. External administrators would not make decisions but only advise locals and share with them their experiences'[17]. Some organizations are already working on such mentorship programmes. An international expert who works as a technical advisor to one of the government ministries in Juba explained that he spends every working day with the minister in the same office. This is not a short-term advisory post, but a long-term involvement that will last a number of years. 'When a problem or an issue comes up, we discuss it and try to come up with solutions together. This is a hands-on capacity building work'. However, the same respondent pointed out that this is not how the majority of external actors approach capacity building in South Sudan:

> The problem is that the large majority of foreign technical advisors, especially the ones coming to South Sudan through the UN, do not behave like this. They are not spending any significant time with the people they are supposed to advise. Instead, they meet only by appointment once or twice a month or during workshops and seminars[18].

SOUTH SUDAN EXECUTIVE LEADERSHIP PROGRAMME

In 2008, the government of South Sudan, with the help of the British charity Africa Educational Trust, approached the Nelson Mandela Metropolitan University (NMMU) to design, develop and run an executive leadership programme aimed at training a group of high-ranking government officials to become competent leaders and policy-makers. Between 2009 and 2012, a group of sixteen government officials annually spent two months attending classes at the NMMU Business School in Port Elizabeth and one month in Juba, the capital of South Sudan. In their studies, the students focused on strategic policy studies, security, leadership, development studies, economics, research for policy development, international relations, conflict management, international law and finance. To present these topics and modules, the NMMU Business School sourced top experts from the NMMU, South Africa and beyond.

The goal of the South Sudan Executive Leadership Programme (SSELP) is to equip the students to contribute to planning, formulating and managing coherent strategic policies; plan and implement post-war reconstruction, development, state-building and conflict management programmes and initiatives; understand regional and global issues related to international relations, diplomacy and international law; and respond to the safety, security and other needs of the people of South Sudan. The guiding principle of the SSELP is that outsiders cannot and should not drive post-war reconstruction, development and state-building programmes and processes in South Sudan or any other country. Instead, these initiatives and processes need to be internally driven and supported by external actors. Most importantly, for the internally driven post-war recovery to produce positive results, South Sudanese officials need to be equipped with theoretical and practical knowledge and skills in order to lead the recovery and development processes in their country.

Contrary to other short-term capacity building programmes and efforts taking place in South Sudan, this programme is implemented over the course of three years like most undergraduate university programmes, encompassing various disciplines and constantly engaging with the students. Instead of outsiders deciding what South Sudanese government officials needed to learn, the entire planning, design and development of the programme was done in close consultation with high-ranking government officials, diplomats and academics from South Sudan, whose input

[17]Interview in Juba, South Sudan in November 2010.
[18]Interview in Juba, South Sudan in November 2010.

significantly shaped the programme.

The SSELP is entirely funded by the government of South Sudan. Given the numerous challenges and priorities in Africa's newest country, it is not surprising that the government cannot afford to spend a substantial amount on training and leadership development but has to take a small-scale and gradual approach. Even though a number of international and African donors, governments and organizations, all of whom claim to fully support capacity building efforts in South Sudan, have been approached to financially contribute to the programme, to this day none of them have provided financial or any other support. Their reasoning is that they cannot support a programme whose recipients are [only] people with military and security backgrounds. However, the fact is that the large majority of the government and other public officials in South Sudan are people with military and security backgrounds and this will probably be the case in the years to come, given their contribution to the decades-long liberation struggle. Instead of refusing to provide such individuals with skills and training that can improve their performance in the post-war period, they need to be offered educational and capacity building opportunities.

The key strength of the programme is its flexibility. The SSELP has been designed and customised with the focus on South Sudan, aiming to address the needs of the government in the transitional post-war period. However, if the situation changes or if the programme expands to encompass various levels of government, other public institutions and industries, it can easily be customised to address specific challenges and needs. Another aspect of the programme's flexibility is that, given the fact that the students are busy government officials and policy-makers, the programme is designed to give them time to continue doing their work, taking up only three months out of the year for the delivery of the modules and some additional time throughout the year for the completion of assignments and research projects.

The SSELP also has a number of limitations. Given the needs and challenges in South Sudan, the programme is currently on a very small-scale, assisting only a small group of government officials to gain education. However, as it was discussed above, this is due to the lack of funding and external support for the programme. Another limitation is the fact that only high-ranking government officials are currently part of the programme. With the availability of more funding, the programme could be opened to the wider public. Another way the SSELP could be opened to the wider public would be to move the programme entirely to South Sudan and deliver all modules locally. This would depend on the availability of infrastructure and facilities in South Sudan and the arrangements between the government of South Sudan, local educational institutions and the Nelson Mandela Metropolitan University.

A number of high-ranking officials and policy-makers from the government of South Sudan have pointed out that the South Sudan Executive Leadership Programme is a flagship programme that they would like to see expanded. They noted that they can see significant improvements in the work and performance of the students who have been part of the programme, pointing out that over the last two years, a number of the SSELP students have been appointed as heads of various government departments, deputy governors and ministers at the State level while one student has been elected as a member of the National Parliament in 2010[19].

As the future of South Sudan depends on having competent leadership on all levels, this programme aims to play an important role in developing qualified personnel able to contribute to post-war recovery, planning and managing long-term strategic policies and future development

[19]Interviews in Juba, South Sudan in October 2011 and Port Elizabeth, South Africa in May 2012.

and stability in South Sudan. Officials from the government of South Sudan have pledged to continue working with the Nelson Mandela Metropolitan University in the future on many levels. Currently, planning is underway to commence with the second group of thirty students who are expected to start their studies in 2013. In addition, ten students from the first group who graduated in May 2012 and received diplomas in Strategic Policy Studies and Transformational Leadership are planning to continue their studies at the NMMU, further expanding their skills and knowledge on the post-graduate level.

CONCLUSION

Countries ravaged by wars face enormous challenges on the road to recovery and stability. In most cases, they lack funds and capacity for reconstruction, development and delivery of basic services. Since the end of the Cold War, the remedy offered to war-torn countries by international donors and organizations have been the approaches and processes that focus exclusively on external actors and experts creating stability, institutions and peace and working on economic reconstruction and development. However, to this day, this approach has not produced positive results and external actors have not been able to build 'positive peace', despite the extensive financial and technical help and support from donors and international organizations. There are numerous reasons for this, from the use of 'blueprints' and ready-made 'solutions' based on work in other countries, ideological underpinnings that favour Western-style neo-liberal norms, values and institutions, paternalistic behaviour and assumptions that outsiders know best, to the lack of knowledge about local conditions, history, structures of power and socio-economic relations and realities.

While external support and assistance are often necessary to kick-start post-war recovery, the long-term reconstruction, development and stability will depend on the local capacity to govern and plan, design and implement projects and programmes. The key principle driving post-war recovery and stabilization efforts must be to allow and empower people and elites in post-war countries to decide on their own what kind of economic, political and governance systems and structures are appropriate for their context. Outsiders can and should offer advice, support, assistance and incentives but local people and elites must define their own future.

Stability, security, peace, poverty eradication, development and functionality and effectiveness of institutions in post-war countries require skills and leadership capacity on all levels of government and other public institutions for delivery of basic services, strategic planning, good governance and economic development. This can only be achieved through extensive and long-term capacity building, training and education of government officials and youth in countries that are recovering from war. While workshops and seminars can help address the short-term challenges and needs, there is no substitute to real, comprehensive education.

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THE PERCEPTIONS OF TOURISM MANAGERS AND HOST COMMUNITIES ON TOURISM DEVELOPMENT – THE CASE OF KASANE

LS Ketshabile[1]

ABSTRACT

Purpose *– Tourism plays a vital role in the economy of Botswana. It creates employment, earns foreign exchange, markets Botswana internationally, attracts foreign investments in the country and contributes to the country's Gross Domestic Product (GDP). However, the potential of tourism in contributing to individuals' lives, particularly poor people living in areas where tourism activities are taking place, is not being realised. Therefore, this paper is aimed at assessing the potential of tourism in respect of its contribution to the economy of Botswana and to the lives of host communities, especially as far as entrepreneurial opportunities are concerned.*

Approach *– The approach used in this paper includes an analysis of the actual contribution of tourism to the economy of Botswana for the purpose of comparing it with its potential contribution, based on literature review and an empirical study using survey questionnaires.*

Findings *– The paper concludes that tourism has the potential to improve the lives of poor people living in Botswana. However, it is imperative that support for sustainable tourism development is lobbied in order to maximise the benefits of tourism to host communities.*

Practical implications *– A realisation of the vital role that tourism plays in the economy of Botswana will encourage tourism policy makers to promote sustainable tourism development, thereby paving the way for tourism entrepreneurship to take root and maximising sustainable tourism benefits to the country and its communities. This implies engaging communities in policy making and assisting them in developing tourism businesses in a sustainable manner.*

Originality/value *– The paper critiques Botswana's sustainable tourism development policy with a view to encouraging tourism role players, including tourism entrepreneurs, to work closely with the communities in developing tourism for the benefits of the economy of Botswana and its communities in general.*

Keywords: tourism, entrepreneurship, poverty, community participation, perception.

INTRODUCTION

Botswana is a landlocked country lying at the centre of the Southern African plateau. Four countries border Botswana, namely Namibia, South Africa, Zimbabwe and Zambia. With a population of about 1.8 million and a total area of 582 square kilometres, the country is sparsely populated (Botswana Department of Wildlife & Tourism 2003). Botswana has vast natural resources such as minerals, large species of wild animals, natural vegetation and a unique pristine inland delta (Botswana Ministry of Minerals, Energy & Water Resources 2007). One of the key tourism attractions with the potential to attract both local and international investors in Botswana is the Okavango Delta. The Okavango Delta is one of the largest inland river deltas in the world (Botswana Department of Wildlife & Tourism 2003). The other key tourism destination in Botswana is the Chobe National Park located in the northern part of the country.

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AN OVERVIEW OF TOURISM IN BOTSWANA

Botswana boasts one of the fastest growing economies in Africa, which can be attributed to the country's mineral mining and the tourism sector (Woods & Sekhwela 2003). However, the government of Botswana is striving to diversify the country's economy which is heavily dependent on mineral mining, and tourism has the potential of making a substantial contribution to the country's economy (Mogalakwe 2008). Botswana's tourist attractions include unspoilt vegetation and vast species of wild animals mainly in the Chobe and the Okavango Delta. Besides employment and entrepreneurial opportunities, tourism also contributes US$240 million to the annual revenue of the government of Botswana (Mmopelwa & Blignaut, 2006).

The Botswana environment, which is conducive to peace and tranquility, provides favourable investment opportunities particularly in the country's tourism sector (Matshediso 2005). The government of Botswana encourages private investors and various other stakeholders to participate in the tourism sector (Botswana Ministry of Wildlife & Tourism 2008). Paramount to this, as far as the government is concerned, is responsible tourism practices (Botswana Ministry of Wildlife & Tourism 2008). In this regard, the Botswana's tourism policy encourages responsible tourism as a strategy to conserve the abundant wildlife and natural resources for the benefit of both the current and future generations. The country's tourism policy pays adequate attention to promoting and preserving both nature-based and community tourism. Community tourism provides the basis for the host communities to participate in the tourism sector.

Tourism is Botswana's key employment provider, both formally and informally. For instance, the trade, hotel and restaurant sector have averaged over 10% growth *per annum* over the past few years (Botswana Ministry of Wildlife & Tourism 2008). As a result, tourism investment has increased from P12 million to P55 million over the past ten years (Botswana Ministry of Wildlife & Tourism 2008).

Tourist attractions are predominantly located in the northern part of the country. For example, the Okavango Delta, which is one of the largest island deltas in the world, is the major tourist attraction in Botswana (Botswana Department of Wildlife & Tourism 2003). The Okavango Delta is the huge flood plain, and it has no natural outlets to the sea. It is a vast eco-system covering 1500sq km of African wilderness (Botswana Department of Wildlife & Tourism 2003). The Okavango marshlands are the key attraction and majority of the tourists who visit Botswana do not complete their tour without spending time in this pristine environment. What attracts most tourists to the Okavango Delta is the abundance of species of animals and birds (Mbaiwa 2005). This gives the Okavango Delta the potential to attract more local and international tourism entrepreneurs who wish to invest in Botswana.

Besides the Okavango Delta, the other key tourist destination is the Chobe National Park, also located in the northern part of the country. Chobe National Park, 11000sq km in size, has been declared a wildlife wilderness area and also offers abundant wildlife diversity (Botswana Department of Wildlife and Tourism 2003). The Chobe and Savuti Rivers are the main sources of water in the region and attract huge concentrations of wild animals, particularly elephant, lion, giraffe and buffalo (Botswana Department of Wildlife & Tourism 2003). In the far north, near the border town of Kasane, the Chobe River is a popular tourism centre for game viewing by either river boat or game-viewing vehicle. The other major tourist attraction in Botswana is the Kalahari, also known as the Kgalagadi, the San term for 'place without water', a semi-arid area covering a full 84% of Botswana's land area (Botswana Tourism Board 2013). This stretch of land was once described as one of greatest ecological treasures and wilderness areas of the world (John 1984).

LITERATURE REVIEW

Through the country's tourism policy, the government of Botswana creates a viable investment environment for foreign exchange earnings and government revenue. This is a strategy that is used to create employment in rural areas of the country. In this context, it should be noted the the Botswana tourism sector is still in its development stages and there is a need for marketing (Kaynak & Marandu 2006). Marketing is essential particularly in view of new developments and services such as lodges and camp sites which may not be known to tourists. In fostering sustainable tourism development, the Botswana tourism policy encourages a high-cost, low-volume type of tourism.

The high-cost, low-volume policy discourages camping but encourages lodging in permanent superstructures. However, the high-cost, low-volume type of tourism may deprive poorer host community members the opportunities to participate in tourism activities. Host communities should be afforded the opportunities to participate in tourism activities in their areas either as tourists or as entrepreneurs. The community participation should include consultation and involvement of host community members on any new tourism development or project taking place in their respective localities. The other initiative in this regard includes providing on-the-job training opportunities for host community members so that they can gain experience and become more employable, for example as tourist guides. Cultural tourism organised by community members is essential to fostering community participation as entrepreneurs. Another initiative to stimulate host community participation as entrepreneurs is through encouragement of tourism investors to buy locally produced goods such as farm produce. In order to enhance local tourism markets, community members should also be encouraged to participate in tourism as tourists. There are some criticisms that in formulating and implementing the tourism policy the government of Botswana does not consult and involve communities at grass-root level (Kaynak & Marandu 2006). The other concern is that most of the tourism companies, particularly around the Okavango region, are owned by the foreign investors (Mbaiwa 2005). Therefore, tourism accrues limited benefits to the host communities living in the area. The greatest concern is that most of the people in areas where most tourism activities are taking place are living in extreme poverty, such as the Okavango and Chobe areas (Botswana Department of Tourism Research & Statistics, 2008). One wonders why the tourism potential cannot be utilised to the benefit of the poverty-stricken host communities.

Tourism constitutes the country's second largest economic sector after mining and it has the potential to diversify the country's economy which is largely dependent on mining (Botswana Department of Tourism 2009). The evidence of poverty prevalent in host communities living within the proximity of major tourism activities contradicts the statement that tourism is the second largest economic activity in Botswana. It confirms that much work needs to be done to ensure that the benefits that accrue from tourism should benefit the community at large instead of only a few local individuals and foreign investors. It is evident that many people working in the Botswana tourism, particularly those in the accommodation sector are the citizens of Botswana (Botswana Department of Tourism 2009). The worrying factor is that many of these citizens work in poorly paying positions such as domestic workers, porters, waiters/waitresses and tourists guides. Most of the managerial positions in the tourism sector are held by either expatriates or those who have naturalised their citizenship (Mbaiwa 2005). The poverty levels, particularly in the key tourism destinations, contradict the contribution of tourism to the economy of Botswana.

While tourism makes a significant contribution to the economy of Botswana (Botswana Department of Tourism 2009; Mbaiwa 2005), the challenge, particularly for poor local citizens, is that they do not have the means or the know-how to venture into tourism businesses. The government of Botswana should therefore create opportunities that would allow communities entry into the industry and enabling them to participate in the tourism activities taking place in their area.

Tourism is one of the economic sectors that have the potential to enhance development in

so-called developing countries such as Botswana (Boxil 2003). Developing countries thus need to put tourism policies and infrastructure in place that will enhance the way of life of local communities by engaging such communities in tourism activities that will benefit them psychologically, economically and intellectually. However, host communities should not only be partners in development, but should be able to control tourism activities taking place in their communities through cooperative ventures (Moulin 2007).

In addressing the social impact of tourism, tourism planners need to consider the intrinsic and extrinsic dimensions of the community tourism development interface (Faulkner & Tideswell, 1997). The extrinsic dimension refers to the features of the host destination and its role in tourism development, while the intrinsic dimension refers to the characteristics of the host community members (Faulkner & Tideswell 1997). This includes community involvement in tourism socio-economic activities, and the distance between host community and tourism activities.

Keogh (1990) warns that community reactions to the impact of tourism pass through various sequential stages. An initial euphoria is followed by apathy, irritation and antagonism. There is a strong relationship between these stages of reaction, which also depend on the stages of destination life-cycles such as exploration, involvement, development, consolidation, stagnation, decline or rejuvenation. These stages have different impacts on host communities according to the stages in which tourism in a particular destination is growing or changing. This also indicates that community reaction to development is dependent on the stage of tourism and the community reaction can also influence the progression of stages. Finally, communities can also choose to either encourage or discourage the development of their areas as tourist destinations (Faulkner & Tideswell 1997).

Different attitudes and perceptions towards tourists by people within host communities are influenced by the type of tourists visiting those communities. The community reaction towards tourism depends on factors such as the degree to which the host population and tourists vary from each other in terms of race, cultural factors and socio-economic status (Forsythe, Hasbun & De Lister 1998). Other factors include the influx of tourists, overcrowding and congestion; the degree to which the community is involved in tourism and the relationship between host communities and tourists, which may be determined by the balance between the costs and benefits of tourism on both guests and residents. Many studies conducted in various communities indicate that residents who are dependent on tourism for their livelihood often accept the negative impact of tourism and encourage its development (Faulkner & Tideswell 1997).

When tourism activities are located outside the residential area, there are often fewer tourism disputes and the host communities accept and encourage tourism (Faulkner & Tideswell 1997). Community members living next to the tourism activities and dependent on tourism often accept the development of tourism. Most of the studies conducted in various countries do not cover the socio-demographic features of host communities and variation in perceptions of tourism (Faulkner & Tideswell 1997). Generally, the negative impacts of tourism are expected to be more significant at a mature state of tourism development in which there is a high ratio of international tourists on a seasonal basis. Destinations at an early stage of tourism development dominated by domestic visitors and low seasonality are expected to draw positive community response to tourism development. As already indicated, response to tourism development is determined by the degree of community involvement in tourism. Host community members whose employment is dependent upon tourism often support development of tourism and accept its impacts. Residents who are not involved in tourism may negatively react to tourism development depending on how far the tourism activities are from host communities. For migrants, their reaction depends on their motivation for migration and involvement in tourism, and the reaction of long term residents depends on their involvement in and the distance of the location of the tourism activities from their area.

A study conducted in the Gold Coast region of Australia provides a good example of how com-

munities may react to tourism development. The Gold Coast is renowned for its classic beach-side resorts. The Gold Coast is a mature tourist destination and attracts a large number of international tourists and investors (Faulkner & Tideswell 1997). It has a range of community tourism impacts. For example, the rapid population growth in the area results in a tension between urban and tourism developmental imperatives, which do not only impact on tourism, but also on other areas of urban development (Faulkner & Tideswell 1997).

The reaction of host communities to tourism development in their area depends on their involvement in tourism and also on economic benefits such as employment, economic benefits and improved quality of life. However, the negative socio-cultural impact of tourism may not be accepted by various communities. In the Gold Coast in particular, tourism is viewed by communities as an important economic activity, and its negative impacts such as cultural erosion are of a minor concern. Still, residents in the Gold Coast are divided because a number of residents feel that cultural stereotypes linked to tourism undermine their own cultural aspects (Faulkner & Tideswell 1997).

There are governments and communities that recognise and strive to optimise the economic contribution of tourism to the extent that the social and environmental impacts of tourism are ignored (Faulkner & Tideswell 1997). Little research in Botswana and in a number of other Southern African countries has been conducted on the socio-economic impact of tourism on host communities, and most of the studies focus on environmental and cultural impacts (Forsythe 1999).

As indicated earlier, tourism planners, in addressing the social impact of tourism, need to consider the intrinsic and extrinsic dimensions of the community in tourism development. Figure 1 presents a model for community tourism development planning, one that takes into cognisance the social impact of tourism.

Figure 1 Community Tourism Development Planning Model

Source: Reid, Mair & George (2004)

The model provides a framework that focuses on local community participation. It indicates that leadership is an essential catalyst in the tourism planning and development process. The model depicts that it is imperative to raise community awareness on tourism development issues and identify community values that may be in contradiction with certain tourism activities such as sex tourism. Community values are an important consideration and should provide guidelines

for organisational structure, product development and marketing for tourism activities. Planning tourism activities should be a collaborative effort of all concerned stakeholders and requires regular monitoring and evaluation so that tensions that may arise between host communities and tourism developers can be avoided. This strategy is also essential in enhancing the potential of tourism in mitigating socio-economic challenges facing communities such as poverty and prostitution.

It is imperative for developing countries like Botswana to create and encourage pro-poor tourism. Pro-poor tourism refers to tourism activities that benefit people who are living in poverty (Torres & Momsen 2004). In the Okavango Delta in particular, community based tourism represents passive community participation (Mbaiwa 2005). It is therefore, important for communities not only in the Okavango Delta, but in general, to engage in small scale tourism projects so that they can enhance their active participation in tourism activities. The great concern, particularly among communities living in the Okavango and Chobe areas, is that they live in extreme poverty (Mbaiwa 2005). This means that tourism in those areas is not properly utilised to benefit the local people. In a situation like this, pro-poor tourism is an essential strategy because it extends beyond community tourism, aimed at creating opportunities for people living in poverty at all levels and scales of operations (Ashley, Boyd & Goodwin 2000). In contrast, the focus by many developing countries and international donors is more on infrastructure development, investment in tourism and attracting international tourists rather than on community participation in tourism activities, community benefits from tourism and poverty alleviation through tourism initiatives (Whiteside 2002).

RESEARCH METHODOLOGY

This research is quantitative in nature. The research uses self-administered questionnaires developed by the researcher. Respondents were required to choose the answer they find suitable in response to each question. Non-probability (snowballing) sampling method was used to identity respondents in their respective organisations and locations.

To draw a meaningful sample for this study, general managers and chief executive officers (CEOs) in tourism companies and community leaders were approached and asked to refer potential respondents to the questionnaire (snowballing sampling). The reason for choosing a non-probability method as opposed to other sampling methods is because developmental issues and tourism benefits to the host community are complex issues. The respondents may feel more comfortable when asked by their managers, CEOs or community leaders to respond to the questionnaire.

Tourism managers from registered tourism organisations in Kasane participated in the survey and were selected according to their various departments in their respective organisations and irrespective of gender. Community members were randomly selected from the list provided by the community leaders. The reason for working with tourism managers and community leaders instead of the general tourism workers or the public is because this group is expected to have better understanding of the entrepreneurial and economic contribution of tourism. They have a high level of expertise and experience in tourism and many of them understand the business of tourism, and are therefore in a position to generate high quality data.

The method of data collection helps to ensure that the questionnaires are answered by the intended respondents and avoids unnecessary personal issues or influences that may occur during face-to-face interview. Considering that this study is quantitatively designed, the questionnaire questions required the respondents to respond subjectively to each question. Respondents were given options such as (strongly agree, agree, neutral, disagree and strongly disagree) and they chose options according to a given statement (question)).

DATA ANALYSIS

In analysing the survey results, descriptive statistics in the form of frequencies and averages were used. Likert scale was used in analysing data according to measurement items.

EMPIRICAL SURVEY AND ANALYSIS OF RESULTS

In addressing the key research objectives, the respondents were given a self-administered questionnaire requiring them to give their perceptions based on

- Their experiences of and expertise in Botswana tourism in general
- How the host community perceived tourism development relative to its contribution to their lives and entrepreneurial opportunities
- The extent of opportunity for community participation in tourism businesses in Botswana.

DEMOGRAPHIC PROFILE OF RESPONDENTS

Table 1 Number of respondents from various types of tourism organisations

DEMOGRAPHIC PROFILE OF RESPONDENTS

Type of tourism organisation	Number of registered tourism organisation in Kasane	Number of tourism managers who answered the questionnaire in Kasane
Hotel	0	0
Lodge/Camp	28	59
Guesthouse	2	0
Other (mobile safaris)	39	14
Total	**69**	**73**

Table 2 shows the number of tourism managers who participated in the research in Kasane, each manager linked to a particular type of registered tourism organisation. Among the sixty-nine registered tourism businesses in Kasane, eighty managers, out of a possible eighty-five, indicated that they were willing to participate in the research, and eighty questionnaires were duly issued. Of the eighty managers seventy-three responses were obtained. From tourism companies, people who participated in the research included the general managers, financial managers, human resources managers and any other individuals in managerial positions such as CEOs, Section Heads and Supervisors. The same approach was used for community members in which all clusters were consulted to participate in the survey.

Table 2 Respondents position in the organisation

Position	Number	Percentage
General Managers	17	23
Food and Beverage Managers	6	8
Human Resources Managers	4	6
Other (CEO and MD)	46	63
Total	**73**	**100**

Table 2 above shows respondents' position in their respective organisations. Although the specified positions in the table include General, Food and Beverage and Human Resources

Managers, most of the respondents fall under the category 'other'. This is because most of the respondents are the company owners who indicate that they are either the Chief Executive Officers (CEO) or Managing Directors (MD). In addition to these individuals, a number of respondents indicated that they were Section Heads. Although all individuals who participated in the research were managers from various tourism organisations, different organisations have different names for their various departmental managerial positions; hence the category "other" dominates. The fact that tourism in Botswana is still in its development stage also means that most of the people own and manage their own business as CEOs and Managing Directors.

Table 3 Respondents' nationality and educational level

Respondents' Nationality	**Number**	**Percentage**
Botswana Citizen	51	70
Non-Botswana Citizen	22	30
Total	**73**	**100**
Respondents' Highest Educational Level		
Primary	3	4
Secondary	15	21
Certificate/Diploma	38	52
Undergraduate Degree	9	12
Post graduate Degree	5	7
Other	3	4
Total	**73**	**100**

Table 3 above shows the respondents' nationality as well as their educational level. This question aims to establish the active roles in tourism played by Botswana citizens as opposed to non-Botswana citizens, against their highest educational levels. Most of the tourism managers who participated in the research have obtained either a certificate or a diploma qualification as their highest educational level. Few respondents had undergraduate and/or postgraduate degrees. Few respondents had only a primary education; quite a number had a secondary education; only a few had a qualification in the 'Other' category; possibly a professional qualification. Tourism managers were selected irrespective of their gender and age.

Most of the tourism managers who participated in this research were Botswana citizens and these were people actively working in the profession. It is important to state that the majority of respondents had at least basic educational qualification. This profile is important for confirming the quality of the data obtained because the respondents understood the questionnaire. The fact that most of the respondents were Botswana citizens confirms that data were collected from people who had first-hand information of the country.

Table 4 Respondents genders and age

Respondents' Gender	Number	Percentage
Male	26	36
Female	47	64
Total	**73**	**100**
Respondents' Age		
Under 20 years	1	1
20 – 29 years	15	21
30 – 39 years	43	59
40 – 49 years	8	11
50 – 59 years	4	5
60 years and above	2	3
Total	**73**	**100**

Table 4 above shows the respondents' gender and age. The responses indicates that most of the tourism managers who participated in the research are females. This shows that women play an active role in the development and management of tourism in Botswana. It is also indicated in table that most of the participants ranged between the ages of 20 and 39 years. This is also the age group that is economically most active and there is a need to create more business opportunities for this age group in Botswana.

Table 5 presents the average response of respondents who answered the questionnaire.

Table 5 Perception of tourism managers and host communities on tourism development, its benefits and its contribution toward entrpreneurial opportunities (total respondents: n =[73])

Measurement Items	Mean	Standard Deviation
Tourism creates employment in our location	1.19	.426
Tourism motivates host communities to be more conscious of the need to maintain and improve the appearance of the area	1.70	.951
Development of tourism facilities has generally improved the appearance of the area	1.74	.868
Tourism contributes to the conservation of the environment as a national asset	1.50	.774
Tourism development brings facilities that improve quality of life of residents	1.69	.935
Economic benefits of tourism to the communities are overrated	2.50	1.061
Tourism benefits only a small proportion of the community members	3.05	1.250
Tourism contributes to entrepreneurial opportunities in your location	3.35	1.345

Tourism increases social cultural problems such as commercial sex workers	3.22	1.300
Tourists are often an intrusion on communities' lifestyles	3.23	1.267
Tourism results in damage to the natural environment	3.41	1.211
Tourism increases the cost of living in host communities	2.83	1.339
Further tourism development will disadvantage the community	3.86	1.069
Host community should be involved and work closely with business community in tourism development	1.64	.865
Valid N (listwise)		

Note: 1= Strongly agree, 2 = Agree, 3 = Neither agree nor disagree, 4 = Disagree and 5 = Strongly disagree. Respondents per question ranged between 143 – 148.

It is necessary to note that there was no significant difference in perception between tourism managers who answered the questionnaire and the host community. On average (1.19), most respondents strongly agree with the statement indicating that tourism creates employment in their respective location and that it also motivates the host communities to be more conscious of the need to maintain and improve the appearance of the area. Many respondents also agreed that tourism contributes to the conservation of the environment and it also brings facilities that improve quality of life for host communities. In generally, there was no significant variation in the perceptions of both the host communities and tourism organisations.

However, on average (3.05), many respondents disagreed with the statement indicating that economic benefits of tourism to the communities are overrated and that tourism benefits only a small proportion of the community members. The respondents also disagreed with the statement indicating that tourism contributes to the entrepreneurial opportunities in their location. This perception can be attributed to the fact that barriers to entry in tourism businesses are high and poorer community members find it difficult to venture into tourism businesses. The respondents also disagree with the statements indicating that tourism increases the socio-cultural problems such as commercial sex work. Most respondents do not view tourism as intrusion on host community lifestyle. However, most respondents agree with the statement indicating that tourism increases the cost of living for host communities. This is because prices of basic needs such as food and clothes in tourism destinations are relatively higher than in places that are not. The other factor that needs to be considered by tourism developers, entrepreneurs and tourism policy makers is that the impact of tourism remains with the host communities. Despite the increased cost of living for host communities, most respondents disagree with the statement indicating that further tourism development will disadvantage the host community. On average most respondents strongly agree with the statement indicating that host communities should be involved and work closely with the tourism business community towards tourism development. This is an area which is ignored in Botswana.

CONCLUSION

Tourism is an important economic activity in Botswana. Tourism has the potential to address at least some of the socio-economic challenges that face many host communities in Botswana, including crippling poverty. However, it is also clear that there are other serious challenges

facing potential local tourism entrepreneurs, especially involving barriers such as the un-availability of land and the difficulties in acquiring land where it is available. Another barrier is the lack of finance compounded by the strict licensing procedures. It is also important to understand that both the positive and the negative impacts of tourism, remain with the host communities, which means that maximising the benefits communities derive from tourism is vital. It is therefore essential that host communities are recognised as significant stakeholders to be fully engaged in the planning of tourism enterprises and activities in their region. Communities should be involved right from the beginning, starting with policy development and formulation through to strategic planning and implementation, including all entrepreneurial developments.

Community involvement and active participation in the tourism activities taking place in the community is imperative and the Botswana tourism authorities should give this high attention. This includes reducing barriers to entry into tourism businesses by host communities such as access to land and financial services available in the country. The challenges for many host communities in venturing in tourism businesses include strict and long procedures of acquiring land and access to finance. The applicants are often subjected to interviews and are often required to have knowledge and experience on the tourism sector before they can be allocated land for tourism businesses. This can be discouraging for many potential entrepreneurs who may have the ambition to venture into tourism businesses.

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SWOT ANALYSIS OF POWER UTILITIES IN THE SADC

LM Tshombe[1]

ABSTRACT

The conditions of operation of an organisation and its external limitations may render some of the alternative solutions problematic or prohibitive in some cases. This may occur because each alternative solution or proposal presents different presuppositions or consequences. Obviously, it would be naïve for anyone to create a strategy for achieving a goal without taking into account the organisation's strengths and weaknesses as well as the competing environment. Consequently, strategic management has not changed since its inception, with SWOT (strengths, weaknesses, opportunities, threats) analysis serving as the fundamental methodology for formulating a trategy for an organisation. The underlying premise is to match an organisation's distinctive competencies and resources with the market to create a perfect match between it and the external environment with the view to developing a sustainable competitive advantage

This paper emanates from empirical research conducted on power utilities in the Southern Africa Power Pool (SAPP). The hunch or hypothesis for the paper was that electricity and power generation are the cornerstone of industrialization and sustainable development in Southern Africa; yet, political instability, poor water management and corruption pose endemic threats to such rosy opportunities. SWOT analyses were applied on primary data collected through personal interviews with senior executives in the Ministries of Energy and Electricity in the Democratic Republic of Congo (DRC), in Zimbabwe, and of Eskom in South Africa. The reason for the approach adopted was to unravel the compelling power provision strengths and weaknesses in each situation, and to provide what opportunities could accrue to the Region should the threats and weaknesses be tackled. The evaluation provides data on the differences in performance and circumstances within each electricity establishment and the underlying furore of political instability as threat to the strengths come to the fore. Recommendations are offered for further situational analysis.

Keywords: policy maker, electricity trading, politic and economic stability.

INTRODUCTION

Electricity generation in some of the countries in the Southern Africa region is still not able to satisfy the internal demand of the local consumer. The demand of energy is increasing every year due to the growing development in the different sector of the economies. It is also advisable when there is change in the economic sectors, the electricity infrastructure need to be adjusted. Many countries in the Sub-Saharan region are failing to implement this kind of recommendations.

This particular study took some years to analyse the performance of three power utilities in the Southern Africa Development Community (SADC). The three countries selected for this study differ in terms of infrastructure development, power generation and also economic development. All these three countries are member of the Southern Africa Power Pool which is a regional body that coordinates the planning, generation, transmission and trading electricity on behalf of member's state utilities within the SADC.

The SADC region is connected through two different power transmission networks: the North Zone and the South Zones. The northern transmission network includes SNEL (DRC), ZESCO (Zambia) and ZESA (Zimbabwe). The southern network comprises Eskom (South Africa), BPC

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(Botswana) and Nampower (Namibia) (Ranganathan & Foster 2011: 7). The positive impact of these transmission networks in the SADC countries is that it enables member countries to purchase electricity and sell it to the public at lower rate. There are some member states in the SADC region are not interconnected, such as, Tanzania, Malawi and Angola (SAPP 2006: 6). In addition, there are other projects which are under implementations in the SAPP to try to decongest the transmission network in the region. This project is been considered as one of the priority for the sub-region. It is argued by SAPP (2012: 7) "the three project have been identified which are the Central Transmission Corridor (CTC) project in Zimbabwe, the Kafue-Livingstone project in Zambia the Zimbabwe-Zambia-Botswana-Namibia (ZIZABONA) transmission project".

The main goal, to manage energy supply and demand has to achieve a healthy stability of electricity generation and distribution in each country of the SADC. It has been disclosed in a SAAP 2005 report that most countries in the region suffer shortage of energy capacity (Lukamba 2008). This could demonstrate a lack of effective planning in most SADC countries during that particular period.

Some years ago after 2005, many countries in the region introduced new capacity to satisfy the internal demand. The table below present the generation project commissioned in 2011.

Table 1 Power Generation Project Commissioned in 2011

No	Utility	Country	Name of the power plant	Type	Capacity
1	IPP	Botswana	Orapa	Diesel/Gas	90
2	Nampower	Namibia	Anixas	Distillate	22.5
3	Eskom	South Africa	Komati	Thermal	679
4	IPP	South Africa	Co-generation	Co-generation	282
5	SNEL	DRC	Nseke	Hydro	60
6	ENE	Angola	Mabubas	Hydro	12.5
7	ZESA	Zimbabwe	Chusam Banje	Co-gen	20
8	ZESA	Zimbabwe	Small Thermals	Thermal	64
Total					**1 230**

Source: SAPP 2012

Most of the capacity introduced by different states in the SADC stills not enough to satisfy the growing demand for each country. The supplies of electricity in the selected countries differ vastly in terms of generation capacity. The biggest producer in this-region is South Africa, with a generation capacity of 41 194 MW with different types of power generation (Eskom Annual Report 2011). The prominence of this study was to try to understand if there any comparison amongst these power utilities which trade electricity every year.

The SWOT analysis techniques were applied to primary data collected through personal interviews with senior executives in the Ministry of Energy and Electricity companies, (DRC and Zimbabwe). In South Africa the senior manager at Eskom referred the researcher to their annual report, but it did not provide the data required. Professor Trevor Gaunt the Head of the Department of Electrical Engineering at University of Cape Town's Faculty of Engineering was approached since he had participated in a number of research projects at Eskom (Gaunt 2006: 1). The reason for the approach adopted was to understand the situation within each company. This evaluation also provides data on the differences in performance and the circumstances within each electricity company.

There are different methods of evaluation techniques in management, including cost benefit

analyses, value chain analysis, resource-based views and SWOT analysis, which was used, to translate Strengths, Weaknesses, Opportunities and Threats (Pearce & Robinson 2005: 168).

According to Pearce and Robinson (2005: 170), SWOT analysis is an easy technique through which managers creates a quick overview of a company's strategic situation. It is based on the assumption that an effective strategic derives from a sound fit between a firm's internal capabilities "strengths and weakness" and external situation "opportunity and threats". This technique is the best, because the decision maker or policy maker could use it to change the vision of company.

Management application of this technique was based on an analysis of the internal and external factors influencing a company. The evaluation techniques within these three utilities and SAPP differ, but some of the elements would arise in each electricity companies in each country. Furthermore, based on this analysis, the researcher could be in a position to compare the strengths and weaknesses of each company.

It is argued by Ehlers and Lazenby (2004: 62) it was not only an organisation's ability to transform that would make it successful but also managers ability to view an organisation as a bundle of resources, capabilities and core competencies to be used to create an exclusive position in the market. This could mean one organisation may have access to resources and management capabilities other organisations did not have. With these resources, one particular organisation may have the capacity to satisfy the demands of the external environment that another did not. The starting point of this SWOT analysis started in the Democratic Republic of Congo, in the Societe Nationale d'Electricite (SNEL) and in the Ministry of Energy.

SWOT ANALYSIS OF SNEL

Face-to-face interviews took place in November 2005 with a director from the DRC electricity sector (SNEL) as well as the director in charge of the department of electricity in the Ministry of Energy in Kinshasa. This granted an opportunity to understand the problems of SNEL. During the interviews, with Mr Mbala directed the researcher to SNEL, annual reports, which helped the researcher to understand the crisis that the electricity company faced. The evaluation technique for SNEL was based on the internal strengths and weaknesses of the company, as well as opportunity and threats facing it from the external environment. According to Pearce and Robinson (2005:159), a SWOT framework provides an organised basis for insightful discussion and information sharing, which could improve quality of choice and decisions, which managers subsequently made. Based on the above factors, a better understanding of SNEL was assessed for future improvement of the company. Tables 2 and 3 show the internal and external factors, which affect the electricity company for the past three decades.

Table 2 Internal utility factors of SNEL

Strengths	Weakness
• National monopoly in distribution • Public enterprise • Leadership and management skills • Exports electricity within SADC and other countries • 15 hydropower plants across the country • 33 thermal plants • Numbers of trained engineers • Infrastructure still in good condition	• Weak organisational structure • Weak finance and poor cash flow • Weak revenue on tariffs • Low number of customers • Staff not motivated • Lack of spare parts • Excessive debt with international institutions • Difficulty to pay salaries • Lack internal funding for investments • Political interference on tariffs • Lots of technical engineers going abroad (brain drain)

Source: SNEL 2005

STRENGTHS OF SNEL

Primary data collected during this investigation indicated the electricity company in the DRC still had positive factors which may be beneficial for the country. The utility has the national monopoly in the distribution of electricity within the country which places the national utility in a strong position in terms of electricity distribution in the DRC.

According to Mutombe (2005), the company is under government control, which ensures SNEL's responsibility to distribute to customers nationwide. In addition, the government had appointed senior directors capable of managing the national utility. It was reported during interviews there were competent leadership and management skills at SNEL.

SNEL is a major exporter of electricity to other countries in the central Africa region and to southern African countries. The export of power to seven countries on the African continent indicates the utility is in a strong position in terms of power trading. Cross-border electricity trading with other countries allowed the local utility to increase profits for both itself and the national treasury (Mutombe 2005).

It was also argued by Mbala (2005), that another element, which characterised the strength of the DRC electricity sector, was its mix of power generation. The country had two different types of electricity generation hydropower and thermal generation. On the one hand, the largest capacity within the country was from its hydro plants, which represented 95% of electricity produced, and which was only a fraction of the country's potential. On the other hand, there were thermal plants in some provinces with limited capacity. It was also disclosed during the interviews that the electricity company possessed a number of trained engineers. Most were trained outside the country and had extensive working for an electricity company. This helped the utility to ensure some of the hydropower and thermal plants were running today. In addition, SNEL maintained electricity infrastructure in fairly good order, although some plants require refurbishment (Mbala 2005).

WEAKNESSES OF SNEL

Simply presenting the strengths of SNEL does not mean that the utility is a viable entity. For 35 years, the national utility has suffered from a negative cash flow. SNEL (2005: 19) recognises in its 2005 annual report that the financial performance of the utility was not good due to a lower numbers of customers around the country. For example, there were only 276 431 (0.03%) domestic customers in Kinshasa, (a city of approximately 8 million inhabitants), with access to electricity (SNEL 2005).

For the past 10 years the sale of electricity in MW within the country was low due to external factors. In 2003 SNEL sold 64% of electricity produced and in 2004 the utility sold 63%, owing to its poor performance of its electrification programme (SNEL 2005). According to SNEL's database, less than 10% of the population has access to electricity. In addition, SNEL (2005: 30) says that there are also losses of electricity on the distribution side. From 2000 to 2005, SNEL recorded more than 30% of its electricity had been lost in distribution.

In 2004, the company recorded a loss of 41% and in 2003 a loss of 37.4% was recorded (SNEL 2005: 30). Although there is a possibility for re-establishing the national utility by meeting international, technical and commercial requirements, this should be done by a responsible government, avoiding political interference.

During the interview director of transmission at SNEL blamed the low tariffs for the financial failure of the company. In that the tariffs of electricity did not reflect the cost of production. In addition, consumers find it difficult to pay electricity bills, which adversely affected the company's income. The financial problems of the firm de-motivated many of the staff.

Table 3 External factors influencing SNEL

Opportunities	Threats
• New hydropower plants • Electrify many households • Possibility for investment in electricity sector • Possibility to implement public-private partnerships	• Privatisation of the company • Fear of new competitors • Possible civil war may disturb electricity generation and distribution • Political situation of the country

Source: Mbala (2005) & Mutombe (2005)

OPPORTUNITIES FOR SNEL

According to the chief executive officer Mr Alphonse Muyumba (2005) opportunities in the DRC's electricity sector are a major factor in the development of the economy. There are several possibilities for the construction of new hydropower plants at different sites, which would increase capacity and double the export of electricity to other countries. The electrification programme within the country should also increase. The electrification of households remained a major challenge facing for SNEL and the government.

New investment in the electricity sector could bring opportunities for the transfer of new technologies to the electricity sector. Since several sites are still operating on the basis of old technology. This provides an opportunity for PPP, the new DRC government to introduce PPP for the rehabilitation of different hydropower and thermal plants. It would be positive for the new government to realise that PPP would not mean privatisation of government assets (Muyumba 2005).

THREATS TO SNEL

According to SNEL (2005: 6) a significant element, considered as a threat, is the political situation in the country. Civil war was a negative factor for those running the electricity company. The rebellion which lasted from 1998 until 2001 did not assist the national utility in terms of generation. Over that period SNEL could not recover all its internal revenues. Financial control of the company could not be conducted properly as other provinces could not report to head office. Some provinces could also not access electricity because of the war. Although the situation has stabilised, the history of political instability and its future possibility remains a major threat. After analysing the DRC situation, the second stage was to senior government officials in Zimbabwe.

SWOT ANALYSIS OF ZESA

A personal interview was conducted in Harare in 21 August 2006 with Munodawafa the Director of Power in the Ministry of Energy and Power, while a study-group discussion with Drs Chidzonga, Magombo and Machimbzofa was held with the Zimbabwean Regulator Commission which provided the basis of the SWOT analysis in ZESA. The opinion raised by senior government officials provides insight into the critical problems faced by the Electricity Company of Zimbabwe. An economic policy review by the Zimbabwe Reserve Bank in 2006 highlighted the difficulties of the electricity sector. Currently, ZESA faces a financial crisis which places the utility in an untenable position. Unbundling ZESA would not help the company become more effective. Instead, the company has increased its internal and external debts. Table 4 presents the strengths and weaknesses of ZESA, while Table 5 shows the opportunities and threats to the company.

Table 4 Internal utility factors of ZESA

Strengths	Weaknesses
• Strategic geographical position in SAPP grid • Public Enterprise • Strong transmission grid • Exports electricity only during off-peak in South Africa and Namibia • Generation mix • National monopoly • Competent employees • Good infrastructure	• Low tariff structure • Old plants need refurbishment • Technology out of date • Inadequate generation • Bad cash flow • Lack of financial resources • Lack of spare parts • Brain drain

Source: Munodawafa (2006); Beta & Dihwa (2006); Chidzonga, Machimbidzofa & Magomba (2006)

STRENGTHS OF ZESA

It was argued by Beta and Dihwa (2006) Zimbabwe's electricity supply authority is experiencing a critical situation since the company operates at only 50% of its capacity. Considering the strength factors of ZESA, the utility is located in a strategic position regarding the transmission of electricity in the region. The Southern African Power Pool (SAPP) is located in Harare, which allows ZESA to buy electricity from the power pool. Another important fact is that ZESA is a public enterprise. This helped the utility to survive and avoid closure. It was disclosed ZESA had a strong network system in the region, which justified the location of the SAPP Co-ordination Centre in Harare (Beta & Dihwa 2006).

Following the above argument, Beta and Dihwa (2006) revealed that ZESA did not just import power from other SADC countries, but also exported electricity to South Africa and Namibia during off-peak periods, which allowed the utility to earn foreign currency. In addition, the utility had a strong position in terms of power generation. There was mixed generation within the country; in the north, ZESA had hydropower at Kariba, which it shared with Zambia, whilst in the south, electricity was generated by using coal. The generation mix placed ZESA in a strong position, as they did not rely on one type of fuel for generation.

WEAKNESSES OF ZESA

According to Munodawafa (2006) the deficiency of power in the national utility has a negative effect on the Zimbabwean economy and reflects negatively on the effectiveness of other sectors within the economy. In the same context Munodawafa (2006) revealed that, ZESA's debt stood at millions of US dollars. ZESA, as a national utility, owes money to banks, and other creditors outside the country.

Government officials expected the national utility to recover. The company is pleading with its government to review the electricity tariffs structure, which could help ZESA to pay its debts and try to refurbish other plants. Currently, the tariffs charged by ZESA do not correspond to the cost of electricity obtained from outside the country. The government has decided ZESA should charge local consumers lower tariffs than the cost of electricity.

This statement was confirmed by Chidzonga *et al* (2006) during the discussion group with regulator. The financial situation was one of major concern for the utility. This situation impacted on

a group of employees who were moving abroad. The brain drain has also affected the electricity company. There was a need for a fresh solution in the short term, before the Zimbabwe electricity sector could collapse (Munodawafa: 2006).

The interview with Beta and Dihwa (2006) revealed that there is only one coal powered station, which operates at low capacity. Hwange Power Station has an installed capacity of 740 MW only produceed 300 MW per day. Three small coal plants, in Harare, Bulawayo and Sanyati, have been shut down because of coal shortages. A senior manager at ZESA indicated some electricity generation plants in Zimbabwe continued to use old technology. There was need for change in ZESA in terms of introducing new technology to increase capacity. Table 5 highlights the external factors that influence ZESA.

Table 5 External factors of ZESA

Opportunities	Threats
• Expansion of transmission • Buying electricity from other utilities in SADC • Exploit other energy resources • Maximise geographical location to sell to SAPP • Need refurbishment for the existing infrastructure • Public private partnerships	• Political situation of the country • Privatisation of the utility • Power shortages • Economic embargoes • Short rainy season leading to empty dams

Source: Beta & Dihwa (2006)

OPPORTUNITIES FOR ZESA

After analysing the internal factors in ZESA, there are still some opportunities that the company could use to change its future direction. Munodawafa (2006) revealed that ZESA has an opportunity to expand its transmission network into other countries such as Malawi. A government decision to expand the network could assist ZESA to export electricity to Malawi. The expansion of the transmission network would also be affected within the country, particularly in remote areas. In addition, there is the opportunity for ZESA to continue to buy electricity from other SADC countries although this does not guaranty stability to the electricity problem in the Zimbabwean economy.

According to a government official in the Ministry of Energy and Power, there were other opportunities for it to collaborate with ZESA to exploit other energy resources. There was a feasibility study for a local company in Bulawayo to extract uranium in order to develop the generation of electricity via the electricity route. There was also another study aimed at using biogas to generate electricity. This suggests that the Zimbabwean Government therefore does not only focus on using two types of fuel (hydro and coal) to generate electricity. But he recognised that there are other resources that could be used to produce electricity (Munodawafa 2006).

Beta and Dihwa (2006) argue that the government uses the strategic position of ZESA to sell electricity to the SAPP. Income growth in selling electricity into the SAPP could help finance the refurbishment of ZESA's plants. Without such refurbishments it would be difficult for ZESA to sell electricity to the SAPP on a continuing basis.

According to Munodawafa (2006) the Zimbabwean government has evaluated opportunities to develop electricity infrastructure under the present economic situation by utilising PPPs, which offer an avenue to fund major public sector capital projects. ZESA and the Ministry of Energy and Power have implemented a PPP model with a Chinese company to build a new power plant, which might had contribute to solving the energy crisis in Zimbabwe.

THREATS TO ZESA

The Zimbabwe Reserve Bank annual report (Reserve Bank of Zimbabwe 2006: 26) revealed that the economic embargo on Zimbabwe has had an unfavourable impact on the electricity sector and the economy in general. The economic embargo posed major threats to ZESA, because there had been little meaningful capital injection. Furthermore, the utility's problem was associated with the operation of old equipment. Refurbishment could be made to different coal power plants in Harare, Bulawayo and other towns. The shutting down of these different power plants was a major threat to ZESA and the country.

The internal political situation within the country was also a threat, which did not favour ZESA as a public enterprise company. The political decisions of the central government did not allow the electricity company to charge consumers correct and viable electricity tariffs. This is why the chairperson of ZESA wanted the government, in collaboration with the Zimbabwe Electricity Commission, to approve a cost-effective tariff regime for the parastatal. Without applying this policy the political situation remained a threat to transformation of the utility. It was observed that drought had also played an unfavourable role. Zimbabwe is a water-scares nation. It has numerous seasonal rivers, particularly for hydropower plants, which depend on an abundant supply of water. The current drought threatened to cause a shortage of power generated at hydropower plants (Beta & Dihwa 2006).

According to Munodawafa (2006) the climatic situation of Zimbabwe was thus a threat for ZESA because a shortage of rain implied a shortage of power. The government was not talking about privatising ZESA, but this could happen if the government decided to privatise the electricity sector. At this stage, there was a need for an injection of capital within the company, which would solve the crisis in ZESA. After analysing SNEL and ZESA, the major focus was in Eskom which is the biggest electricity company in Africa.

SWOT ANALYSIS OF ESKOM

The analysis of Eskom is based primarily on interview conducted with the Head of Electrical Engineering Department professor Trevor Gaunt at the University of Cape Town who is also a senior consultant to Eskom. His involvement was at the recommendation of Eskom's senior manager in its department of marketing and trading who was unwilling to answer many of the questions posed and directed the researcher to consult the company's annual report. Nothing relevant was found in the annual report, however, the Head of Department of Electrical Engineering at University of Cape Town, obliged. Table 6 presents the internal factors at Eskom and Table 7 presents the external factors, which affect Eskom.

Table 6 Internal utility factors

Strengths	Weaknesses
• Range of power stations • Good understanding of cost of electricity • 30 years optimisation of dispatch • Good staff and good software to analyse electricity problems	• Hedging plants • Aging plant • Transmission system without proper maintenance • Demand of electricity is increasing every year internally

Source: Gaunt (2006)

STRENGTHS OF ESKOM

According to Gaunt (2006) the reason why South Africa is one of the largest generators of electricity generation on the African continent is its self-sustainable policy dating from the apartheid regime. Before the democratisation of this country in 1994, the apartheid regime built many coal power plants because of an abundant supply of coal. It has been argued Eskom over-

spent on the provision of too much generation capacity in the 1980s when more than 30 coal power stations were built across the country to generate electricity. This argument, today, cannot be accepted because Eskom's capacity has responded to the needs of the national economy. Also, Eskom is the leading utility that exports electricity to neighbouring countries (Boeiji and Mkube 2003: 48).

In addition, Gaunt (2006) said that there was a nuclear energy plant, which generated 7% of the country's electricity capacity. There were also other types of power generation including a small number of hydropower plants, gas plants and pump-storage. It was argued by Gaunt (2006) that another strong factor in Eskom's favour is the company understands the costing of electricity well compared to other utilities in this region. The tariffs at Eskom are among the cheapest in the world and compare favourably with other developed countries.

According to Gaunt (2006) the company has applied corporate governance with a strong management team, which understands the electricity market within and outside the country. In addition, the company has effective software packages to manage electricity demand. Furthermore, the South African electricity company (Eskom) has developed a strategy to start investing in other African countries and to implement some partnerships with other utilities.

This utility is well managed and has applied a competent management strategy to expand Eskom beyond South Africa's border.

WEAKNESSES OF ESKOM

According to Gaunt (2006), Eskom's generating capacity has reached its limit. As a result of the recent economic growth and the governments policy of electrification to previously un-serviced communities there has been an annual growing local demand for electricity. The South African Government has realised Eskom could face a shortage of electricity. Table 7 presents the external factors, affecting Eskom.

Table 7 External Factors of Eskom

Opportunities	Threats
• Possible growth into power trading with SADC member • Invest elsewhere	• Requirement to meet Tokyo protocol relating to emission for coal-based electricity generation. • Possible decrease of electricity capacity

Source: Gaunt (2006)

OPPORTUNITIES FOR ESKOM

There is growing demand for electricity among different members within the SADC providing opportunity for Eskom to increase its electricity trading with other countries. Eskom supplies electricity to many countries bordering South Africa, as some do not generate sufficient electricity. The South African electricity company has taken advantage of this opportunity to increase exports to those countries. Furthermore, Eskom is considering constructing additional coal power plants to boost capacity (Gaunt 2006). Currently, there is new coal power plant which is under construction by Eskom such as Medupi 4 800 MW, Kusile 4 800 MW and Ingula 999 MW.

ESKOM POLLUTION THREATS

Gaunt (2006) said that Eskom electricity generation is based on coal, which makes Eskom one of the biggest polluters through emissions in Africa. It has been observed the increase of CO_2 emissions internally grow annually by 2% because of increasing energy demand. Approximately 97.5% of South Africa CO_2 emissions are estimated to be from electricity production and consumption.

Key sources of CO_2 in the energy sector are power generation (53% of total CO_2 emissions) particularly at Eskom's power plants. The South African government is struggling to meet the Kyoto Protocol requirements, although some electricity generation in other SADC countries use clean hydropower to generate electricity. The threat from Eskom is because of the coal the company uses to generate electricity. Therefore, without changing from coal fired plants, CO2 pollution will continue to rise in South Africa, and within the region.

SWOT ANALYSIS OF THE SOUTHERN AFRICA POWER POOL (SAPP)

A SWOT analysis relating to the SAPP is to evaluate the pool itself in terms of daily activities. The analysis for SAPP is based on the simple analysis of the activities of the co-ordination centre. During a visit to the Co-ordination Centre in Harare in August 2006, the head of management staff could not answer questions relating to a SWOT analysis of the power pool. The reason was that staff believed they were protecting their position. It was therefore, difficult for the researcher to establish the challenges facing the co-ordination centre in the region. Consequently the researcher had to rely on analysis of different annual reports from previous years to extract the following findings. Table 8 presents the internal factors affecting the SAPP.

Table 8 Internal factors of SAPP

Strengths	Weaknesses
• Strategic position in the sub region • Good relationship with different utilities • Generate foreign currency for the utility • New model for trading electricity	• Shortage of electricity capacity • Few utilities are trading electricity • Network problems

Source: SAPP Annual Reports (1999 – 2005)

Strengths of the SAPP

According to the SAPP annual report (2004: 4) the geographical position of Zimbabwe makes it suitable for the head office of the power pool to be in Harare. The co-ordination centre should be in a position to inform others of anything arising during electricity transmission. It was also noted the trading of electricity within the power pool depended on the trust among utilities. Most companies trading electricity through the SAPP began to generate foreign currency, more particularly US dollars. This business opportunity had helped the electricity companies participating in the pool to generate further income for the local utility. In addition (SAPP 2005: 13) states that, since the pool was established, there has been a new model developed for the sale of electricity. Today, electricity companies in this region trade electricity on the short-term energy market. There existed a possibility for another type of model which will be introduced in the pool by 2007, the new model called a day ahead market (SAPP 2005: 13).

Weaknesses of the SAPP

According to other SAPP annual reports (SAPP 2002 – 2006), one weakness of the power pool in this region was the shortage of power. Most electricity trading was undertaken through a bilateral co-operation, which covered 90% of electricity traded in the region. It was also argued by SAPP (2006: 10) a shortage of electricity prevented some countries from trading their electricity at the SAPP. The pool thus experienced a limited number of countries able to trade. Other elements, to be taken into consideration were some power plants and hydropower's' were being rehabilitated. This situation further limited the power pool to trade electricity. Network problems, for example grid failure in some countries, could weaken the trade of electricity for a longer period (SAPP 2005).

Table 9 External factors of SAPP

Opportunities	Threats
• Increase capacity in different countries • Bring in private partners	• ZESA economic situation is a problem to the SAPP

Source: SAPP (2000, 2004 & 2005)

In the above context, SAPP (2006: 5) reported that another case, which occurred in 2006 in the Katanga province of the DRC, was the transmission network collapsed because of vandalism, including the theft of 1800m of copper cable. This situation disturbed electricity trade between DRC, Zimbabwe and South Africa for more than two weeks. Table 9 presents the external factors, affecting the SAPP.

Opportunities of the SAPP

Musaba (2006) said that there is an opportunity to increase the trade in electricity among member countries, which could be improved by each country increasing capacity. The construction of new hydropower plants, especially in countries containing many rivers, could boost the capacity of power in the SAPP. Other countries could use other types of fuel, such as gas, for the construction of electricity plants. The larger range of fuel types to generate electricity in the region would increase the capacity of energy trade. SAPP (2006: 5) argues that another opportunity the SAPP was trying to encourage among its members was to bring on board private partners. The participation of private partners in the electricity sector in each country could be a solution to help increase capacity at the SAPP. This could include co-generation. The argument put forward in 2006 by the SAPP coordinator brought positive input since 2009 and 2010 there are participations of the IPP in SAPP.

Threats to the SAPP

Beta and Dihwa (2006) show that the economic situation at ZESA could be a threat to SAPP because the utilities operate under financial constraint.This could result in ZESA not being able to carry out proper maitenance on the network. This situation is linked to the SAPP because the power pool is based in Harare. The pool used the ZESA network to transfer electricity trade in the region. The condition at ZESA is subject to the political and economic situation within the country. For example, any disturbance in the ZESA network could result in an interruption of electricity, arriving from Zambia and the DRC. From the SWOT analysis perspectives it is observed that each company should make an effort to improve its own efficiency. The dis-similarity noted in this analysis suggests each government had a priority to implement a strong policy, which could help the public enterprise to reduce weaknesses. Without change or improvement, the threats and weaknesses for each public enterprise suggested a strong possibility the region could in the future face some difficulties in power trading.

CONCLUSION

The SWOT analyses in this paper prove there is a problem, which should be solved among different electricity companies in different countries. Each observation highlights need a response from government to implement a strong policy for improvements at each utility. It shows that the electricity sector in the DRC has a lot to do to transform the industry. The changes within SNEL could be undertaken in partnership with other companies. The motivation of employees will play a major role if any transformation should be successful in the electricity sector in the DRC.

When we analyse the case of Zimbabwe is also critical because of the instability within the

country especially the economy is not yet stable. The ZESA need financial assistance to repair some of it plants. This will help the power utility to boost the electricity generation. The Zimbabwe government also should avoid imposing the electricity price to the national utility. This was one of the major constraints of the regulator in Zimbabwe. Eskom is one the best among the three electricity companies analysed in this paper. The company also faced multiple challenges in the terms of future capacity demand. There is a need for new investment in Eskom for the company to respond to the economic growth.

One of the similarities the paper found is that most of these three power utilities is been managed by the government. Still there are differences on the management of state owned companies because of the political realities of each country. The stability of trading in the Southern Africa Power Pool will require a balance in terms of electricity production in different member states. As long member state does not increase the electricity capacity in the SADC region the power pool will have limit electricity trading in each month.

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REMEDYING CONSTITUTIONAL VIOLATIONS BY GOVERNMENT INSTITUTIONS: A CASE STUDY OF U.S. COURTS AND CHILD WELFARE POLICY

L Naylor[1]

ABSTRACT

In this article the impact and implementation of remedial law in the United States is examined. A case study method is employed with a focus placed on a single state in the substantive policy area of child welfare. A review of remedial law literature is presented, followed by an overview of the theoretical framework. Next, the state-vs-child welfare case is described followed by data analysis. The analysis identifies a group of variables that contributes to implementation failure and compares implementation of judicial policy between the private and public sector.

Keywords: Child welfare, violations by Government Institutions, Board of Education, judicial intervention

INTRODUCTION

The last half of the 20th century witnessed numerous developments in public administration and law. Most notably was the advent of public law litigation, which supplied the courts with a mechanism to reform public institutions. Public law litigation, also known as remedial law, began in the United States with the 1954 landmark case Brown v. Board of Education (Wood & Vose 1990). However, it did not emerge as a distinct form of litigation until the 1970s (Chayes 1976). It is defined as

> The continuing judicial intervention in the direct management and reform of executive department and agencies …it entails deliberate, comprehensive, and often complex court efforts to change the organizational behavior of school systems, prisons, mental hospitals, and public housing authorities judged to violate individual rights (Wood & Vose 1990: ix).

The objective of remedial law is to remedy constitutional violations by public institutions and administrative systems. At stake is "how to reconcile the judicial value of equity with the organisational values of effectiveness and efficiency" (Wood & Vose 1990: ix-x). The courts have four mechanisms with which to supervise public administration reforms: monitoring, court review, consent decrees, and receivership (Wood and Vose 1990). Unlike traditional litigation, which seeks monetary damages or other specific relief, remedial law seeks to institute on-going public reforms, which involve entire administrative operations and communities (Rosenbloom & O'Leary 1997). Accordingly, remedial law "seeks to adjust future behavior, not to compensate for past wrongs" (Chayes 1976: 1298).

This article examines the impact and implementation of remedial law in the United States. It employs the case study methodology focusing on a single state in the substantive policy area of child welfare. First, the remedial law literature is reviewed followed by an overview of the theoretical framework. Next, the methodology and state child welfare case are described followed by data analysis. The analysis identifies a group of variables that contribute to implementation failure and compares implementation of judicial policy between the private and public sector.

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REMEDIAL LAW

The remedial law literature is comprised of two debates. The initial debate focuses on the appropriateness of judicial intervention (Cooper 1988) and asks the question "should judges be involved in reforming public institutions?" It addresses assumptions about the judicial role (Chayes 1976; Diver 1979; Gilmour 1982), and judicial capacity in reforming public institutions (Cramton 1976; Horowitz 1977). As remedial law became more prevalent in the United States, the debate moved away from the appropriate role of the court and evolved into a discussion on the impact of remedial law in reforming public institutions. The current debate relies largely on empirical evidence and asks the critical question: "what impacts do courts have on reforming public institutions? and why?" In terms of the courts' effectiveness in reforming public institutions, the earlier literature (1970s and 1980s) focused on the limitations of the court. Baum (1976; 1981), Horowitz (1977), Johnson and Canon (1984), Rosenberg (1991), Scheingold (1974) and Wood and Vose (1990) argue that remedial law is ineffective in reforming public institutions. Specifically, courts have weak implementation powers (Baum 1976; 1981; Horowitz 1977; Johnson & Canon 1984; Rosenberg 1991; Scheingold 1974; Wood 1982; Wood & Vose 1990); courts focus on rights and duties neglecting broader social issues (Horowitz 1977; Rosenberg 1991); judges lack the necessary expertise (Cramton 1976; Horowitz 1983; & Melnick 1983; Wood 1982) and lose neutrality when they become invested in litigation outcomes (Cramton 1976; Horowitz 1983), which often results in bad policies – at least in the area of social services (Glazer 1978) and the environment (Melnick 1983). Furthermore, court supervision can result in unintended consequences (Horowitz 1977) and unanticipated costs (Hale 1979; Horowitz 1977).

Whereas the more recent literature argues that the courts have been effective (though generally imperfect) in reforming public institutions. Specifically, there is empirical evidence that public law litigation has had a significant impact in improving public prisons (Cooper 1988; DiIulio 1990), housing authorities (Cooper 1988), mental health facilities (Cooper 1988; Rothman and Rothman 1984; Yarbrough 1981), schools (Cooper 1988; Morgan v. Kerrigan, 1975; O'Leary & Wise, 1991; Wise & O'Leary, 2003), and policing (Cooper 1988). In assessing the empirical evidence, Rosenbloom and O'Leary (1997), argue that the courts do produce change. "Their decisions have affected core administrative matters – decision-making, authority, organisation, personnel, budgets, program definition and responsibility, feedback and intergovernmental relations" (Rosenbloom & O'Leary 1997: 319). Rosenbloom and O'Leary (1997) go on to argue that public facilities have been constitutionalized.

> The administration of public mental health facilities, prisons, and jails has been thoroughly constitutionalized. This includes changes in their day-to day operations as mandated by the courts. The Eighth Amendment now applies to conditions in prisons, and affords a constitutional right to adequate medical care. Prisoners have also gained procedural due process protections and some substantive constitutional rights. Those confined to public mental health facilities now have constitutional rights to treatment or training (Rosenbloom & O'Leary 1997: 304).

In sum, the remedial law literature evolved over time. Initial findings focused on the limitations of the courts and argue that the courts are ineffective at reforming public institutions. Whereas the more current literature argues that the courts are capable of achieving effective (though imperfect) reforms in policy areas such as public prisons, jails, housing, mental health and schools.

The divergence in the literature suggests that over time judges learned how to use public law litigation more efficaciously. Furthermore, there may have been different degrees of success depending on the type of institution. The Court has complete control over clients who reside in "total" institutions which include public prisons, jails, and mental health institutions. In contrast, the Court has minimal to no control over clients in public schools in which parents can move to a new neighborhood and different school district. Arguably, the Courts would be more effective in reforming "total" institutions.

A close review of the public administration literature finds no completed studies on the impact or implementation of remedial law in the substantive policy area of child welfare. Despite the fact that over 30 lawsuits have been filed or are pending against public child welfare agencies (Child Welfare League of America, 2005; National Center for Youth Law, 2000) this substantive policy area remains largely unexplored.

Logically, the question emerges: "is child welfare distinctively different than other previous studied policies?" From an organisational perspective child welfare is distinctly different. According to Wood and Vose (1990) public institutions are composed of two types of organisations: site-specific and field organisations/headquarters. Field organizations are where "Personnel work at stated times in stated places, and their clients usually come to their offices, do their business, and depart. Their behavior is governed by rules, regulations, and directives formulated at headquarters with the expectations of uniform responses in the field" (Wood & Vose 1990: 16). Examples of field organisations include public schools, housing authorities, and welfare offices. Examples of site-specific organisations include jails, prisons, and public mental health facilities. Unlike other substantive policy areas, child welfare is comprised of both types of organisations, site-specific and field, creating a hybrid organisation. The child welfare system is comprised of child abuse and neglect investigations, which are conducted during the day in a field organisation; foster care services, which range from completing paper work in a field organisation to providing 24-hour care in a group home in a site-specific organisation to relying on private citizens to ensure the safety and care of children in their homes; to adoption services, which are provided from a field organisation but also rely on private citizens to provide for the care and safety of children. The value of studying remedial law in a child welfare context lies in its organisation type and the fact that little is known about implementing public law litigation in this substantive policy area.

IMPLEMENTATION

Judges make policy, but they do not implement policies. Canon and Johnson (1984: 2) claim that "different from legislative actions and executive orders in their origin, judicial policies are also public policies: they too must be implemented before disputes or problems are resolved". The success or failure of a given policy, regardless of its origination, is determined by one aspect of the policy process, the implementation process. Implementation is defined as "the stage of policymaking between the establishment of a policy – such as the passage of a legislative act, the issuing of an executive order, the handing down of a judicial decision, or the promulgation of a regulatory rule – and the consequences of the policy for the people whom it effects" (Edwards 1980: 1). Once considered the "missing link" (Hargrove 1975; Mazmanian & Sabatier 1981), implementation includes a number of actions:

> Issuing and enforcing directives, disbursing funds, making loans, awarding grants, signing contracts, collecting data, disseminating information, analyzing problems, assigning and hiring personnel, creating organisational units, proposing alternatives, planning for the future, and negotiating with private citizens, businesses, interest groups, legislative committees, bureaucratic units, and even other countries (Edwards 1980: 2).

By assessing the implementation process, one can determine if policy outcomes meet policy goals and if there are unintended consequences. Because implementation partly determines if policy outcomes are achieved and why policies succeed or fail, implementation provides the overarching theoretical framework. However, a close read of the literature reveals that the complex nature of implementation makes it difficult to reduce implementation studies into a simple, standard framework. The "wicked problems" inherent in social policy (Rittel & Webber 1973), the diversity of policy types, the variations within organisations and individual

subunits (Radin 2002), and the "impossible jobs" factor (Glidewell & Hargrove, 1990) point to the complexity of implementation. This complexity is further clarified by O'Toole (1986) who documents the difficulty in attempting to standardize implementation studies and to make them more scientific. Condensing the implementation frameworks, processes and case studies together in a meta-analysis, O'Toole (1986) evaluates the literature in terms of theory, emerging patterns, and recommendations. After evaluating approximately 100 studies and identifying over 300 variables, he concludes that the implementation process is highly complex, which often leads to contrary findings among scholars. As such, there is no consensus in the field on a general theory of implementation. At present there are at least 12 identified implementation frameworks. Given the lack of consensus in the field on an implementation framework, this research relies on the common themes gleaned from the implementation literature.

A review of the policy implementation literature indicates that implementation will be more difficult the less adequate the resources (Davies & Mason 1982; Edwards 1980; Mazmanian & Sabatier 1983; Mead 1977; Pressman & Wildavsky 1984; Rein and Rabinovitz 1978; Van Meter & Van Horn 1975), the greater the behavior change required (Edwards 1980; Mazmanian & Sabatier 1981; Montjoy & O'Toole 1979), the greater the complexity of joint action (Pressman & Wildavsky 1984), the less adequate the causal theory (Pressman and Wildavsky 1984), the more sequential the implementation structure (O'Toole & Montjoy 1984), the less clear, consistent or persistent the communication (Van Meter & Van Horn 1975), the less vertical (or hierarchical) integration (Bardach 1977; Berman 1978; Pressman & Wildavsky 1973), the more intractable the problem (Mazmanian & Sabatier 1989), the less committed the leaders are to the policy (Mazmanian & Sabatier 1989; Van Meter & Van Horn 1975), the more top-down rather than bottom-up the conceptualization of implementation (Barrett & Fudge 1981; Elmore 1985; Hjern & Hull 1982), the less credible the threat of noncompliance (Montjoy & O'Toole 1979; Van Meter & Van Horn 1975), or the more controversial the policy (Van Meter & Van Horn 1975). Applying these themes to the intersection of judicial policy and child welfare the following implementation propositions are tested: remedies that are not dependent upon the successful compliance of other remedies will be implemented first; remedies that do not require additional funding to implement (eg caseload reductions, personnel, direct services, information systems) will be implemented first; remedies that are clearly defined will be implemented before remedies that are ambiguous; remedies not involving complexity of joint action will be implemented first. Before testing these propositions, an overview of the substantive policy area is provided.

CHILD WELFARE

Each year in the United States over three million children are reported as abused or neglected and approximately 1 400 children are killed as a result of such abuse (U.S. Department of Health and Human Services 2004). In addition, half a million children have been placed in foster care (U.S. Department of Health and Human Services 2002). Since 1974, when Congress passed the Child Abuse Prevention and Treatment Act, states have been responsible for investigating reports of child abuse and neglect. Subsequent federal legislation has mandated states to provide foster care and adoption services. In fiscal year 2002, the U.S. Department of Health and Human Services (DHHS) provided approximately $7 billion in grants to operate child welfare systems, which include child protective services, foster care, and adoption (U.S. General Accountability Office 2003). Despite federal funding and legislation designed to protect children, state and local child welfare systems have failed to safeguard some of our most vulnerable citizens. The system is plagued with high caseloads, poor training, and inadequate resources (Alliance for Children and Families *et al* 2001; American Public Human Services Association 2001; U.S. General Accountability Office 1995; 2003), which has resulted in a child welfare crisis (U.S. General Accountability Office 1995).

Consequently, some children who are rescued from abusive parents are placed into a child welfare system that perpetuates abuse and or neglect. National scandals in child protective services, foster care and adoption in conjunction with violating the statutory and constitutional rights of children have led to numerous lawsuits being filed against state and local governments across the country. Currently, there are 26 states operating under settlement agreements and seven pending litigation (National Center for Youth Law 2006). But have any of these attempts to reform child welfare systems made a difference? What impact has remedial law had on reforming child welfare agencies?

METHODOLOGY

Consistent with previous research in public law litigation, a single case study is utilized to evaluate the impact of judicial intervention in child welfare policy. According to Cooper, case studies are "particularly useful for understanding remedial decree suits because of the complex nature, multiple parties, and lengthy procedures associated with this type of litigation" (Cooper 1988: 6; see also Yin 1994). Case selection was based on two criteria. First, only legal cases that exited court supervision were considered for selection. Second, only lawsuits in which state level government agencies were identified as defendants were considered. Based on the above selection criteria, the Kansas court case Sheila A. v. Whiteman (1989) was chosen. It is a state level court case, which offers a better test of judicial capacity to design implementation because it avoids issues of federalism and the judge is closer to the budget realities of the state. Relying on compliance data, government documents, and interviews, this article evaluates the implementation of the Kansas case which resulted in judicial intervention by a state court.

KANSAS CASE

In 1989, a Topeka attorney filed a lawsuit against the State of Kansas, Department of Social and Rehabilitation Services (SRS) in Shawnee County District Court, Sheila A. v. Barton (1989). In 1990, the petition was amended and joined by the American Civil Liberties Union (ACLU) and the plaintiffs were granted class action status. The lawsuit alleged that the state agency had violated the constitutional rights and federal and state statutory rights of children in the care and custody of the state child welfare agency. Citing the Child Abuse and Prevention Act of 1974, the Adoption Assistance and Child Welfare Act of 1980, the due process clause of the 14th Amendment to the United States Constitution, and the Kansas Code for Care of Children, plaintiffs brought suit under section 1983 title 42 of the United States Code. Specifically, plaintiffs allege that

> Investigations into allegations of abuse and neglect are cursory and in many instances never are initiated; to save money, SRS leaves children in dangerous homes even though SRS knows the children have been abused or neglected; regular foster homes are overcrowded and homes for children with special needs are virtually nonexistent; children are denied necessary medical treatment; children often are returned home when little or nothing has been done to resolve the problems that warranted their initial removal, creating a situation in which children are traumatized and severely damaged by frequent removals and returns; and children for whom adoption is appropriate often languish in SRS custody for long periods of time, thereby reducing or eliminating any chance of their being adopted (Sheila A. v. Barton, Plaintiffs Amended Petition, 20 February 1990: 3).

After four years of protracted litigation the court ordered both parties into mediation. Through the mediation process the state child welfare agency and the ACLU reached a settlement agreement in May of 1993, which the court approved in June of 1993. The goal of the judicial policy was to institute comprehensive reforms in the state operated child welfare system. The 31 page settlement agreement stated two overarching goals: reduce the number of children in its care; and reduce reliance on out of home placements [foster care]. The two goals were to be achieved by requiring the state child welfare agency to implement 153 remedies across 11 categories

including: 1) protective services, 2) preventive services, 3) case planning and reviews, 4) placements, 5) visitations, 6) services, 7) adoption, 8) staffing, 9) training, 10) information systems, and 11) budgeting. The state agency was given a deadline of December 31, 1997, to implement the 153 remedies. In sum, the settlement agreement addressed every component of the state child welfare system and called for a complete overhaul of the system.

DATA

Compliance data, which have been historically difficult to obtain (Edwards 1980), are analyzed to evaluate the impact of judicial policy on a public child welfare agency. This is significant because compliance data allows for the tracing of processes over time (Van Evera 1997). The compliance data used for this article are based on fifteen monitoring reports published by the Kansas Division of Legislative Post Audit (LPA), which the court designated as the external monitor for the case. The LPA functions are similar to those of the U.S. Government Accounting Office and follow similar standards. During implementation of the settlement agreement, monitoring was set up in six-month increments with a report being issued at the end of each monitoring period. The monitoring reports cover the time period January 1, 1994 to June 30, 2001. In total, 153 remedies are tracked over seven and half years (7.5 years X 2 semi-annual reports = 15 reports). For purposes of this article, compliance is defined as when a remedy is no longer monitored by LPA as a result of implementation. In order to achieve compliance, the agency was required to meet auditing standards two consecutive reporting periods in a row (one year). The definitions for noncompliance and removal are straightforward. Noncompliance means the agency did not implement the remedy, and removal is defined as a remedy being removed from the consent decree as agreed by both parties. "Disagree" is defined as remedies that were in the process of being negotiated due to disagreement between the two parties. Each of the 153 remedies was coded based on function, which is a common classification (Kauffman 1973). These functions include: administration, named plaintiffs, information systems, monitoring, and direct services. The first function, administration, includes those remedies implemented by staff in administrative positions and are further broken down into five areas, which include: assessments and studies, budgets, caseloads/staffing, policies, and training. The second function, named plaintiffs, involves the assessment of children's cases specifically named in the lawsuit. The third function, information systems, pertains to remedies relating to databases and information collection. The fourth function, monitoring, addresses the monitoring, compliance and termination of the settlement agreement. And last, direct services include tasks directly related to clients and implemented by social workers, which include child abuse and neglect investigations, and management of foster care and adoption cases.

Compliance data are divided into two phases. Phase I captures implementation under the public operated system, January 1, 1994, to December 31, 1996, and Phase II encapsulates implementation under the new privatized managed care system, January 1, 1997, to June 30, 2001.

PHASE I

Phase I captures the first three years of implementation under the public operated child welfare system. As illustrated in Table 1, a total of 138 elements were monitored over a period of three years. Of the 138 remedies monitored, the state child welfare agency was in compliance with 35.5 percent (49) of the remedies and out of compliance with 50.7 percent (70). The remaining 13.8 percent (19) remedies categorized as "disagree" were delayed due to disagreement between the parties and were in the process of being negotiated or assessed. There were no remedies removed during Phase I. In terms of compliance, it is important to note that the agency successfully implemented 100 percent (2) of the plaintiffs' cases, 100 percent (2) of monitoring

remedies, and 66 percent (41) of the administrative functions. Except for functions with minimal remedies (monitoring and plaintiffs cases) the agency achieved the greatest success implementing administrative functions. Specifically, the agency implemented 100 percent (4) of budget remedies, 90 percent (18) of the required staff training, 58 percent (11) of policies, 50 percent (6) of the required assessments, and roughly 29 percent (2) of the staff caseload evaluations. In terms of noncompliance, the agency failed to implement 89 percent (62) of the direct service remedies and 57 percent (4) of the information systems remedies. Specifically, the agency had great difficulty implementing direct services. The agency failed to implement 100 percent (11) of the adoption remedies, 100 percent (39) of the foster care remedies, and 80 percent (12) of the child abuse and neglect remedies. In sum, at the end of Phase I the agency had failed to implement over half of the required remedies.

Table 1 Phase I: January 1, 1994 to December 31, 1996

Function	Remedy	Compliant	Noncompliant	Remove	Disagree	Totals
PHASE I						
Admin.						100%
Assessments	12	6 (50%)	0 (0%)	0 (0%)	6(50%)	100%
Budgets	4	4 (100%)	0 (0%)	0 (0%)	0 (0%)	100%
Caseloads	7	2 (28.6%)	1 (14.3%)	0 (0%)	4(57%)	100%
Policies	19	11 (58%)	1 (5%)	0 (0%)	7(37%)	100%
Training	20	18 (90%)	2 (10%)	0 (0%)	0 (0%)	100%
Subtotal	62	41 (66.1%)	4 (6.5%)	0 (0%)	17(27.4%	**100%**
Plaintiffs	**2**	**2 (100%)**	**0 (0%)**	**0 (0%)**	**0 (0%)**	**100%**
Information Systems	**7**	**2 (28.6%)**	**4 (57.1%)**	**0 (0%)**	**1 (14.3%)**	**100%**
Monitoring	**2**	**2 (100%)**	**0 (0%)**	**0 (0%)**	**0 (0%)**	**100%**
Direct Services						
Adoption	11	0 (0%)	11 (100%)	0 (0%)	0 (0%)	100%
Foster Care	39	0 (0%)	39 (100%)	0 (0%)	0 (0%)	100%
Child Abuse Neglect	15	2 (13.3%)	12 (80%)	0 (0%)	1(6.7%)	100%
Subtotal	**65**	**2 (3.1%)**	**62 (95.4%)**	**0 (0%)**	**1 (1.5%)**	**100%**
Phase I Totals	**138**	**49 (35.5%)**	**70 (50.7%)**	**0 (0%)**	**19(13.8%)**	**100%**

DISCUSSION OF PHASE I

Four key trends emerge from Phase I of implementation. First, the agency complied with administrative remedies, which include training staff, developing policies, and documenting budget outputs. This finding was expected given that administrative functions were not in large part dependent upon the successful completion of other requirements, did not require additional funding, and required the least amount of behavior change by personnel. The agency had the resources (funding and personnel) in place to successfully implement administrative requirements. Structurally, the state agency complied with remedies that were directly controlled by the top level of administration. Street-level bureaucrats, social workers in this case, who have a lot of discretion in their jobs (Lipsky 1980), and whose jobs demanded the most behavior change were not involved in implementing administrative requirements. This factor made implementation easier in that the tasks administrators' were required to implement were a part of their

current job responsibilities and did not require supervising front-line staff, minimizing the number of actors involved. Administrative functions required the least change and the fewest actors and were therefore the easiest to implement.

Second, direct service remedies were the most difficult for the agency to implement. The agency failed to implement 95 percent of the direct service remedies including child abuse and neglect investigations and foster care and adoption services. There were several impediments to implementing direct service remedies. The biggest obstacle was the lack of funding. As part of the settlement agreement the agency was not required to seek additional funding and the state legislature was not required to appropriate additional funding. The agency was only required to maintain current funding levels, which made implementing direct service remedies near impossible since service delivery was dependent on staff caseloads, which was dependent on hiring additional social workers. In other words, response deadlines and case requirements had to be met with no additional staff. Because implementation required additional resources and demanded a high level of behavior change from social workers, there were long-term delays. Consequently, the agency failed to implement direct service remedies within the designated time frame. Noncompliance in this area is alarming because the child welfare agency failed to implement remedies that have the greatest impact on the safety and well-being of children; it potentially places children at risk of further harm. Moreover noncompliance is detrimental to achieving institutional reforms. Direct services are the bedrock of the child welfare system and the reason the lawsuit was initially filed.

Third, similar to direct services, implementing information system remedies proved arduous for the agency. Two factors accounted for failed implementation. The agency lacked funding to hire staff and could not agree on a sampling monitoring methodology (operationalization). The purpose of information systems is to collect data on families and children in the child welfare system and take a sample of the data to determine if it is accurate and reliable. In other words the data on families and children would be monitored over time. Although there were only a few remedies (7) in the area of information systems (compared to direct services), failure to implement these is significant because without accurate and reliable data agency outcomes cannot be tracked over time, which makes it difficult to determine if the agency achieved the desired policy goals outlined in the settlement agreement.

And last, of the remedies that were delayed due to disagreement there was no clear guidance or detailed information in terms of numbers, definitions, and intent. Remedies that were ambiguous or subject to interpretation did not get implemented. After three years of implementation the two parties were still negotiating over how to operationalize key requirements, which led to prolonged implementation.

In sum, at the end of Phase I the state child welfare agency failed to implement the settlement agreement within the required time frame. In order to comply with the agreement, the child welfare agency had to be in full compliance with all 138 remedies for at least one year before the agreement was scheduled to terminate on December 31, 1997. Unfortunately, at the end of December 1996, the agency was substantially out of compliance. It failed to implement half of the agreement. Based on compliance data, direct services and information systems proved to be the biggest challenges for the agency. The three impediments to implementation include lack of funding, ambiguous requirements, and disagreement on operationalization. In addition, it is important to note that not only had the agency failed to successfully implement the agreement, but that the court failed to adequately monitor agency implementation. The judge, who was reassigned to a criminal administrative judgeship during Phase I of implementation, assumed that the agency was implementing the agreement and did not read the monitoring reports submitted to the court except for the last one (Sheila A. v. Whiteman 1989: 39-40) when it was too late to intervene. Monitoring

slippage as described here is fairly common with judicial policies because of insufficient resources to monitor compliance (Edwards 1980). In this case, a new judge was not assigned to supervise the case in the absence of the previous judge. Moreover, there were no sanctions imposed on the agency for not complying with the settlement agreement. As articulated in the agreement, the agency was to be granted an extension if unable to comply by the stated deadline. These five factors contributed to implementation failure during Phase I.

PRIVATIZATION OF CHILD WELFARE SERVICES

The agency's failure to implement the settlement agreement was further complicated by the privatization of core child welfare services. By the end of Phase I (December 31, 1996), the political winds had changed creating a shift in the sociopolitical environment. On January 9, 1995, Republican Bill Graves was inaugurated as the Governor of Kansas. As a result, the state had a new republican governor and a republican majority in the state legislature, creating a mandate. And with the mandate came the rapid privatization of state services and functions, including the area of social services (Klingner, Nalbandian & Romzek 2002; Romzek & Johnston 2000). The new administration was focused on cost savings and reducing the size of government, including child welfare services. The state legislature recommended privatizing foster care in early 1995 and the new Republican Governor directed the agency director to develop a privatization plan in October 1995. The government agency began privatizing child welfare services in early 1996 (Freundlich & Gerstenzang 2002). The first request for proposal (RFP) was released in January of 1996 and the first contract, the Family Preservation Program, became effective July 1, 1996. The contract for the adoption program became effective in October 1996. The contract for the foster care program followed in March 1997. The only core function not privatized was child abuse and neglect investigations. Privatization of child welfare programs is significant because it shifted the agency focus from the judicial policy to the privatization initiative potentially undermining it. Equally important it transferred the burden of implementing direct service remedies (foster care and adoption) from the public child welfare system to the new private system, which is captured in Phase II of implementation.

PHASE II

Due to the state child welfare agency's failure to implement the judicial policy the court approved two extensions as agreed upon by both parties. Thus Phase II covers the time period January 1, 1997 to June 30, 2002. The compliance data for Phase II captures the last four and a half years of implementation (January 1997 to June 2001). It does not include the last year (2002) due to LPA terminating its monitoring function, which ended the tracking of compliance data. (LPA ended its monitoring role because the agency had not made significant progress in implementing the few remaining remedies.) During the final year, the agency relied on a combination of internal monitoring and contracted monitoring. As previously mentioned Phase II was administered by the public child welfare agency while direct services (except child abuse and neglect investigations) were delivered by a privatized managed care system. However, the public child welfare agency remained accountable to the court for implementing the settlement agreement.

During Phase II, a total of 104 remedies were monitored, of which 89 were carried over from Phase I (70 noncompliant and 19 disagree remedies) and 15 new remedies were phased-in. As illustrated in Table 2, of the 104 remedies monitored, the public child welfare agency was in compliance with 51.9 percent (54) of the remedies, out of compliance with 20.2 percent (21), successfully negotiated the removal of 18.3 percent (19) remedies, and disagreed on 9.6 percent (10) of the remaining remedies. In terms of compliance, the agency successfully

implemented 62 percent (39) of the direct service remedies and 60 percent (15) of the administrative remedies. Similar to Phase I of implementation, the agency was successful in implementing administrative functions. Specifically, the agency implemented 60 percent (6) of the remaining assessments, 60 percent (3) of the staff caseload evaluations, roughly 63 percent (5) of policies and 50 percent (1) of the training remedies. Unlike Phase I, the majority of direct service remedies were successfully implemented. Specifically, contractors implemented 100 percent (11) of adoption remedies and approximately 51 percent (20) of foster care remedies while the public agency implemented roughly 62 percent (8) of child abuse and neglect investigation remedies. Although full compliance was not achieved in two of the service areas it is a marked improvement over Phase I in which the public agency implemented 2 (3 percent) out of a total of 65 direct service remedies.

In terms of noncompliance, the agency failed to implement 40 percent (6) of the information systems. Equally important the agency was able to successfully negotiate the removal of 12 percent (19) of remedies, which means the agency did not have to implement these remedies. Specifically, 10 foster care, 7 administrative, and 2 information system remedies were eliminated from the settlement agreement. And last, the two parties could not come to agreement on how to implement 10 of the remedies. These included 2 needs assessments, 7 information systems, and 1 monitoring remedy. Despite the removal of 19 remedies, by the end of Phase II the agency had made substantial improvement in implementing the settlement agreement.

Table 2 Kansas Consent Decree, Phase II: January 1, 1997 to June 30, 2001

Function	Remedy	Compliant	Noncompliant	Remove	Disagree	Totals
PHASE II						
Admin.						
Assessments	10	6 (60%)	0 (0%)	2 (20%)	2 (20%)	100%
Budgets	0	0 (0%)	0 (0%)	0 (0%)	0 (0%)	100%
Caseloads	5	3 (60%)	0 (0%)	2 (40%)	0 (0%)	100%
Policies	8	5 (62.5%)	0 (0%)	3 (37.5%)	0 (0%)	100%
Training	2	1 (50%)	1 (50%)	0 (0%)	0 (0%)	100%
Subtotal	25	15 (60%)	1 (4%)	7 (28%)	2 (8%)	100%
Plaintiffs Total	0	0 (0%)	0 (0%)	0 (0%)	0 (0%)	100%
Information Systems Total	15	0 (0%)	6 (40%)	2 (13.3%)	7(46.7%)	100%
Monitoring Total	1	0 (0%)	0 (0%)	0 (0%)	1 (100%)	100%
Direct Services						
Adoption	11	11 (100%)	0 (0%)	0 (0%)	0 (0%)	100%
Foster Care	39	20 (51.3%)	9 (23.1%)	10 (25.6%)	0 (0%)	100%
Child Abuse Neglect	13	8 (61.5%)	5 (38.5%)	0 (0%)	0 (0%)	100%
Subtotal	**63**	**39 (61.9%)**	**14 (22.2%)**	**10 (15.9%)**	**0 (0%)**	**100%**
Phase II Totals	**104**	**54 (51.9%)**	**21 (20.2%)**	**19 (18.3%)**	**10 (9.6%)**	**100%**

DISCUSSION OF PHASE II

Several trends emerge from Phase II of implementation. First, unlike Phase I, which the agency predominantly achieved compliance in administrative remedies, during Phase II the agency achieved substantial compliance in implementing direct service remedies, including adoption, foster care and child abuse and neglect. The agency mainly complied with service remedies that were privatized. This is noteworthy because privatization, which involved multiple layers of contractors, added more actors to the process and increased the complexity of joint action. Based on the literature it should have led to ongoing delays in direct services. What factor(s) led to the successful implementation of direct services during Phase II? One factor that may have played a substantial role was the sizeable budget increase. During Phase II, the state legislature appropriated additional funding for private contractors to hire staff and deliver services. Between the first year of contracting (fiscal year 97) and the third year of contracting (fiscal year 99) annual expenditures for the child welfare budget increased from $85.2 million to $168 million, a 97 percent increase. Compared to Phase I, annual agency expenditures averaged $70.7 million. Funding for staff and services more than doubled during Phase II removing a major obstacle to implementation. The legislature believed the private sector could provide more efficient services than the public sector. As a result, privatization facilitated a substantial increase in the agency budget, which allowed contractors to hire the necessary staff to deliver services, making implementation achievable. Equally important, although contracting out for services added more actors and complexity of joint action to the implementation process this potential impediment appears to have been offset by the sizable budget increase.

Second, the agency continued to comply with administrative remedies during Phase II by successfully implementing staff caseload studies, policies and training remedies. Again, this finding was expected given that most administrative functions did not require additional funding or behavior change in staff. Third, similar to Phase I, implementation of information system remedies continued to prove difficult. The agency was required to implement a total of 15 information remedies and failed to comply with all 15. Noncompliance was due to two key factors: 1) lack of funding, and 2) the development of a new data system rendering seven of the remedies irrelevant. Unfortunately, the agency did not maintain the old data system while developing the new data system which means there are periods of missing data. As previously mentioned, failure to comply with information system requirements is problematic in achieving institutional reforms because the data system tracks the necessary information to evaluate policy outcomes. Without accurate and complete data it is impossible to determine if the policy goals were met. Fourth, unlike Phase I in which no remedies were removed, the agency was able to successfully negotiate the removal of 19 remedies indicating that bargaining, which continued throughout the implementation process, is a very powerful tool. Of the seven administrative remedies that were removed from the agreement, two focused on staff caseloads in which the parties could not agree on definitions or intent, two involved contracting out with universities for statewide assessments, two focused on policies that provided adequate services in which parties could not reach an agreement on definitions, and one addressed a policy placing children in the least restrictive environment. These remedies were either not clearly defined or the parties could not reach an agreement on how to implement them. In lieu of continuing to negotiate over definitions and operationalization methods the two remaining parties decided to remove the remedies from the agreement, freeing the agency from implementation. Despite the removal of remedies, in general, the child welfare agency in conjunction with private contractors made significant progress in implementing the settlement agreement. At the end of phase II, approximately two-thirds of the agreement had been implemented.

DATA SUMMARY

After seven and half years of implementation the child welfare agency made substantial progress in executing the agreement. As illustrated in the bottom line on Table 3, the agency successfully implemented 103 out of 153 total remedies (67 percent), failed to implement 21 remedies (14 percent), was able to negotiate the removal of 19 remedies (12 percent) and remained in disagreement on 10 remedies (7 percent). The agency had the most success implementing plaintiffs' cases (100 percent), administrative functions (84.8 percent), monitoring (66.7 percent), and direct services (63 percent). The agency had the greatest difficulty implementing information system requirements (11.8 percent). SRS made considerable improvement in complying with the ACLU Foster Care Settlement Agreement. As a result the two remaining parties agreed that SRS was in substantial compliance with the settlement agreement. The child welfare agency exited the agreement on June 30, 2002.

Table 3 Data Summary: January 1, 1994 to June 30, 2001

Function	Remedy	Compliant	Noncompliant	Remove	Disagree
Administration	66	56 (84.8%)	1(1.5%)	7 (10.6%)	2 (3%)
Plaintiffs	2	2 (100%)	0 (0%)	0 (0%)	0 (0%)
Information Systems	17	2 (11.8%)	6 (35.3%)	2 (11.8%)	7 (41.2%)
Monitoring	3	2 (66.7%)	0 (0%)	0 (0%)	1 (3.7%)
Direct Services	65	41 (63%)	14 (21.5%)	10 (15.4%)	0 (0%)
TOTALS	**153**	**103 (67.3%)**	**21 (13.7%)**	**19 (12.4%)**	**10 (6.5%)**

Implementation Propositions

In terms of testing the implementation propositions four of the predictions were realized. Remedies that were not dependent upon the successful compliance of other remedies were implemented first. During Phase I, 41 non-interdependent administrative requirements including policy development, budget documentation, and staff training were implemented. In addition, the named plaintiff cases were also implemented during Phase I. Similarly, remedies that did not require additional funding to implement were implemented first. Again, this included administrative requirements, which did not require additional resources such as hiring additional staff or acquiring additional funding. In contrast, remedies that required additional funding and were sequential in nature either did not get implemented or were delayed. During Phase II, 39 direct service remedies were implemented as a result of the state legislature appropriating additional funds to hire staff and deliver services. In contrast during Phase I, only 3 direct service requirements were implemented due to lack of funding. Furthermore, remedies that were clearly defined were implemented before remedies that were ambiguous. Ambiguous remedies include: caseload studies, developing and implementing a statewide plan for adequate preventive services, placements for foster children in the least restrictive environment; and service plan for children in SRS custody; and maintain sufficient staff. In the end, the two statewide plans for services were removed from the agreement along with providing access to adequate preventive services, maintaining sufficient staff and equitable distribution of work. The parties never reached agreement on definitions or operationalization. Findings for the last proposition are mixed. It was proposed that remedies not involving complexity of joint action would be implemented first. In theory, an increase in the number of actors and organizations involved in implementation should delay the process. When the agency privatized core child welfare services this should have delayed

implementation potentially undermining the settlement agreement. Unexpectedly, privatization resulted in a substantial budget increase and facilitated the implementation process. With new funding, contractors were able to hire the necessary staff to reduce caseloads and provide services. During Phase II, 39 direct service requirements were successfully complied with. Yet two remedies involving contracts with universities to conduct needs assessments, which involved additional actors, were not implemented. This finding suggests that complexity of joint action, which usually leads to delays, can be counterbalanced by substantial increases in funding. In sum, four of the five propositions were affirmed.

Delays

Implementation delays are attributed to six key factors: 1) lack of valid causal theory; 2) inadequate monitoring; 3) lack of sanctions; 4) biased judge; 5) lack of funding; and 6) ambiguous requirements. These are discussed below.

Although the settlement agreement provided the much needed goal saliency that is often missing in public policy (Berman 1978; Cleaves 1980; Rein & Rabinovitz 1978), the policy lacks a valid causal theory (Mazmanian and Sabatier 1981, 1983; Pressman & Wildavsky 1979). The settlement agreement stated two clear goals that are not linked to a valid causal theory. In the state of Kansas, judges determine whether children are placed in state custody, not the state child welfare agency. Yet, the policy does not address the role of juvenile/family judges in the settlement agreement, only SRS. In this case, there is a single agent that is responsible for implementing the policy and that agent does not have the legal authority to decrease the number of children in custody. As such, the policy goal does not meet one of two requirements identified for an adequate causal theory, which states "that the officials responsible for implementing the program have jurisdiction over a sufficient number of the critical linkages to actually attain the linkages" (Mazmanian & Sabatier 1989: 26). Moreover, there are larger social issues, such as, drug addiction, poverty, unemployment, incarceration, and domestic violence that determine whether or not children will need to be removed from their parents' custody and placed in state custody. These issues are labeled "wicked" problems because they are not solvable (Rittel & Webber 1973). The child welfare agency does not control social problems or judicial decisions, rendering the causal theory invalid.

Second, there was monitoring slippage through out the settlement agreement, which delayed implementation. During Phase I, the judge did not read the initial five monitoring reports, illustrating that the level of judicial involvement varies greatly across judges (Cooper 1988). In addition, the judge took on another position without a replacement judge being assigned to the case illustrating the slippage that occurs in monitoring as a result of insufficient resources (Edwards 1980). In addition, LPA terminated its role of external monitor after seven and half years of monitoring, leaving SRS to monitor internally and rely on contractual monitoring.

Third, because the policy lacked sanctions, which are critical to holding agencies accountable (Edwards 1980; Nakamura & Smallwood 1980), implementation was delayed. The judicial policy only provided for two courses of action: 1) extend the agreement, or 2) file a motion to re-open the case. Because the agreement had already been extended twice, the only other option was to re-open the case, and without adequate reimbursement for attorney fees, plaintiffs' attorneys could not afford to re-open the case. Fourth, the judge's bias or lack of neutrality played a role in plaintiffs' attorneys not getting fully reimbursed for attorney fees, which influenced plaintiffs' attorney's decision to not re-open the case. If the attorneys were able to collect market value for billable hours they may have re-opened the case. The judge was eventually removed from the case illustrating the lack of neutrality of the courts in implementing policy (Cramton 1976; Horowitz 1983).

Fifth, initially there was lack of funding. During Phase I, the agency did not have the necessary funds to hire additional staff to implement direct service requirements. This impediment delayed implementation. Without the necessary funding it was highly unlikely the agency could comply with the agreement. And last, ambiguous requirements led to delays. Without clear direction and definitions the parties could not come to agreement on how to operationalize requirements. These six factors impeded policy implementation. In the end, it took the agency four and half years longer than anticipated to implement the agreement.

Impact Evaluation

In addition to implementing 153 remedies, the settlement agreement articulated two goals: 1) reduce the number of children in SRS custody, and 2) reduce reliance on out of home placements. The data for both of these outcomes was to be provided by the agency information systems, which as discussed in Phase I and Phase II the agency failed to implement. Thus, data limitations prevent a conclusive evaluation. In terms of the number of children in state custody, uniform data are not available making it impossible to compare Phase I and Phase II periods. Between 1995 and 1997, children in SRS custody and in out of home placements included both children in need of care (CINCs) and juvenile offenders (JOs). However, between 1998 and 2002 only CINCs remained in the custody of the child welfare agency. On June 30, 1998, the juvenile offender population (2 137) was transferred from the custody of the child welfare agency to a new state agency that specialized in juvenile offenders. Because the two time periods do not have comparable data, it is difficult to determine whether or not SRS achieved the desired policy outcome.

Similarly, it is difficult to determine whether or not implementation of the policy reduced the number of children in out of home placements (OHP). There are two limitations with OHP data. First, the data are not comparable. Similar to data on the number of children in SRS custody, juvenile offenders were transferred to a new agency, leaving only CINCs in SRS custody from FY98 to FY02, which resulted in non-uniform data. Second, there is missing data. Data are not available from fiscal year 95-97 and fiscal year 99-00 making analysis impossible. As previously stated the agency did not maintain the old data system while developing the new data system resulting in missing data. In summation, it is impossible to determine whether or not the child welfare agency achieved the policy goals of reducing the number of children in custody and the number of children in out of home placements. This finding points to the importance of adequately funding information systems, ensuring that information systems are properly maintained, and that policy goals are tracked over time in combination with specific remedies. The LPA monitoring reports tracked 153 remedies over a period of seven and a half years by providing 6 month progress reports. However, the two policy goals were not included in the monitoring plan or court documents creating disconnect between goals and steps required to achieve goals. The implementation process largely focused on processes and not policy goals. It was assumed that if the 153 remedies were implemented the policy goals would take care of themselves.

Since the overarching goal of judicial intervention is to ensure that the constitutional rights of children in state custody are upheld one could arguably analyze the number of agency child deaths. If children are better off as a result of implementing the policy, then there should be fewer child deaths. Similar to other outcomes, child death data on children in SRS custody are not available during Phase I and II, rendering it impossible to determine if the policy had a positive or negative impact on the number of children killed while in government custody. Although child deaths are rare children were killed before, after and during implementation of the judicial policy. Prior to the agreement, Douglas Brumley, age 4 was killed in October 1992 by a blow to the stomach (Shields 1993). He was adopted by foster parents Alberta and Delmar Brumley and beaten to

death by the Brumley's biological daughter Kimberlee Lee who pleaded guilty to second-degree murder. She was sentenced to 26 years to life (Rizzo 1994). During policy implementation, two-year old Niccol Haywood of Wichita was beaten to death while staying in a "relative" foster home. The toddler was killed by blunt force and according to the autopsy report she suffered from internal bleeding and abdominal injury (Potter & Comes 2000). And at least one death was reported after the judicial policy was fully implemented. Nine-year old Brian Edgar was killed by his adopted parents and babysitter on December 29, 2002. The child was restrained with duct tape from head to toe and a sock was stuffed in his mouth. He suffocated on his vomit (Rizzo 2003). As illustrated by these examples, children were killed before, during and after implementation of the settlement agreement. However, the judicial policy did not address child deaths or the selection, screening, and approval of adoptive and foster parents. This demonstrates the importance of a strong causal theory and points to the limitations of institutional reforms.

Public versus Private Comparison

As previously noted, two core child welfare services were privatized during Phase II. This event provides a unique comparison between public and private performance. As illustrated by Table 4, which captures the comparison between the public and private sectors, the privatized sector complied with 100 percent of the adoption remedies and roughly half of the foster care requirements in Phase II whereas the public sector failed to comply with any of the adoption and foster care remedies during Phase I. In sum, the agency failed to implement all 50 remedies during Phase I while the private system complied with 31 or 62 percent of the remedies during Phase II, a marked improvement from Phase I. Although the numbers in the cells are too small to test for statistical significance this finding is substantively significant.

Table 4 Public Private Comparison

	Remedy	Compliant	Noncompliant	Remove
PHASE I				
Adoption	11	0	11 (100%)	0
Foster Care	39	0	39 (100%)	0
Subtotal	50	0	50 (100%	0
PHASE II				
Adoption	11	11 (100%)	0	0
Foster Care	39	20 (51.3%)	9 (23.1%)	10 (25.6%)
Subtotal	50	31(61.9%)	9 (18%)	10 (20%)

The private sector achieved greater success than the public sector. Several factors may have contributed to the differences in the two sectors performance. First, there were initial start up costs incurred by the agency during Phase I that were absent during Phase II. A monitoring plan had to be created and approved by all the parties in the litigation. Second, as previously mentioned the child welfare funding increased by 97 percent during Phase II removing a key impediment to implementation. With approximately twice the funding and an additional year of time the private sector was able to make significant progress in implementing direct service requirements. Of course it remains unknown whether or not the public sector could have achieved equal or greater results if it would have received equivalent funding during Phase I. Third, there were dissipation effects. Over time, interest in the settlement agreement diminished. After five years of litigation and seven and a half years of implementation (a total of 11 years) it was difficult to sustain interest. In sum, these three factors may have played a role in the performance of the two sectors.

CONCLUSION

The Kansas case, Sheila A. vs. Whiteman (1989) was a major judicial intervention in state child welfare policy within the United States. Public administrators within the child welfare agency took the settlement agreement seriously and implemented two-thirds of the remedies over a period of seven and a half years. Impediments to implementation include: lack of valid causal theory; inadequate monitoring; lack of sanctions; biased judge; lack of funding; and ambiguous requirements. Consistent with the implementation literature the agency successfully implemented remedies that required the least amount of behavior change, were clearly defined, and did not require additional resources. The state agency was most successful in implementing administrative functions, including policies, budgets, training, and assessments, which did not require additional funds or personnel. Conversely, remedies that required additional funding and the greatest amount of behavior change were the most difficult for the agency to implement. These include information system requirements and direct services, such as foster care, adoption, and child abuse and neglect. Once adequate funding was appropriated the agency, in partnership with private contractors, made substantial progress in implementing direct service requirements. However, the agency was not able to overcome the lack of resources to successfully comply with the information system requirements. This failure resulted in missing data that made it impossible to determine whether or not the agency achieved the stated policy goals. Despite this indetermination, the parties in the case agreed that the child welfare agency was in substantial compliance with the agreement and the agency exited court supervision June 30, 2002.

This research addresses gaps in the literature. First, the early literature neglected the role of court settlement agreements in reforming public institutions, thus little is known about the impact and implementation of settlement agreements in reforming public agencies. Second, relying on compliance data and interviews this article provides a rich descriptive analysis of the implementation of a judicial policy in a substantive policy previously neglected in the literature. It has contributed to our understanding by testing a set of propositions in the area of public law litigation and child welfare, which resulted in the identification of a group of implementation variables that had not previously been tested in this policy area. Third, by using two distinct implementation phases, this research provides a comparison between public and private performance adding to our knowledge in this area. A key finding is that the private sector achieved greater success implementing foster care and adoption requirements, but at an additional cost. The child welfare budget doubled during Phase II providing for additional personnel and enhanced service delivery. The most visible outcome of the case is the substantial increase in the budget, which doubled during Phase II.

Public administrators can glean several lessons from this research. First, when crafting judicial policy it is important that individual remedies are directly linked to policy goals and policy goals are based on causal theory. For institutional reforms to be successful the targeted agent or public organization must have the authority to implement change. Without it, policy goals are likely to remain unrealized. Equally important there needs to be a balance on both policy goals and individual remedies. If the sole focus is placed on implementing individual remedies, the attention becomes centered on processes ignoring larger policy goals. Second, contracting may equate to complexity of joint action because of the number of actors added to the process, but it can be mitigated by additional funding. In an era of widespread administrative privatization, partnering with private sector organizations may increase funding. Third, if child deaths are to be eliminated or reduced, judicial policy must be crafted to specifically address the selection, screening and monitoring of foster and adoptive parents. Children in government custody are not killed by social workers or case workers; children are killed by foster parents and adoptive parents. And last, a key lesson is not to use a settlement agreement as the mechanism for institutional reforms. Both a consent decree and receivership offer a higher level of supervision

for institutional reforms than monitoring, court review, and settlement agreements. Judicial sanctions, which were lacking in this case, contributed to implementation delays and lack of policy evaluation.

Next Steps

At the end of this research two insights are offered. First, the field needs to develop a conceptual framework that combines policy implementation and remedial law. As it stands now, the implementation frameworks focus on legislative policy or statutes with a tendency to ignore the distinct characteristics of judicial policy, such as the variation in judicial involvement (Cooper 1988), lack of neutrality among judges (Cramton 1976; Horowitz 1983), focus on rights, and turnover of judges. In conceptual frameworks that do address the Courts, the role of the Courts is viewed from the handing down of judicial decisions (Edwards 1980), not from the perspective of the Courts implementing institutional reforms. Legislative oversight, which relies on monitoring, evaluations, and auditing (Rein & Rabinovitz 1978), is inherently different than remedial law, which relies on supervision, court orders, and receiverships to monitor policy compliance (Rosenbloom & O'Leary 1997; Wood & Vose 1990). The Court can dictate and micromanage agencies to a much greater extent than legislative bodies via a special master or receivership legislators are not involved in policy implementation. Once a bill becomes a law, it is up to the government agency to implement the statute. According to Ingram and Schneider (1990: 67), "In the United States, the organization and political dynamics in Congress tend to produce weak statutes with vague goals and inconsistent signals, which some have argued, thwart effective implementation". This distinction makes it essential to develop a conceptual framework that accounts for implementing institutional reforms. Furthermore, there are no remedial law frameworks that tackle the complexity of implementation. Cooper's decree litigation model (1988) does not focus on implementation of judicial policy. The model is composed of four stages: trigger, liability, remedy, and post decree. The benefit of the model is that it provides a perspective of the consent decree process from the judge's standpoint, but it stops short of providing an implementation framework.

Second, if the Court, attorneys, and child advocates are serious about achieving comprehensive institutional reforms in the area of child welfare, then policy must be linked to causal theory. The policy goals must be directly linked to the remedies. As a society, if we are to reform child welfare agencies, we need to implement remedies that address the child welfare crisis, which includes staff turnover, foster parent shortage, and information systems. As previously stated, maintaining up to date and accurate information systems is essential to solid policy planning, child tracking, and policy changes. Without it, the U.S. child welfare will not meet its maximum effectiveness.

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Book Review

By Prof CVR Wait

MULGAN, Geoff. 2013. *The Locust and the Bee: Predators and creators in capitalism's future*. Princeton; Princeton University Press. Pages 335, including index. ISBN 978 0 691 14696 6

The author is currently chief executive of the UK's National Endowment for Science, Technology and the Arts.

The writing of the book is inspired by what the author refers to as a simple message. "Capitalism at its best rewards creators, makers, and providers: the people and firms that create valuable things for others like imaginative technologies and good food, cars and healthcare which, at their best, delight and satisfy. Its moral claim is to provide an alternative to the predatory, locust-like tendencies of states and feudal rulers…But capitalism also rewards takers and predators, the people and firms who extract value from others without contributing much in return…The critics of capitalism are blind to its creativity, while its complacent advocates resist any suggestion that the system might sometimes reward predation, or that the creation of value for some might destroy it for others."

Against this background, as sketched in Chapter 1, the author writes another eleven chapters which he structures as follows:

Chapter 2 is used to describe the crisis that unfolded in the late 2000s with its origins in what the author calls the edges of capitalism namely the household sector and land.

Chapter 3 goes further back in history and describes the origins of capitalism. He ascribes the origin of capitalism to an idea "the relentless pursuit of exchangeable value". From its origins capitalist communities have developed to being "… impure hybrids, mongrels mixed with other strains."

Chapter 4 explains the reasons for the title of the book. The bee in capitalism is productive, creating better products and services. The locust in capitalism is a predator taking value from people or nature and giving little or nothing back.

Chapter 5 explores the criticisms that have been made of capitalism, but also presents a counter-argument.

Chapter 6 is devoted to utopian thinking about alternatives but concludes that utopias promise much and deliver very little, also in an inability to indicate how society can be moved from the present situation to the utopia as envisaged.

Chapter 7 turns to the future of capitalism with a theoretical foundation for future development.

Chapter 8 goes further with a future view and investigates whether it is realistic to assume that the future of the system will be built on more and more sophisticated technology.

Chapter 9 sheds light on another future aspect. The emphasis on tangible things is likely to make room for a more personal touch in the form of health care, care in general, education, green industries and jobs.

Chapter 10 explores capitalism's own ideas which contain all the potential for its own radical transformation – "radical transcendence" as the author calls it. The theoretical underpinning is not drawn from utopians, Marxists or liberalists but from the inherent capabilities of capitalism itself.

In Chapter 11 the theoretical underpinnings sketched in Chapter 10 are turned into practice by considering how the transition will come about, built on experiences of the past.

The author concludes in Chapter 12 with attempts to find solutions for the paradoxes in which people find themselves; "…more than enough to live on, but struggling to find enough to live for,

and with more than enough means but not enough meaning." These paradoxes can be resolved in a capitalism that "…is better oriented to life, creativity, and cooperation, and reconnects its representations of value to the lived value that underpins them."

This book is highly acclaimed by commentators from, amongst others, Georgetown University, Princeton University and the London School of Economics.

JDL JOURNAL POLICIES

The Journal for Development and Leadership (JDL) is a peer-reviewed journal of the Faculty of Business and Economic Sciences at the Nelson Mandela Metropolitan University in Port Elizabeth, South Africa. This journal is aimed at providing practical guidance and empirical evidence to researchers and practitioners specialising in Business and Economics and related fields.

The journal provides a communication forum to advance entrepreneurship, innovation, small business management and various disciplines in Business and Economics, as well as the application of the disciplines in practice. Its aim is the improvement and further development of these fields and it is designed to appeal to academics, researchers and practitioners.

A double-blind review process is followed, supported by a national and international Editorial Peer Review Board.

Full academic accreditation will be applied for at the DoHE when the set requirements have been met.

The mission of the Journal for Development and Leadership (JDL) is to be a dynamic and internationally-recognised academic journal of excellence that will stimulate sustainable development and leadership by generating and disseminating of cutting-edge knowledge and understanding.

It is envisaged that the JDL will serve as a platform for presenting information central to the concerns of academics, researchers and practitioners. In this manner, research will grow and simultaneously shape theories for future application in the relevant societal contexts.

The Journal is published bi-annually, in June and December by the Faculty of Business and Economic Sciences of the Nelson Mandela Metropolitan University.

The views expressed in the journal are those of the respective authors.

INFORMATION FOR CONTRIBUTORS OF ARTICLES

Editorial policy

The editorial policy includes taking cognisance of the journal's objective to advance all disciplines, fields and sub-fields within the Faculty of Business and Economic Sciences, such as those mentioned above and, in addition, the advancement of entrepreneurship, innovation, small business development, among others, as well as the application of the various, relevant disciplines in practice.

The primary purpose of the journal is to publish research articles in the various fields, to disseminate information and to serve as a publication vehicle for academics, researchers and practitioners. For example, practical articles, empirical articles, new approaches and techniques, case studies, and conceptual articles will be considered for publication, as well as book reviews and, when appropriate, conference articles.

Review process and proofing

The decision of the Editorial Committee to publish a given article is based on the judgement of the reviewers, who are all knowledgeable in their respective fields.

Authors will be informed of the committee's decision, including any relevant comments, after the article had been reviewed. Neither authors nor reviewers are identified in the review process.

Submission requirements

When submitting articles, authors have to agree that:

- They have not submitted and will not submit their article to another entity while the article is under review at JDL.
- They will only submit articles and empirical reports that have not been published previously.
- Their articles are prepared according to the prescribed style of JDL.
- Articles that have not been appropriately prepared according to the set guidelines will be returned to the authors prior to peer-reviewing.

Format

Font and font size should be Arial or Times New Roman in 12 pt font size.

Abstract

The abstract should consist of approximately 200 words and should be in single spacing.

Keywords

Authors should identify up to five keywords on the title page that characterise the principal themes covered by the article.

Language

Articles should be written in English.

Title page

This page should contain the title of the article and the name, affiliation, full address and contact information of every author. If the article is co-authored, then the name of the author to whom correspondence should be sent has to be marked with an asterisk (*).

Body

The article has to be typed on one side of the page only in 1.5 line spacing. Appropriate headings and sub-headings should be used to segment the article to enhance readability. The length of the article should not exceed 10000 words of typed text (approximately 30 typewritten A4 pages).

Headings

Headings and sub-headings should not be numbered. All headings have to be formatted in bold upper case, and subheadings in bold lower case (for example, using initial capitals and the rest lower case). Sub-sub headings should be in regular lower case. Articles should include: abstract, introduction, identification of a problem, aims of the study, method and sample, measuring instruments, procedure, followed by interpretation and articulation of the results.

A conclusion has to be provided at the end of the article followed by a bibliography and possible annexures (appendices).

Tables

Tables and figures should be applied in the text, as close as possible and relevant to the appropriate explanation. They should be numbered consecutively in Arabic numerals.