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Contents

Editorial <i>Peter K.W. Fong</i>	114
Articles	
The challenges facing the next Chief Executive of Hong Kong in 2022: managing growth, conflict, change and continuity <i>Regina Suk-yea Ip Lau</i>	117
Breaking the cycle of failure in combating corruption in Asian countries <i>Jon S.T. Quah</i>	125
Sovereign wealth funds and corporate social responsibility: a comparison of Norway's Government Pension Fund Global and Abu Dhabi Fund for Development <i>Sivakumar Velayutham and Rashedul Hasan</i>	139
Changing social burden of Japan's three major diseases including Long-term Care due to aging <i>Koki Hirata, Kunichika Matsumoto, Ryo Onishi and Tomonori Hasegawa</i>	152
Impacts of the internet on perceptions of governance at the community level: the case of Jiangqiao Township in Shanghai, China <i>Yili Yao and Xianghong Zhou</i>	165
Evaluation of generic competencies among secondary school leavers from the new academic structure for senior secondary education in Hong Kong <i>Karly O.W. Chan, Maggie K.W. Ng, Joseph C.H. So and Victor C.W. Chan</i>	182
Achieving Sustainable Development Goals of Agenda 2030 in Bangladesh: the crossroad of the governance and performance <i>Md Mizanur Rahman</i>	195
Impacts and challenges of Southern African Development Community's industrialization agenda on Botswana and Tanzania <i>Kezia H. Mkwizu and Gladness L. Monametsi</i>	212

Public Administration and Policy (PAP) – An Asia Pacific Journal has been published online in open access on the Emerald Insight Platform since 2018. PAP now publishes three issues and over twenty articles per year. It is indexed and abstracted by Emerging Sources Citation Index (ESCI), CrossRef, EBSCO Discovery Service, Google Scholar, Health Research Premium Collection (ProQuest), Healthcare Administration Database (ProQuest), ProQuest Central, ProQuest Central Basic (Korea), ProQuest Central Essentials, ProQuest Central Student, Publicly Available Content Database (ProQuest), Summons (ProQuest) and WorldCat. Academics and practitioners in public administration, management, public policy, and related fields are welcomed to contribute papers to PAP.

This second issue of 2021 consists of eight articles covering a wide range of topics in various countries and regions – three comparative papers on Asia, Norway and Abu Dhabi, Botswana and Tanzania respectively, and five papers on Japan, China, Hong Kong and Bangladesh.

The first article of “The challenges facing the next Chief Executive of Hong Kong in 2022: managing growth, conflict, change and continuity” by Regina Suk-ye Ip Lau is developed from a keynote speech delivered during the AGM of Hong Kong Public Administration Association. It outlines the challenges faced by the next Chief Executive – the need to address the economic problems with slow growth; the inability to restructure Hong Kong’s economy to broaden job opportunities and improve upward mobility for young people; and the government’s belated attempt to deploy innovation and technology. It suggests that under “One Country, Two Systems”, the next Chief Executive needs to mediate between the constitutional requirements of the Central Government while preserving Hong Kong SAR’s “high degree of autonomy”, its unique character and lifestyle, as well as managing the continuity and change.

The second article is “Breaking the cycle of failure in combating corruption in Asian countries” by Jon S.T. Quah. Based on comparative evaluation of the effectiveness of the anti-corruption measures adopted by various Asian countries and regions, with illustrations from cases in Singapore, Hong Kong, Taiwan, the Philippines and India, it identifies the five mistakes made by political leaders in combating corruption. (1) Relying on corrupt political leaders to curb corruption; (2) Relying on corrupt police to curb corruption; (3) Relying on many anti-corruption agencies (ACA); (4) Using the ACA as an attack dog against political opponents; and (5) Establishing the ACA as a paper tiger to ensure its failure. It concludes that these mistakes constitute the cycle of failure which must be broken for Asian countries to succeed in fighting corruption.

The third article is “Sovereign wealth fund and corporate social responsibility: a comparison of Norway’s Government Pension Fund Global and Abu Dhabi Fund for Development” by Sivakumar Velayutham and Rashedul Hasan. A case study is employed to investigate the corporate social responsibility (CSR) involvement of two sovereign wealth



funds (SWFs) — Norway’s Government Pension Fund Global and Abu Dhabi Fund for Development. The finding shows that SWFs should not be directly involved in CSR. It proposes that Non-government Organisations, through a competitive funding model, could serve the CSR purpose of SWFs more effectively and bring socio-economic changes in emerging economies.

The fourth article is “Changing social burden of Japan’s three major diseases including Long-term Care due to aging” by Koki Hirata, Kunichika Matsumoto, Ryo Onishi and Tomonori Hasegawa. It analyses the social burden of Japan’s three major diseases — cancer, heart disease, and cerebrovascular diseases, including Long-term Care (LTC) burden by using the Comprehensive-Cost of Illness (C-COI) model. This model consists of five parts — medical direct cost, morbidity cost, mortality cost, formal LTC cost, and informal LTC cost. The article suggests that the burden of informal care should have been included when evaluating the social burden for chronic diseases as it accounted for a significant proportion for LTC cost, especially in super-aging societies like Japan.

The fifth article is “Impacts of the internet on perceptions of governance at the community level: the case of Jiangqiao Township in Shanghai, China” by Yili Yao and Xianghong Zhou. It probes the link between online participation using the internet and its impacts on social capital formation and community development in Jiangqiao, Shanghai. Participation in an online community through the internet was found to foster new social capital. Distributed social capital had a positive impact on perceptions of governance at the community level, which was due to the resulting network density and social trust of the locality. This study offers an expanded perspective on the impact of the internet on the behaviour of netizens in China in the context of community governance in new settlements and townships.

The sixth article is “Evaluation of generic competencies among secondary school leavers from the new academic structure for senior secondary education in Hong Kong” by Karly O.W. Chan, Maggie K.W. Ng, Joseph C.H. So and Victor C.W. Chan. It compares 14 categories of generic competencies among two cohorts of 4,424 secondary school leavers from the old and new academic structures (Cohort 2010 and 2015) in one tertiary institution. In Cohort 2015, significantly higher scores were observed on five areas — global outlook, healthy lifestyle, etc., but significantly lower scores were observed on other five areas — problem solving, critical thinking, leadership, etc. It concludes that dramatic change of the curriculum has not changed the examination culture in Hong Kong which may hinder the development of generic skills.

The seventh article is “Achieving Sustainable Development Goals for Agenda 2030 in Bangladesh: the crossroad of the governance and performance” by Md Mizanur Rahman. It assesses the performance of achieving 84 targets of SDGs by aligning with the initiatives taken by different ministries and divisions in Bangladesh. It found that ambiguous mandates of different ministries and divisions have caused overlapping jurisdiction, followed by conflicts of interest and lack of cohesion. Inaccurate stakeholder analysis, data unavailability, lack of competency and accountability, and a top-down policy approach can be considered as the major institutional bottlenecks in achieving SDGs. It advocates revising the map to incorporate the right stakeholders to avoid erroneous monitoring, evaluation, and finally, inaccurate reporting.

The last article is “Impacts and challenges of Southern African Development Community’s industrialization agenda on Botswana and Tanzania” by Kezia H. Mkwizu and Gladness L. Monametsi. It reveals that while there are promising impacts on policy provisions targeted towards industrialization, there are challenges such as poor policy implementation that, if not addressed, could dampen efforts by policymakers in achieving the goal of industrializing the countries. Governments should ensure equal synergy relations amongst institutions tasked with implementation. Increase investment in research and development and human capital as drivers of innovation are needed for industrialization.

I wish to thank all the authors for contributing their papers to this issue and the reviewers for their critical but constructive comments in helping the authors to improve their papers. Finally, I thank Emerald and our editorial team as well as the members of both Asia Pacific Editorial Board and International Editorial Advisory Board for their contributions in making the successful publication of this issue possible. We hope these papers will enhance the understanding of various issues on public administration and policy across the regions.

Peter K.W. Fong

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About the Editor-in-Chief

Professor Peter K.W. Fong, PhD (New York University), is President of Hong Kong Public Administration Association and Editor-in-Chief of PAP Journal. He teaches strategic management and supervises DBA students' dissertations of University of Wales TSD and lectures Public Policy Values at the Chinese University of Hong Kong. He holds Advisory/Visiting Professorships in Tongji, Tsinghua, Renmin, Tianjin Universities and HK PolyU. He is a member of the HK Institute of Planners & the Planning Institute Australia. He was a Teaching Fellow of Judge Business School, University of Cambridge; Director of EMBA programme, HKU Business School; Associate Professor, Department of Urban Planning, HKU; Executive Vice President of City University of Macao; Honorary Professor, China Training Centre for Senior Civil Servants in Beijing; Studies Director, Civil Service Training & Development Institute, HKSAR Government; Visiting Scholar, MIT; and Consultants, the World Bank and Delta Asia Bank. Peter K.W. Fong can be contacted at: fongpeter@netvigator.com

The challenges facing the next Chief Executive of Hong Kong in 2022: managing growth, conflict, change and continuity

Challenges
facing the
next Chief
Executive

117

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Abstract

Purpose – This article outlines the challenges faced by the next Chief Executive of the Hong Kong Special Administrative Region (HKSAR) in 2022 – the need to address economic problems resulting from Hong Kong’s slow growth; its inability to restructure its economy to broaden job opportunities and improve upward mobility for young people; and the government’s belated attempt to deploy innovation and technology.

Design/methodology/approach – This article is based on the author’s in-depth analysis of the current situation and insights on the challenges faced by the next Chief Executive.

Findings – Tensions are inherent in the concept of “One Country, Two Systems”. Back in November 2012, Deputy Director of the Hong Kong and Macao Office Zhang Xiaoming already reminded Hong Kong of the need to manage well three sets of relationships: (1) maintaining the “One Country” principle while preserving the SARs’ “separate systems”; (2) upholding Central Authority while preserving the SARs’ “high degree of autonomy”; and (3) unleashing the economic potential of mainland China while raising the competitiveness of the SARs. These three sets of relationships represent three fundamental difficulties in implementing “One Country, Two Systems”. However, Hong Kong kept ignoring Beijing’s advice and failed to resolve the tension between the mainland and Hong Kong SAR, culminating in the riotous events of 2019, which morphed into a dangerous, anti-China insurgency.

Originality/value – The next Chief Executive needs to mediate between the constitutional requirements of the Central Authority while preserving Hong Kong SAR’s “high degree of autonomy”, its unique character and lifestyle. He or she also needs to deal with continuity and change. Hong Kong cannot stand still, and should not allow itself to be lulled by the “50 years no change” mantra into overlooking the need to move with the times. Much reform needs to be implemented by the next Chief Executive to give people hope, faith in “One Country, Two Systems” and true love of the country.

Keywords Hong Kong, “One Country, Two Systems”, Chief Executive, Challenges

Paper type Viewpoint

Introduction

President Professor Peter Fong and distinguished members of the Hong Kong Public Administration Association, Honourable Guests, Ladies and Gentlemen,

Let me begin by thanking the HKPAA sincerely for inviting me to speak at your AGM. This is a great honour, and I was delighted to accept the invitation extended by Professor Fong.

The topic originally proposed by Professor Fong was “How can the next Chief Executive lead Hong Kong to re-establish its prosperity and stability?”

I have re-tweaked the title to highlight the specific challenges faced by the next Chief Executive, namely the need to re-invigorate growth, resolve conflict, and manage change and continuity.



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This article is based on a keynote speech I delivered at the AGM of Hong Kong Public Administration Association held on 24 June 2021 at Lingnan Club, Central, Hong Kong.

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I re-tweaked the title because Professor Fong's suggestion reminded me of what one of my bosses said to me when I was a small potato toiling at Lower Albert Road, some 45 years ago. He said to me, on taking over a new schedule of responsibilities – "If you are not completely confused by now, you don't begin to understand the problems."

Similar advice can be given to next Chief Executive hopefuls – "If you have no clues about the daunting problems facing the next administration, you don't begin to work out the solutions."

Economic growth

The first challenge I want to talk about is economic growth.

For many people, Hong Kong's economy peaked in 1997, when the city was basking in what appeared to be a never-ending boom. Yet soon after the Reunification, we were hit by a number of unprecedented crises – the Asian financial crisis in 1998, which led to a rapid shrivelling of demand for our goods and services and a sharp downturn of our economy. World Bank statistics show that our economy contracted 10.98 percent in 1998. From late 2002 to June 2003, the outbreak of the severe acute respiratory syndrome crippled our economy. As a result, we experienced a long bout of deflation. Large numbers of Hong Kong people suffered severely from the nosedive of home values. Anger was boiling over on the eve of the mass protest on 1 July 2003. Our economy did not resume growth until in 2004.

Hong Kong's growth was halted again by the global financial tsunami in 2008. Thanks to the expansionary measures adopted by China, our economy registered a mild decline of –2.46 percent in 2009. Thereafter, but for a rebound of 6.77 percent in 2010, our economy has been registering slow growth. The economic damage caused by the events of 2019 and the outbreak of Covid-19 is well-known.

Hong Kong's economic turmoil since 1997 drives home our vulnerability as a "small and open economy". The point I want to make is that exogenous shocks apart, the real problem with Hong Kong's economy is that we have no economic strategy. Perhaps it is because we have done too well in the past relying on market forces to drive our economy that we have overlooked the need for the government to play a more decisive role in restructuring our economy and stimulating growth, as many other governments have done.

It is interesting to note that despite the many accolades we had received as "the world's freest economy" and our high competitiveness rankings, in the past 40 years, Hong Kong has been led by few Financial Secretaries who had macroeconomic training. Our status as a colony from 1842 to 1997 means that the prime concern of successive Financial Secretaries was to avoid red ink. As a result, bureaucrats who took up the financial mantle had tended to focus on balancing the books, rather than to steer the economy with a strong hand.

A good example of the SAR Government's amateurish attempt to develop a growth strategy is the six "growth industries" announced by then Chief Executive Donald Tsang in early 2009, after Hong Kong was caught off guard by the global financial tsunami. He named six industries – education services, medical services, testing and certification services, environmental industries, innovation and technology, and cultural and creative industries. No data or arguments were put forward as to why those six were chosen. It was only in response to queries from the Legislative Council (LegCo) that Mr. Tsang announced in October 2009 a raft of measures to support those six industries.

I will not go into detail debating the merits of choosing those six "growth" industries. Suffice it to say that, 11 years later, few of the six industries have registered robust growth or contributed meaningfully to restructuring or recharging our economy. Conceptually speaking, it is wrong to regard "innovation and technology" as a stand-alone economic sector. Innovation and technology are drivers of growth and productivity gains that all sectors require. I am glad that the current administration has finally stopped talking about "innovation and technology" as a free-standing economic sector.

One of the gravest outcomes of the government's inability to intervene in the markets in a timely and effective manner is the "high home price" problem now plaguing Hong Kong. From 2003 to 2020, home prices have shot up 630 percent, from an average of "HK\$2,309 per square foot in March 2003" to an average of "HK\$14,577 per square foot in March 2020", and going up (Midland Realty, 2017; Ricacorp Properties, 2020). Hong Kong's acute housing problems, as manifested by large numbers of residents who live in abject housing units (we have over 90,000 families living in sub-divided cubicles), the ever-lengthening waiting times for public housing applicants, and the inability of large numbers of decent Hong Kong people to own affordable homes – is believed to be the root cause of the anger of many in our society.

The perils of Hong Kong's narrow economy

In 2019, Hong Kong's GDP reached US\$366 billion and its per capita GDP US\$48,713. Having lost the bulk of its manufacturing industries to mainland China since China opened up in 1979, the four key industries in Hong Kong in 2019 were financial services (21 percent of GDP and 7.1 percent of workforce); tourism (3.6 percent of GDP and 6 percent of workforce); trading and logistics (19.8 percent of GDP and 17.5 percent of workforce); and professional and other producer services (11.9 percent of GDP and 14.8 percent of workforce) (Census and Statistics Department, 2021). Without manufacturing, Hong Kong's economic structure is much narrower than that of other Asian economies such as Taiwan, Singapore, Republic of Korea and Thailand. Higher-paid jobs with better career prospects are concentrated in finance and professional services. The narrow economic structure led to a narrowing of job opportunities for young people and reduction of their scope for upward mobility. Statistic shows that salaries for fresh graduates have stagnated – the average was HK\$14,250 in 1997, compared to HK\$14,000 - \$16,000 in 2020 (University Grants Committee, 2003; Hong Kong Baptist University, 2020). Given the 6.3 times increase of home prices since 2003, there are good reasons for young people to be pessimistic about their future and the prospect of ever owning a decent home.

The HKSAR's belated catch-up effort to embrace technology

The economy having flourished without much support from the government, other than providing the necessary infrastructure, a low and simple taxation system and a level playing field, Hong Kong's officials never had a good handle on how to encourage local industries to create more value through innovation and greater use of technology.

Hong Kong officials were so lacking in knowledge of technology and recognition of its importance in upgrading the economy that the government did not create a bureau to take charge of promoting innovation and the use of technology until 2015.

The promotion of innovation of technology has a checkered history in Hong Kong. Mr. Tung Chee-hwa started with a bureau responsible for information technology and broadcasting. In 2002, he merged that bureau with one responsible for trade and industry to form a bureau for commerce, industry and technology. When Mr. Donald Tsang was re-elected as Chief Executive in 2007, he had so little interest in technology that he erased technology from government altogether by retitling the "Bureau for Commerce, Industry and Technology" as "Bureau for Commerce and Economic Development". The re-titling fully manifested how little importance the SAR Government attached to innovation and technology, in sharp contrast with the high importance mainland China attached to technological development.

In recent years, in tandem with our nation's massive strive to move up the technology ladder, our government has poured billions into funding for basic R&D, applied R&D, state key labs, incubation of technology-based enterprises in the Science Park and Cyberport, matching funds for venture capital investments, smart city, and the Hong Kong-Shenzhen Innovation and Technology Park at Lok Ma Chau. Ample funds were also provided to schools

to stimulate interest in STEM. By 2021-22, over HK\$100 billion have been allocated to stimulating innovation and technology, but tech contributions to the economy remain insignificant (Financial Services and the Treasury Bureau, 2021).

What are the prescriptions?

The above account shows that there are major problems with our economy – slow growth, narrow structure, declining competitiveness, widening wealth gap and limited room for upward mobility – which need to be addressed.

Time does not permit me to go into detail about the specific measures that would need to be taken to redress these woes. But clearly the “must do” list of the next administration must include first and foremost, rapid and substantial increase of land and housing supply to provide adequate housing for those without means and affordable housing for all others who want to own decent homes. This would require the government abandoning its “high land price” policy. Even though successive administrations have denied that they have a “high land price” policy, it is undeniable that they have relied heavily on land revenue to pay for mounting government expenditure, and costly public infrastructure projects. The next administration must abandon this heavy reliance on land revenue.

To address the problem of inequality, as manifested by the ever-widening wealth gap, the government would need to adopt more re-distributive measures, by fiscal or other means, to ensure that the fruits of prosperity are shared more evenly.

Finally, to redress the narrowness of our economic structure and hence the limited job opportunities, the government must work closely with its Greater Bay Area partners (the nine leading cities in the Pearl River Delta and Macau) to make full use of the vast resources and market afforded by this economic bloc of 72 million people with a GDP of US\$1,679.50 billion in 2020 (Constitutional and Mainland Affairs Bureau, 2021).

Conflict management

The highly violent and destructive protests which took place in 2019 brought to the fore the underlying tensions, latent violence and insecurity in our society, and the role foreign powers played in turning the protests into an insurrection.

The 2019 protests were radically different from other riots and mass protests that Hong Kong had seen. The Hong Kong Government attributed the 1966 disturbances to social discontent, and set up a City District Officer Scheme to improve communications between the government and the people. The 1967 riots were diagnosed as the overspill of the Cultural Revolution in China. The violence gradually subsided in the absence of support from the mainland. The 2003 mass protests quickly returned to peace after Chief Executive Tung Chee-hwa desisted from pressing ahead with enactment of the national security bill which I championed. The 2019 protests were different.

They started as a protest against a bill that would send fugitives to mainland China, Macau and Taiwan. But with abundant support from external elements, well documented in Nury Vittachi’s *A Secret War in Hong Kong* (2020), the protests became an insurgency. The local administration could have been overthrown but for the enactment of the national security law by the National People’s Congress Standing Committee on 30 June 2020.

The insurgency had arisen because of Hong Kong’s reunification with China. Before 1997, foreign forces used to regard Hong Kong “in a semi-proprietorial way”, in the words of Professor Richard Cullen (2021). For this reason, they refrained from causing trouble in their favourite base for watching and spying on China. The change of flag over Hong Kong, and the rising tide of US-led efforts to contain China, heightened immensely Hong Kong’s security risks.

Doubters of foreign involvement in the 2019 insurgency pointed to the participation of large numbers of Hong Kong residents in the initial “peaceful, rational and non-violent” protests as evidence that the rebellion was home-grown. Western media attributed the protests to Hong Kong people’s rejection of China’s sovereignty over Hong Kong, and declared the “death” of “One Country, Two Systems” in Hong Kong. The western narrative is no doubt biased, but it highlights the tremendous difficulties authorities in Hong Kong have experienced in implementing “One Country, Two Systems” since 1997.

Challenges inherent in the implementation of “One Country, Two Systems”

Accommodating a small but vibrant and ideologically torn society within a civilizational state like China is never an easy task.

Controversies soon arose after the Reunification.

In January 1999, a major controversy arose pertaining to the interpretation of the Basic Law in the case of *NG Ka Ling and Another V. the Director of Immigration* (1999), a case concerning the right of abode of children of Hong Kong permanent residents born outside Hong Kong. The Court of Final Appeal’s judgment against the government raised vexing questions – Can Hong Kong’s judges override “executive-led” government? Does the jurisdiction of the courts of the HKSAR include the power to examine whether the legislative acts of the National People’s Congress Standing Committee are consistent with the Basic Law and, if found inconsistent, the power to declare them invalid? The Court of Final Appeal’s rulings led to the first interpretation of provisions of the Basic Law by the National People’s Congress Standing Committee, which was much deplored by the local legal profession.

Then you have the mass protest against the national security bill in 2003; followed by a long litany of sundry protests by the “pan democrats” in Legislative Council, and their supporters, against many issues pertaining to the nation, such as the protest against national education, the building of the high-speed rail and the “co-location” of facilities in West Kowloon, and the national anthem law, culminating in the mass protests against the fugitive offender bill in 2019.

The Central Government’s position on Hong Kong’s recalcitrance

The Central Government watched with growing concern the recalcitrance on the part of certain section of our community.

On 26 November 2012, after the conclusion of the 18th plenary of the Communist Party of China, Mr. Zhang Xiaoming, then deputy director in the Hong Kong and Macao Office, wrote an article entitled “Enhancing the Implementation of ‘One Country, Two Systems’” (豐富「一國兩制」實踐) (State Council of the People’s Republic of China, 2014). He pointed out that, to maintain a harmonious relationship between the mainland and the SARs, the SAR Government would need to manage “three sets of relationships”, or three inherent tensions in the implementation of “One Country, Two Systems” – namely, (1) Vigorously supporting the “One Country” principle while respecting the differences of the SARs’ separate systems; (2) upholding the authority of the Central Government and safeguarding the SARs’ high degree of autonomy; and (3) leveraging the vast support provided by the motherland while raising the competitiveness of the two SARs.

In early 2013, after Benny Tai Yiu-ting published an article calling for “Occupy Central with Love and Peace” in the *Hong Kong Economic Journal*, senior officials from the Central Government summoned pro-establishment leaders to a meeting in Shenzhen, at which the requirement for the Chief Executive of Hong Kong to be a patriot, among other qualifications, were spelt out.

In June 2014, in the wake of mounting pressure from the “pan democrats” for election of the Chief Executive by universal suffrage, the State Council published the first-ever white paper on The Implementation of “One Country, Two Systems” in Hong Kong (“一國兩制”在香港

特別行政區的實踐)。The White Paper stressed that the Central Government have “complete jurisdiction” (全面管治權) on Hong Kong, and urged “comprehensive and accurate understanding and implementation of the Basic Law (全面準確理解和貫徹 “一國兩制” 方針政策) (State Council of the People’s Republic of China, 2014).

All these steps taken by the Central Government reflect growing concerns about worrisome developments which could wrench Hong Kong from the proper tracks for implementing “One Country, Two Systems” in Hong Kong.

In late 2014, to pressurize the Central Government into accepting election of the Chief Executive by universal suffrage regardless of the provisions of the Basic Law, “Occupy Central” erupted, and paralyzed large swathes of our business districts for 79 days.

In June 2015, the constitutional reform package for the election of the Chief Executive offered by the Central Government on 31 August 2014 was vetoed by the Legislative Council.

On 7 November 2016, the National People’s Congress Standing Committee made an interpretation of Article 104 of the Basic Law concerning the taking of oaths of allegiance, following an oath-taking scandal in the Legislative Council during which six legislators insulted the country and the Chinese people in the course of taking their oaths.

In 2017, after Mrs. Carrie Lam took over as Chief Executive, a semblance of harmony between the government and the “pan democrats” was maintained for a year or so. That semblance was brutally shattered after Mrs. Lam initiated legislation to permit the rendition of fugitive offenders to mainland China, Macau and Taiwan in early 2019. The “pan democrats” resorted to physical violence to prevent bills committee meetings from being held, and starting from 9 June, organized mass protests against the resumption of second reading. The rest is history.

On 30 June 2020, “The Law of the People’s Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region” enacted by the National People’s Congress Standing Committee entered into force in Hong Kong (Hong Kong Special Administrative Region, 2020).

On 11 November 2020, the National People’s Congress Standing Committee made another Decision concerning the qualifications of Members of Hong Kong’s Legislative Council, and disqualified four legislators whose qualification as candidates for the LegCo elections originally scheduled to be held on 6 September was ruled invalid by the HKSAR Government.

On 22 February 2021, Mr. Xia Baolong, Director of the Hong Kong and Macau Office, citing authoritative comments made by Mr. Deng Xiaoping in the last century, put forward “patriots govern Hong Kong” (愛國者治港) as the guiding principle for improving Hong Kong’s electoral system.

On 11 March 2021, the National People’s Congress Standing Committee amended Annex I and Annex II of the Basic law concerning the methods for forming the Chief Executive election committee and the legislature.

On 27 May 2021, the Legislative Council passed the “Improving Electoral System (Consolidated Amendments) Ordinance” 2021. It entered into force on 31 May 2021.

The actions taken by the Central Authorities since June 2020 to fill gaps in our national security laws, lay down strict requirements for the qualifications of Members of the Legislative Council, and reform our electoral rules collectively mark a decisive turning point in Hong Kong’s history as a special administrative region.

These measures restored law and order in Hong Kong, and kept the threats to national security by external forces at bay. The electoral reform ensured political security, in the sense that it ensured that important positions of power would not fall into the hands of those opposed to China and function as the proxies of foreign powers.

They also mark a reset of the Central Government’s policy toward the implementation of “One Country, Two Systems” in Hong Kong. From a largely hands-off approach immediately after the Reunification, to the gentle exhortation in 2012, the open declaration of “overall responsibility” (全面管治權) in 2014, and the direct actions taken in the past year to ensure

that Hong Kong would not go off the rails, clearly signify Beijing's determination to ensure "One Country, Two Systems" is implemented according to the original intent of fostering the unity and rejuvenation of the nation.

From the time Mr. Deng Xiaoping put forward the "One Country, Two Systems" formula, it has been a reunification project. It is a project to promote national unity and foster the rejuvenation of the nation. The message is clearly that espousing our nation is the foundation of our separate systems, and a pre-condition for the continued success of this unique arrangement.

But it should be noted that Mr. Xia Baolong also said that "patriots govern Hong Kong" does not mean that Hong Kong must have only "one (political) colour" (清一色). Hong Kong is a region well known for the confluence of Chinese and western cultures, and the diversity of its society. There will always be room for those raised in Hong Kong's capitalist ideology to contribute to the governance of Hong Kong.

After this major reset, as the chief implementer of "One Country, Two Systems", it will be the responsibility of the next Chief Executive to strengthen Hong Kong's characteristics as an open, diverse and vibrant international city, so that Hong Kong can continue to stand apart from the rest of the nation and contribute to the welfare of the nation in its unique way.

Managing change and continuity

Recently, a political party urged that there be "no change for another 50 years". This mantra was put forward to assuage worries about Hong Kong's separate systems coming to an end in 2047, but it is unrealistic to insist that there be no change.

The reality is Hong Kong's constitutional status has changed on China's resumption of the exercise of sovereignty on 1 July 1997. Hong Kong has become an integral part of China, and the integration process is bound to gather pace in the coming years.

Hong Kong's competitive environment has changed dramatically. The meteoric rise of China as the world's largest trading nation and second largest economy has changed radically Hong Kong's competitive position in the nation and in the world economy. The rise of China's economy has called into question the validity of Hong Kong continued adherence to its old economic model – it is much vaunted "small government, big market", and supposedly "non-interventionist" philosophy.

Hong Kong's political system has also undergone a sea change following the introduction of mass elections in the 1990s. The increase in mass participation in governance has upended the old, "elite consensual" model. The "pan democrats" turned the legislature into a "vetocracy", and wrought great damage to the efficacy of the governance of the executive branch. In the past 24 years, successive administrations have gone through major crises brought by conflicts with the pan dem-dominated legislature, and a near-breakdown in 2019. The next administration needs to bring about a re-equilibrium.

The civil service has been content to remain in the pre-1997 mould of being a pure-play technocracy, in disregard of the constitutional change and the political mission of upholding original intent and purpose of "One Country, Two Systems". Far too many still regard the public service merely as well-paid jobs rather than a career and a mission to serve the country. Far too many are accustomed to working at their old pace, paying heed only to technical rules, regulations and precedents and not moving fast enough to resolve the pressing problems of the moment.

The world is changing fast and we cannot afford to stand still. Much reform is needed, which is why "50 years no change" is not an option. Hong Kong needs to change to keep abreast the times, while maintaining continuity of its unique, separate systems. By that I mean its rule of law, its commitment to clean government, its cultural diversity, staunch protection of rights and freedoms, and its ability to communicate and work with the international community. I believe these are Hong Kong's unique fortes, and it behoves the next Chief Executive to maintain Hong Kong's unique advantages within the framework of "One Country".

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Breaking the cycle of failure in combating corruption in Asian countries

Corruption in
Asian
countries

125

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Abstract

Purpose – The purpose of this paper is to identify the five mistakes made by political leaders in Asian countries in combating corruption. These mistakes constitute the cycle of failure which must be broken for Asian countries to succeed in fighting corruption.

Design/methodology/approach – This paper is based on the comparative evaluation of the effectiveness of the anti-corruption measures adopted by various Asian countries.

Findings – The cycle of failure in combating corruption in Asian countries arises from their governments' reliance on corrupt political leaders and the police, and multiple anti-corruption agencies as attack dogs or paper tigers.

Originality/value – This paper would be of interest to those policymakers, anti-corruption practitioners, and scholars, who are concerned with enhancing the effectiveness of anti-corruption strategies in their countries by breaking the cycle of failure.

Keywords Anti-corruption agencies, Hong Kong, India, the Philippines, Singapore, Taiwan

Paper type Research paper

Introduction

In their seminal article, Schlesinger and Heskett (1991, pp. 17-18) contend that many service companies in the United States “perpetuate a cycle of failure by tolerating high turnover and expecting employee dissatisfaction” which contributes to “continuing deterioration of service quality, managerial headaches, and long-term decreases in sales and profits.” A similar cycle of failure afflicts the anti-corruption strategies in many Asian countries because their political leaders have not learnt from the mistakes they have made in fighting corruption and continue to maintain the status quo by perpetuating the same errors.

As corruption is a serious problem in many Asian countries it is not surprising that their governments have relied on many anti-corruption measures, including anti-corruption agencies (ACAs), to combat corruption during the past seven decades. However, with the exceptions of Singapore and Hong Kong, many Asian countries have lost the war on corruption because their political leaders continue making five mistakes in combating corruption. Consequently, to win the war on corruption these leaders must break the cycle of failure by not repeating these mistakes and implementing instead the best practices employed by Singapore and Hong Kong for minimising corruption (Quah, 2021, pp. 16-20).

However, before analysing the five mistakes, it is necessary to ascertain the perceived extent of public sector corruption in Asian countries by examining their performance on Transparency International's Corruption Perceptions Index (CPI) in 2020 and the World

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Bank's Control of Corruption indicator in 2019. Table 1 shows that the CPI scores of the 27 Asian countries in 2020 range from 85 for Singapore, which is ranked third among 180 countries, to 16 for North Korea, which is ranked 170th. The average CPI score for these Asian countries is 42.7 with only eight countries having CPI scores exceeding 50. Similarly, Table 1 also confirms that Singapore, Hong Kong SAR, Japan, Bhutan, Taiwan, South Korea, Brunei Darussalam and Malaysia are the eight Asian countries with the highest scores and percentile ranks for the Control of Corruption indicator in 2019.

Mistake No. 1: Relying on corrupt political leaders to curb corruption

In terms of fighting corruption, Rotberg (2009, p. 347) believes that leadership can alter corrupt behaviour when political leaders lead by example and enforce impartially a zero tolerance policy for corruption for all elected or appointed officials. Consequently, the first mistake occurs when countries rely on corrupt political leaders to minimise corruption because they “control and exploit everyone and everything for personal gain” and corruption enables them to claim as their own “the fruits of the nation’s labor.” More importantly, corrupt leaders transform the economy into “an instrument of leader wealth creation” and make

Corruption Perceptions Index Rank	Score ^a	Country/Region ^b	Control of Corruption	
			Score	Percentile rank
3 rd	85	Singapore	2.16	99.5
11 th	77	Hong Kong SAR	1.67	92.3
19 th	74	Japan	1.48	89.9
24 th	68	Bhutan	1.62	91.8
28 th	65	Taiwan	1.05	82.7
33 rd	61	South Korea	0.76	76.9
35 th	60	Brunei Darussalam	0.80	78.4
57 th	51	Malaysia	0.25	62.5
75 th	43	Maldives	-0.26	46.2
78 th	42	China	-0.32	43.3
86 th	40	India	-0.23	47.6
86 th	40	Timor-Leste	-0.38	41.3
94 th	38	Sri Lanka	-0.32	44.2
102 nd	37	Indonesia	-0.42	38.0
104 th	36	Thailand	-0.41	39.4
104 th	36	Vietnam	-0.51	34.1
111 th	35	Mongolia	-0.44	37.5
115 th	34	Philippines	-0.57	31.3
117 th	33	Nepal	-0.67	27.4
124 th	31	Pakistan	-0.85	21.2
134 th	29	Lao PDR	-1.06	13.5
137 th	28	Myanmar	-0.63	28.8
142 nd	27	Papua New Guinea	-0.99	16.8
146 th	26	Bangladesh	-0.99	16.3
160 th	21	Cambodia	-1.30	9.6
165 th	19	Afghanistan	-1.40	6.7
170 th	16	North Korea	-1.59	2.9

Table 1.
Performance of 27
Asian countries/regions
on the 2020 Corruption
Perceptions Index and
2019 Control of
Corruption indicator

Notes: ^a The CPI score ranges from 0 (highly corrupt) to 100 (very clean).

^b For inclusion in the CPI, each country/region must have at least three independent surveys of corruption. 180 countries/regions were included in the CPI in 2020 and 215 countries/regions were included in the World Bank's Control of Corruption indicator in 2019.

Sources: Transparency International (2021, pp. 2-3); World Bank (2020).

illegal or immoral practices like election fraud, torture or sexual assault acceptable (Ben-Ghiat, 2020, pp. 12, 144).

To illustrate, among the 10 most corrupt political leaders identified by Transparency International in 2004, three were from Asia: President Mohamed Suharto of Indonesia (ranked first); President Ferdinand Marcos (ranked second) and President Joseph Estrada (ranked 10th) of the Philippines, as shown in Table 2. Corruption was institutionalised in Indonesia during Suharto's administration (1967-1998) and his family members benefited from their monopoly of the import, manufacture and distribution of many products. As corruption became deeply entrenched during Suharto's 31-year rule, his successors have found it difficult to minimise corruption. Corruption in contemporary Indonesia "has got worse, not better" because the "bureaucrats sense that the game is up and this is the last chance for them to gouge all the money they can out of the system" (Loveard, 1999, p. 378).

President Ferdinand Marcos' declaration of martial law on 22 September 1972 resulted in nearly 13 years of authoritarian rule and an exponential increase in corruption. President Marcos, his relatives, and cronies perpetrated the "politics of plunder" by treating "the Philippine treasury as if it were their personal checking account." The large international loans and U.S. foreign assistance packages meant for economic development provided easy opportunities for massive graft by Marcos and his cronies. Consequently, the Philippines lost billions of dollars and became the "basket case of Asia" by the late 1970s (Aquino, 1999, pp. 120-121).

Marcos died in exile in Honolulu on 28 September 1989 and was not punished at all for plundering his country's wealth. In March 2008, the 17-year trial of Imelda Marcos ended with her acquittal on 32 charges of illegally transferring wealth out of the Philippines (*CBC News*, 2008). President Estrada was found guilty of receiving payoffs and kickbacks and sentenced to the maximum term of 40 years' imprisonment on 11 September 2007. However, President Gloria Macapagal-Arroyo pardoned Estrada on 25 October 2007 even though anti-corruption advocates and state prosecutors had advised her not to do so (Quah, 2011, p. 148). The *South China Morning Post* (2007, p. 14) criticised Arroyo for undermining the rule of law and sending the wrong message to officials that "graft and corruption are not serious crimes". Hence, it is not surprising that many Filipinos did not want her to remain in office. A national Pulse Asia survey conducted in October 2007 found that 42 per cent of the respondents believed that President Arroyo was the most corrupt president, followed by Marcos (35 per cent), Estrada (16 per cent), Ramos (5 per cent), and Aquino (1 per cent), as shown in Table 3.

Political leader	Position	Estimates of embezzled funds
Mohamed Suharto	President of Indonesia, 1967-98	US\$ 15 – 35 billion
Ferdinand Marcos	President of Philippines, 1972-86	US\$ 5 – 10 billion
Joseph Estrada	President of Philippines, 1998-2001	US\$70 – 80 million

Source: Hodess (2004, p. 13, Box 1.1).

Table 2.
Estimates of Embezzled Funds by Three Asian Political Leaders

President	Percentage believing that the President was corrupt
Gloria Macapagal-Arroyo	42%
Ferdinand E. Marcos	35%
Joseph E. Estrada	16%
Fidel V. Ramos	5%
Corazon C. Aquino	1%

Source: *GMA News.TV* (2007).

Table 3.
Perceived level of corruption of presidents in the Philippines, 2007

In Taiwan, even though Chen Shui-bian campaigned on an anti-corruption platform in the 2000 presidential election, he and his immediate family succumbed to corruption during his two terms of office as president. After losing his immunity from prosecution on leaving office in May 2008, Chen was accused of embezzlement, bribery, and money laundering. He was sentenced initially to life imprisonment and fined NT\$200 million (US\$6.1 million) by the Taipei District Court on 11 September 2009. However, the Taiwan High Court finally decided on 6 December 2010 to reduce Chen's term of imprisonment to 17.5 years with a fine of NT\$154 million (US\$5.05 million) because the amount embezzled was less than previously found by a lower court (Quah, 2011, pp. 153-155).

Malaysia was afflicted recently by the 1Malaysia Development Berhad (1MDB) scandal, which was described as “the world’s biggest financial scandal” and “largest kleptocracy case” in American history because the United States Department of Justice believed that more than US\$4.5 billion was stolen from 1MDB (Ramesh, 2016). The *Wall Street Journal* reported on 2 July 2015 that Prime Minister Najib Razak had received US\$681 million in his private bank accounts in March 2013 (Wright and Hope, 2019, pp. 341-342). Najib covered up the 1MDB scandal by removing from office the Deputy Prime Minister, four ministers, the Attorney-General, and some junior officials during 2015-2016 to prevent them from exposing evidence of corruption. Jones (2020, p. 67) contends that the most important reason for the 1MDB scandal was Najib’s lack of political will because, as the prime minister and chairman of the 1MDB advisory board, he was also a beneficiary of the embezzlement. Indeed, Najib had blatantly used the 1MDB funds to feather his kleptocratic interests.

After Najib’s government lost the May 2018 general election in Malaysia, the new *Pakatan Harapan* government initiated investigations into the 1MDB scandal. The police raided the Najib family’s apartments on 16-17 May 2018 in Kuala Lumpur and confiscated US\$274 million worth of luxury items, including 567 handbags, 423 watches, 12,000 pieces of jewellery and US\$28 million in cash (Wright and Hope, 2019, p. 406). The Malaysian Anti-Corruption Commission (MACC) officers arrested Najib on 3 July and his wife on 3 October 2018. Najib’s trial began in April 2019 and he was found guilty of seven charges of abuse of power, money laundering and criminal breach of trust and sentenced to 12 years’ imprisonment and fined RM\$210 million (US\$49.38 million) on 28 July 2020 (Kanyakumari, 2020). He has filed an appeal and is out on bail until the appeal is completed.

In South Korea, Lee Myung-bak, who served as president from 2008 to 2013, was first convicted in late 2018 for embezzling 25.2 billion won (US\$22.3 million) and accepting 9.4 billion won (US\$8.3 million) in bribes. The Supreme Court upheld Lee’s conviction and 17-year jail term in November 2020. Lee’s imprisonment means that all four of South Korea’s living former presidents are either imprisoned or have served jail terms on corruption charges (*Straits Times*, 2020). Park Geun-hye, who was president from 2013 to 2017, was sentenced to 24 years’ imprisonment in April 2018 for corruption and abuse of power (*BBC News*, 2018). Former President Chun Doo-hwan was sentenced by the Seoul District Court in August 1996 to death for mutiny, treason and corruption. His successor, former President Roh Tae-woo, was sentenced to 22.5 years imprisonment on similar charges. However, in December 1997, President Kim Young-sam granted amnesty to Chun and Roh after they had been imprisoned for 16 months (Quah, 2011 p. 324).

As leopards cannot change their spots, it is unrealistic to expect corrupt political leaders to behave honestly and govern in the best interests of their citizens and countries. The above examples of the serious damage inflicted on Indonesia, the Philippines, Taiwan, Malaysia and South Korea by their corrupt political leaders confirm the importance of electing competent and honest leaders for political office to minimise corruption in these five countries. Unfortunately, democratic elections in these countries have failed to produce honest political leaders with strong political will to curb corruption. According to K. Shanmugam, Singapore’s Minister for Home Affairs and Law, the “real key” to combating corruption is

“unflinching determination at the top” because “you can have the best rules, the best anti-corruption agency, but if your politicians are corrupt . . . nothing is going to save the system” (quoted in Tepperman, 2016, pp. 117-118).

However, this first mistake is difficult to eradicate in many Asian countries because of the lack of political will and capacity and the criminalisation of politics that enables criminals to compete in elections. For example, 120 (22 per cent) of the 543 Members of Parliament (MPs) elected in 2004 in India had criminal cases involving murder, robbery and rape against them (Chishti, 2009, p. xv). Similarly, 37.8 per cent of town representatives in Taiwan in 1995 had organised crime backgrounds, followed by 26.5 per cent of county and city councillors, and 3 per cent of the national representatives (Quah, 2011, p. 169).

Mistake No. 2: Relying on corrupt police to curb corruption

The second mistake of relying on the corrupt police to curb corruption was made by the British colonial government in its colonies, including Singapore, Hong Kong and India, to mention three examples. Ignoring the “golden rule” of not allowing the police to investigate their “own deviance and crimes” (Punch, 2009, p. 245), the British colonial government in Singapore enacted the Prevention of Corruption Ordinance in December 1937, which made the Anti-Corruption Branch (ACB) of the Criminal Investigation Department of the Singapore Police Force (SPF) responsible for curbing corruption even though the 1879 and 1886 Commissions of Inquiry found that police corruption was rampant in the SPF (Quah, 2011, pp. 216-217).

The British colonial government ignored the findings of both Commissions when it entrusted the ACB with the function of combating corruption. The folly of this decision was exposed by the Opium Hijacking scandal on 27 October 1951, which involved the robbery of 1,800 pounds of opium worth S\$400,000 (US\$133,333) by three police detectives. This triggering event revealed the ACB’s ineffectiveness and resulted in the establishment of the Corrupt Practices Investigation Bureau (CPIB) in Singapore in September 1952 (Quah, 2011, p. 209).

The same pattern of corruption control was also observed in Hong Kong when the British colonial government made the ACB responsible for curbing corruption in 1948 even though there was widespread police corruption. The ACB was upgraded into the Anti-Corruption Office in May 1971 but its inability to minimise police corruption was revealed when a corruption suspect, Chief Superintendent of Police, Peter S. Godber, escaped to Britain on 8 June 1973 to avoid arrest. The resulting public outcry forced Governor Murray MacLehose to establish the Independent Commission Against Corruption (ICAC) in February 1974 (Quah, 2011, pp. 251-253).

Singapore and Hong Kong have succeeded in combating corruption by rejecting the British colonial government’s method of relying on the police for corruption control and relying instead on independent ACAs like the CPIB and ICAC, respectively. This breakthrough in combating corruption was made by Singapore after 15 years (1937-1952) and by Hong Kong after 26 years (1948-1974) (Quah, 2011, pp. 104-105). Unlike Singapore and Hong Kong, India has not learnt this important lesson for the past 58 years because it still relies on the Central Bureau of Investigation (CBI), which was formed in April 1963 as part of the police, and is the lead ACA.

The CBI is a Type B ACA that performs many functions, including combating public sector corruption, curbing economic and violent crimes, fighting cyber and high technology crime, and combating national and transnational organised crime (CBI, 2010, p. iv). However, the CBI’s ineffectiveness is reflected in India’s 86th ranking among 180 countries with a score of 40 on the CPI in 2020 (see Table 1). The CBI is ineffective for two reasons. First, as a police agency, it is hindered by the conflict of interest in curbing the rampant police corruption in

India. Second, the CBI is a paper tiger because it is under-staffed and poorly funded to perform its various functions effectively. The CBI's establishment has increased from 5,886 personnel in 2003 to 7,274 personnel in 2015, but its actual strength varies from 4,623 personnel in 2007 to 5,796 personnel in 2013. This means that the number of vacancies in the CBI has increased from 719 (12.2 per cent) in 2009 to 1,693 (23.3 per cent) in 2015. Arising from the CBI's chronic staff shortage, it has an unfavourable staff-population ratio, which ranges from 1:234,217 in 2005 to 1:228,206 in 2014 (Quah, 2017, pp. 52-53).

In sum, India can only succeed in minimising corruption if it learns from the experiences of Singapore and Hong Kong and replaces the CBI with a new Type A ACA that is independent of the police to avoid the conflict of interest in dealing with police corruption cases and be responsible only for performing anti-corruption functions.

Mistake No. 3: Relying on many ACAs – “Too many cooks spoil the broth”

An ACA is a specialised agency created by a government to minimise corruption in a country. The effectiveness of Singapore's CPIB and Hong Kong's ICAC in combating corruption has resulted in the proliferation of many ACAs in Asian countries. Even though 17 Asian countries have relied on single ACAs like Singapore and Hong Kong, Table 4 shows that seven Asian countries have relied on many ACAs to curb corruption.

Among the seven Asian countries, the Philippines, which currently has five ACAs, holds the record for establishing 21 ACAs during the past 71 years, as shown in Table 5. The proliferation of ACAs in the Philippines is the result of the frequent changes in political leadership because these ACAs are either created or abolished by the incoming president. From May 1950 to January 1966, five ACAs were formed and dissolved with the five changes in political leadership during that period. Similarly, President Marcos established another

Country/Region	Anti-Corruption Agencies
Afghanistan	High Council of Governance, Rule of Law and Anti-Corruption High Office of Oversight and Anti-Corruption Anti-Corruption Justice Centre Civilian Anti-Corruption Prosecution Departments Military Anti-Corruption Prosecution Departments
China	National Supervisory Commission Central Commission for Discipline Inspection Supreme People's Procuratorate National Corruption Prevention Bureau
India	Central Bureau of Investigation Central Vigilance Commission Anti-Corruption Bureaus and State Vigilance Commissions in 28 States
Pakistan	National Accountability Bureau and Regional Offices Federal Investigation Authority
Philippines	Office of the Ombudsman, Special Anti-Graft Court Inter-Agency Anti-Graft Coordinating Council Presidential Commission on Good Government Office of the Deputy Secretary for Legal Affairs
Taiwan	Ministry of Justice Investigation Bureau Agency Against Corruption
Vietnam	Central Steering Committee for Anti-Corruption Government Inspectorate People's Procuracy

Table 4.
Reliance on many
ACAs by seven Asian
countries/regions

Source: Compiled by the author.

Table 5.
Presidential ACAs in
the Philippines,
1950 – present

Anti-Corruption Agency	President	Period
Integrity Board	Quirino	May – November 1950
Presidential Complaints and Action Committee	Magsaysay	December 1953 – July 1958
Presidential Committee on Administrative Performance Efficiency	Garcia	July 1958 – December 1961
Presidential Anti-Graft Committee	Garcia	February 1960 – December 1961
Presidential Anti-Graft Committee	Macapagal	January 1962 – January 1966
Presidential Agency on Reforms and Government Operations	Marcos	January – September 1966
Presidential Complaints and Action Office	Marcos	September 1966 – October 1967
Presidential Agency on Reforms and Government Operations	Marcos	October 1967 – February 1970
Complaints and Investigations Office	Marcos	February 1970 – February 1986
Special Cabinet Committee in Backsliding Office of the Ombudsman	Marcos	October 1973 – February 1986
	Marcos	July 1979 – April 1988
	Aquino	May 1988 – present
<i>Sandiganbayan</i> (Special Anti-Graft Court)	Marcos	July 1979 – present
Presidential Commission on Good Government	Aquino	February 1986 – present
Presidential Committee on Ethics and Accountability	Aquino	February 1986 – May 1988
Presidential Commission Against Graft and Corruption	Ramos	February 1994 – June 2000
Inter-Agency Anti-Graft Coordinating Council	Estrada	August 1999 – present
Presidential Committee on Effective Governance	Estrada	October 1999 – April 2001
National Anti-Corruption Commission	Estrada	July 2000 – April 2001
Presidential Anti-Graft Commission	Arroyo	April 2001- November 2010
Governance Advisory Council	Arroyo	July 2001 – June 2010
Office of the Deputy Secretary for Legal Affairs	Arroyo	November 2010 - present

Sources: Batalla (2001, p. 47; 2015, pp. 55-58) and Oyamada (2005, pp. 100-101).

five ACAs during his 21 years in power because the first three ACAs were ineffective and lasted between eight months and two years (Quah, 1982, pp. 168-169).

The reliance on multiple ACAs has not benefited the Philippines because the proliferation of ACAs has resulted in “duplication, layering and turf wars” (Quimson, 2006, p. 30). Apart from “passing the buck” instead of taking responsibility, there is also no coordination or cooperation among the ACAs, which compete for recognition, personnel and resources because they are under-staffed and poorly funded. These ACAs have overlapping jurisdiction, which diffuses anti-corruption efforts and results in “poor coordination in policy and programme implementation, weak management and wastage of resources” (Oyamada, 2005, p. 99).

Not surprisingly, Co *et al.* (2007, p. 21) have correctly questioned the formation of new ACAs by a new administration without evaluating the effectiveness of the existing ACAs thus:

Each administration created flagship programs and projects, sending the message that the political leadership was doing something against graft and corruption. However, the creation of such commissions and bodies may have been redundant and costly for the government. Although this may not be an efficient way of doing things . . . the creation of these bodies . . . should be examined to ascertain whether or not they contribute to the commission of corruption in the public administrative system. An attendant question one could raise is why a new program needs to be created each time a new administration steps in instead of merely building on past efforts.

In short, political leaders in the Philippines will fail in combating corruption if they do not replace this third mistake of relying on ineffective multiple, overlapping, uncoordinated, poorly staffed, and under-funded ACAs with the establishment of a single independent,

powerful and adequately funded and staffed Type A ACA like the CPIB in Singapore or the ICAC in Hong Kong.

Mistake No. 4: Using the ACA as an attack dog against political opponents

The fourth mistake occurs when a political leader succumbs to the temptation of misusing an existing ACA or creating a new ACA as an attack dog against his or her political opponents instead of fulfilling its primary objective of minimising corruption in the country. This mistake is committed by corrupt political leaders who use ACAs as attack dogs to conduct “witch hunts” to eliminate opposition political party members or punish their own party members who have stepped out of line (Meagher and Volland, 2006, p. 6). Political leaders in many Asian countries have used their ACAs as attack dogs. However, space constraints permit only the analysis of the well-known examples of the Bureau for Anti-Corruption (BAC) and the Anti-Corruption Commission (ACC) in Bangladesh, the CBI in India, and the National Accountability Bureau (NAB) in Pakistan below.

The BAC was originally established by the enactment of the Anti-Corruption Act in 1957 in East Pakistan. It was reorganised and focused on combating corruption after Bangladesh attained independence in March 1971. The BAC was ineffective because it was “riddled with corruption” (Alim, 2005, p. 104). Its Achilles’ heel was its “political face” as it was used by the incumbent government as “a political tool to harass the opposition” (Ahmed, 2006, p. 27). Nearly 200 corruption charges were filed against political leaders and MPs from 1991-2004. After assuming power, the ruling Bangladesh National Party (BNP) government (2001-2006) withdrew the 69 corruption cases filed by the BAC against its ministers, MPs and leaders during the Awami League (AL) government of 1996-2001. In December 2001, the BAC filed corruption charges against former Prime Minister Sheik Hasina and six officials for misappropriating US\$120.69 million in the purchase of eight MIG-29 jet fighter planes from Russia (Ahmed, 2006, p. 27). Thus, the “standard practice” of the ruling party, whether AL or BNP, is to use the BAC to lodge complaints against the previous government, which means that the ruling party is “always immune from prosecution as long as they remain in power” (Ahmed, 2006, p. 28). The BAC was accused of engaging in “political witch-hunts” because it only investigated corruption cases after getting approval from the prime minister’s office (Shah, 2001, p. 44).

The BAC was replaced by the ACC on 21 November 2004 with the enactment of the Anti-Corruption Commission Act of 2004. Unfortunately, the ACC has not learnt from the BAC’s mistakes for two reasons. The most important reason was that the ACC was established in 2004 in response to pressure from foreign donors and civil society representatives and not because of the BNP government’s commitment to curbing corruption in Bangladesh. The BNP government decided to establish the ACC “reluctantly, rather than out of genuine political will” in response to “a combination of civil society demands and pressure from international donors” (Zaman *et al.*, 2006, p. 127). The second reason was the ACC’s unwise decision to rehire many of the BAC’s ineffective personnel, including those who were accused of corruption. Consequently, the ACC inherited the BAC’s baggage “when it sweepingly absorbed its staff without due scrutiny, and therefore sowed the seeds of [the] ACC’s deficit of efficiency and integrity” (Iftekhharuzzaman, 2019) and also the BAC’s 20,000 unsolved cases (Begum and Sakib, 2010, p. 254).

As mentioned above, the CBI is a paper tiger because it is under-staffed and poorly funded to perform its functions. The CBI holds the distinction of being the only Asian Type B ACA that functions as both an attack dog and a paper tiger. The CBI is an attack dog because it has been perceived by the public as “a pliable tool of the ruling [Congress] party and its investigations tend to become cover-up operations for the misdeeds of ministers” (Gill, 1998, p. 238). More recently, the former Central Vigilance Commissioner, N. Vittal (2012, pp. 132-134),

criticised the CBI for lacking independence and credibility because it has become “a football between the party in power and the party in opposition” as the cases initiated by one regime are neutralised by the next.

In the same vein, the CBI was criticised harshly by a Supreme Court Justice, R.M. Lodha, in May 2013 for being a “caged parrot” and “its master’s voice”. He scolded the attorney-general for interfering in the CBI’s investigation of the “Coalgate” scandal involving alleged irregularities in the allocation of coalfield licences to private companies (Colvin and Bhattacharya, 2013). Finally, the late Joginder Singh (1999, p. 301) who was the CBI Director from July 1996 to June 1997, wrote in his memoirs that “nothing ails the CBI except that the top people would like to use the investigations to settle their own score.” He revealed that he was transferred from his position as the CBI Director after 11 months for resisting the pressure exerted by the then Prime Minister I.K. Gujral in the fodder scam case (Singh, 1999, pp. 141, 302). In other words, the CBI has been used by many governments in India as an attack dog against their political opponents.

Governments in Pakistan have formulated anti-corruption laws but it is the political goal of eliminating opposition that has prompted such legislation and subsequent trials for corruption. During the administration of Zia-ul-Haq (1977-1988), politicians from the Pakistan People’s Party (PPP) were put on trial. After 1988, the PPP and Pakistan Muslim League were “engaged in a game of musical chairs in terms of charging the opposition for corruption.” Consequently, the “condemnation of an outgoing government on charges of corruption” became “a typical source of legitimacy” for the new government after General Ayub Khan assumed power through a military coup in 1958 (Waseem, 2002, p. 159).

Following the October 1999 military coup led by General Pervez Musharraf, the NAB was established to curb corruption and enhance the accountability of politicians and officials in Pakistan for their actions. However, in reality, the NAB has targeted politicians and civil servants from previous civilian governments and discredited political opponents and junior government officials (Chêne, 2008, p. 8). The NAB was used as a political tool to erode the military’s opposition by transferring the authority of the Federal Investigation Authority to investigate corruption even though it was better equipped to do so (Crisis Group, 2010, pp. 4-5). According to Transparency International Pakistan (TIP), the NAB lacks operational autonomy because of the government’s reliance on it as a weapon against political opponents. The National Accountability Ordinance of 1999 provides the NAB with operational powers and independence, but in practice, it is not immune from political pressures and has been accused of “being a partisan agency used for political victimisation by the government” (TIP, 2014, pp. 159-160, 166). Furthermore, the stakeholders interviewed by TIP have admitted that political interference has eroded the NAB’s impartiality and its victimisation of political opponents is also confirmed by them and media reports (TIP, 2017, p. 38).

Mistake No. 5: Establishing the ACA as a paper tiger to ensure its failure

The fifth mistake of relying on the ACA as a paper tiger without the required powers and resources reflects the weak political will of a government that is unconcerned with minimising corruption in the country. This mistake usually occurs when the government is compelled by a corruption scandal or pressure from an international donor agency to establish a weak ACA with limited legal powers and inadequate resources as “window dressing” to demonstrate its commitment to combating corruption. ACAs which are paper tigers also lack the capacity to process digital flows of money and identify shell companies as shown in the MACC’s limitations in investigating the 1MDB scandal (Jones, 2020, pp. 68-69).

The reliance on the Office of the Ombudsman (OMB) in the Philippines, the Anti-Corruption and Civil Rights Commission (ACRC) in South Korea, and the Agency Against Corruption (AAC) in Taiwan, as paper tigers in the three countries is analysed below.

The OMB is the lead ACA in the Philippines but it is a paper tiger because it is severely under-staffed and poorly funded even though its budget has increased from US\$12 million in 2005 to US\$38.8 million in 2014 and its personnel has grown from 957 to 1,214 during the same period. The OMB's staff-population ratio has varied from 1:79,883 in 2011 to 1:89,076 in 2008 and its per capita expenditure has increased from US\$0.15 to US\$0.39 during 2005-2014 (Quah, 2017, p. 58). Former Ombudsman Simeon Marcello lamented that the OMB was "designed to fail because of its crippling lack of resources." His comparison of the resources of the OMB with Hong Kong's ICAC in 2004 shows that the OMB's field investigator-bureaucracy ratio of 1:17,045 compares unfavourably with the ICAC's ratio of 1:208. The ICAC's per capita expenditure of US\$12.43 has also exceeded the OMB's per capita expenditure of US\$0.10 by 116 times (Marcelo, 2005, pp. 1, 3). The OMB had 980 vacancies in 2014 as its 1,214 personnel constituted only 55.3 per cent of its established strength of 2,194 positions (OMB, 2015, p. 35).

South Korea is also ineffective in combating corruption because of its reliance on the Korea Independent Commission Against Corruption (KICAC) and its successor, the ACRC. Both ACAs are paper tigers because of their inability to investigate corruption cases and their limited resources. President Kim Dae-jung established the KICAC in January 2002 as a weak replica of Hong Kong's ICAC without investigative powers because the original draft legislation was strongly opposed by the National Assembly, the Public Prosecutor's Office and the National Police Agency as the two latter agencies wanted to perform the anti-corruption function themselves (Quah, 2011, p. 330). The KICAC was a paper tiger that focused on corruption prevention in the public sector instead of investigating corruption cases.

The KICAC's anti-corruption functions were further diluted by President Lee Myung-bak in February 2008 when he merged the KICAC with the Ombudsman and the Administrative Appeals Commission to form the ACRC, ostensibly, to enhance their effectiveness. In reality, the ACRC's creation has blurred its anti-corruption role and accorded lower priority to this objective. More importantly, President Lee's weak political will in curbing corruption is reflected in the marginal increase in the ACRC's per capita expenditure from US\$0.97 to US\$1.15 during 2008-2014 and its highly unfavourable staff-population of 1:108,430 in 2014 (Quah, 2017, p. 37). The ACRC's ineffectiveness is reflected in South Korea's 33rd ranking among 180 countries with a score of 61 on the CPI in 2020 (see Table 1).

The Ministry of Justice Investigation Bureau (MJIB) is the lead ACA in Taiwan, but it is a Type B ACA and a law enforcement agency responsible for the protection of national security and the investigation of these crimes: public corruption, malfeasance, and election fraud; economic crime; drug crime; money laundering; and cybercrime. The MJIB is a national security agency because the investigation of corruption, bribery, and vote-buying constitutes only one of its nine functions (Quah, 2011, p. 183). The AAC was established in July 2011 in Taiwan by President Ma Jing-jeou in response to the corruption scandal involving three high court judges and a district prosecutor in July 2010. Ma's decision to create the AAC was to appease public anger over the judicial scandal. However, his decision exacerbated the problem by creating rivalry between the AAC and the MJIB, which had opposed the AAC's formation.

Unlike the MJIB, the AAC is a Type A ACA responsible for formulating corruption-control policies, anti-corruption education, corruption prevention, and investigating corruption cases in Taiwan. But the AAC has not realised its potential as an effective Type A ACA from its inception in July 2011 because it was created as a paper tiger without sufficient budget and personnel to perform its functions effectively. Corruption remains a chronic problem in Taiwan as its CPI scores have fluctuated between 61 and 65 from 2012 to 2020. Taiwan's anti-corruption strategy is irrational because the MJIB has been given a larger budget and more personnel than the AAC to combat corruption even though the former is the national security

agency and a Type B ACA. The MJIB's budget of US\$182.9 million was nearly 13 times larger than the AAC's budget of US\$14.2 million in 2017. Similarly, the MJIB had 2,339 personnel or almost 11 times more than the AAC's 214 personnel in 2017. Thus, the rational solution to Taiwan's impasse in curbing corruption is to change the AAC's status as a paper tiger by making it the only Type A ACA and providing it with the required resources to enable it to perform effectively as an independent watchdog (Quah, 2020).

Conclusion: Breaking the cycle of failure

Table 6 summarises the preceding analysis by comparing the 2014 per capita expenditures, staff-population ratios, and roles of eight ACAs and their countries' CPI scores in 2020. It confirms that the CPIB and ICAC are independent watchdogs and the most effective ACAs in combating corruption as reflected in Singapore's and Hong Kong's CPI scores in 2020. Table 6 also shows that South Korea's ACRC, Taiwan's AAC and Philippines' OMB are paper tigers and less effective than the CPIB and ICAC. Finally, Bangladesh, India and Pakistan have also failed to curb corruption because of their reliance on the ACC, CBI and NAB, respectively, as attack dogs against political opponents. Among the eight ACAs in Table 6, India's CBI is unique because it functions as both a paper tiger and an attack dog.

To break the cycle of failure which has characterised the anti-corruption efforts in many Asian countries for the past 70 years, the political leaders must first recognise that as they are responsible for making the five mistakes in the first place, they also hold the key to ensure that these mistakes are not repeated. Needless to say, the task of breaking this cycle of failure is extremely challenging and requires not only a strong dose of political will and capacity to minimise corruption, which is currently lacking in many Asian countries, but also tremendous public support for a policy of zero tolerance for corruption to succeed.

Nevertheless, the success stories of Singapore and Hong Kong in combating corruption give hope to other Asian countries and demonstrate that honest political leaders who are committed to curbing corruption can break the cycle of failure by relying on the CPIB and ICAC, respectively, to enforce the anti-corruption laws impartially as independent watchdogs

Anti-Corruption Agency	2014 Per capita expenditure	2014 Staff-population ratio	Role of Anti-Corruption Agency	2020 CPI rank & score
ICAC (Type A) Hong Kong	US\$16.59	1:5,333	Independent watchdog	11 th (77)
CPIB (Type A) Singapore	US\$5.36	1:26,682	Independent watchdog	3 rd (85)
ACRC (Type B) South Korea	US\$1.15	1:108,430	Paper tiger	33 rd (61)
AAC (Type A) Taiwan	US\$0.61	1:97,641	Paper tiger	28 th (65)
OMB (Type B) Philippines	US\$0.39	1:81,631	Paper tiger	115 th (34)
CBI (Type B) India	US\$0.05	1:228,206	Paper tiger and attack dog	86 th (40)
ACC (Type A) Bangladesh	US\$0.37	1:127,369	Attack dog	146 th (26)
NAB (Type A) Pakistan	US\$0.11	1:461,442	Attack dog	124 th (31)

Sources: Quah (2017, p. 65) and Transparency International (2021, pp. 2-3).

Table 6.
Comparing the roles
of ACAs in eight
Asian countries/regions

without succumbing to the temptation of using these ACAs as attack dogs or paper tigers (Quah, 2021, p. 20).

Conversely, the plunder wrecked by corrupt political leaders in Indonesia, Malaysia, the Philippines, South Korea and Taiwan, to mention only five examples, confirms that such leaders would perpetuate the cycle of failure to further their own kleptocratic interests with impunity at the expense of their citizens and countries unless they are stopped. In the final analysis, the cycle of failure in combating corruption in Asian countries can only be broken if and when their citizens abhor corrupt leaders and elect honest and competent political leaders who would use ACAs as independent watchdogs instead of abusing the public trust by using ACAs as attack dogs or paper tigers.

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Sovereign wealth funds and corporate social responsibility: a comparison of Norway's Government Pension Fund Global and Abu Dhabi Fund for Development

Sovereign
wealth funds
and CSR

139

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Abstract

Purpose – The purpose of this paper is to critically discuss the participation of sovereign wealth funds (SWFs) in the corporate social responsibility (CSR) programmes. Sovereign wealth funds in emerging economies are often involved in corporate social responsibility. However, the 1 Malaysia Development Berhad (1MDB) scandal illustrates the possible use of SWF as a vehicle for corruption and abuse.

Design/methodology/approach – The primary objective is to develop good governance practices of CSR by SWFs that could limit corrupt practices. A case study approach is adopted to investigate the CSR involvement of two SWFs – Norway's Government Pension Fund Global (GPGF) and Abu Dhabi Fund for Development (ADFD).

Findings – The finding shows that SWFs should not be directly involved in CSR. It is proposed that independent Non-government Organisations (NGOs), through a competitive funding model, could serve the CSR purpose of SWFs more effectively and bring socio-economic changes in emerging economies.

Originality/value – The funding model identifies the expected outcomes, priorities and uses of the funds. The funding committee should also be independent of the Board and transparent in its allocations.

Keywords Sovereign wealth funds, corporate social responsibility, Governance, Accountability, Norway, Abu Dhabi

Paper type Research paper

Introduction

The Special Issue of *Public Administration and Policy* (Quah, 2020) highlights the extensive prevalence of systemic corruption in Asia. Whilst, many cases of corruption follow the frequently used methods of corruption, e.g., bribery, extortion, nepotism, fraud, and embezzlement, the 1 Malaysia Development Berhad (1MDB) scandal stands out because it



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involves the use of sovereign wealth fund (SWF), corporate social responsibility (CSR), and its magnitude. The 1MDB scandal has been termed as “the world’s biggest financial scandal” and “largest kleptocracy case” in the US history because the US Department of Justice believed that more than US\$4.5 billion was stolen from 1MDB (Ramesh, 2016). The 1MDB Malaysian SWF scandal has received global attention as investigations and charges have been filed against various individuals in more than ten countries around the world for money laundering and corruption. In 2015, Malaysia’s then-Prime Minister Najib Razak was accused of channelling over RM2.67 billion (nearly USD700 million) from 1MDB to his bank accounts. Since Najib Razak departed as Prime Minister after losing the 2018 general election, he is facing more than 42 counts of corruption and money laundering charges (Bloomberg, 2019). It was revealed in court that a total of RM42 million from Ihsan Perdana (a CSR entity of 1MDB) made its way into two personal accounts of Najib between December 2014 and February 2015, in three tranches of RM27 million, RM5 million, and RM10 million (Chin, 2019).

Similarly, Velayutham and Hasan (2019) highlighted how a CSR project of Khazanah Nasional was disguised as a Public-Private Partnership to circumvent numerous conflicts of interest in Khazanah transactions. In this case, Khazanah Nasional, a SWF established in 1993 by the Malaysian Government initiated the Malaysian Trust School Program (TSP), a collaboration of Yayasan Amir (a foundation set up by Khazanah) and the Malaysian Ministry of Education to improve the access to quality education in public schools in 2010 (Yayasan Amir, 2017). The programme was funded by Yayasan Amir through Khazanah, other sponsors, and the issue of a Sukuk (Islamic Bonds), and was administered by Leap Ed (a wholly-owned subsidiary of Khazanah) by way of a service agreement with Yayasan Amir.

While CSR, as illustrated by the 1MDB and Khazanah Nasional cases above, is frequently a significant activity of SWFs and has been used to circumvent governance mechanisms for corruption purposes, it has received very little attention in the SWF governance literature. Such literature has mainly focussed on SWF investments in companies of target countries driven by politicians depicting SWFs as big, hostile, and uncontrollable (Gelpert, 2011). The outcome of the pressure was the development of the “Sovereign Wealth Funds: Generally Accepted Principles and Practices - Santiago Principles” (International Working Group of Sovereign Wealth Funds (IWG-SWF), 2008), the voluntary code of practice for SWFs. Since the impetus for the code was pressure from target countries, it mainly addressed their concerns. However, as highlighted by Gelpert (2011) as well as Gilson and Mailhaupt (2007), regulation of SWFs should focus on their activities in the host country as much as their activities in target countries.

This paper seeks to evaluate the CSR activities of two major SWFs with extensive CSR activities - Norway’s Government Pension Fund Global (GPF), and Abu Dhabi Fund for Development (ADFD). The GPF is the largest SWF in the world; and the sister organisation of ADFD, the Abu Dhabi Investment Authority is the third largest SWF in the world. Both funds were set up to manage the oil wealth of the two states. Whilst they have many similarities, they are also very different in how the two countries are governed – in the case of Norway, a democracy, and Abu Dhabi an absolute monarchy.

The rest of the paper is organised as follows. The next section defines SWFs and provides a brief literature review of the governance of SWFs. Then, it reviews the CSR literature and documents the CSR activities of several SWFs around the world. The last section evaluates the CSR activities and their governance of CSR activities, identifying best practices, ended with concluding remarks.

Regulation of sovereign wealth funds

The Sovereign Wealth Funds: Generally Accepted Principles and Practices define SWFs as “special purpose investment funds or arrangements that are owned by the general government” (IWG-SWF, 2008, p.3). The definition explicitly excludes “foreign currency

reserve assets held by monetary authorities for the traditional balance of payments or monetary policy purposes, state-owned enterprises (SOEs) in the traditional sense, government-employee pension funds, or assets managed for the benefit of individuals” (IWG-SWF, 2008, p.3). These investment vehicles are usually funded by commodity export revenues or the transfer of assets directly from official foreign exchange reserves. In some cases, government budget surpluses and pension surpluses have also been transferred into SWFs (Butt *et al.*, 2008). More recently, however, many SWFs have resorted to debt to help finance their investment activities (Bertoni and Lugo, 2017).

Al Hassan *et al.* (2013) have identified five types of funds based on their objectives, namely:

1. stabilisation funds – set up to insulate the budget and economy from commodity price volatility and external shocks (e.g., Chile’s Economic and Social Stabilization Fund)
2. savings fund – set up to share wealth across generations by transforming non-renewable assets into diversified financial assets (e.g., Abu Dhabi Investment Authority)
3. development fund – established to allocate resources to priority socio-economic projects, usually infrastructure (e.g., UAE’s Mubadala)
4. pension reserve funds – set up to meet identified outflows in the future concerning pension-related contingent-type liabilities on the government’s balance sheet (e.g., Malaysia’s KWAP)
5. reserve investment corporations – to reduce the negative carry costs of holding reserves or to earn a higher return on ample reserves, while the assets in the funds are still counted as reserves (e.g., China, South Korea, and Singapore)

The first state SWF was established in 1953 by Kuwait and started as an operation to manage the country’s oil revenue surpluses through a London office. In 1983, it was officially established as a public government entity called the Kuwait Investment Authority (KIA) (Alhashel, 2015). Today there are more than 89 SWFs managing assets worth more than US\$8.4 trillion (Sovereign Wealth Fund Institute, 2019). Currently, the largest SWF is the Norway Government Pension Fund Global with total assets of about US\$1.2 trillion.

The growing number of assets managed by SWFs has caught increasing worldwide attention. Such prominence has brought a host of ethical and social issues, ranging from the responsibility to balance between the interests of different stakeholders who might sometimes be conflicting to intergenerational competition for resources (Bischoff and Wood, 2019).

Early calls for regulation of SWFs were mainly from host countries of SWF investments. The first calls started in early 2000 when the Dubai Ports World (DPW), a state-owned entity was supposed to manage six US ports as a result of its acquisition of a British company (US Department of Treasury, 2006), and the China National Offshore Oil Corporation (CNOOC) bid for the US oil company Unocal (Knowledge@Wharton, 2005). These outcries have been accompanied by demands for significant regulation of SWFs in target countries and greater transparency on the part of the SWFs.

Gilson and Mailhaupt (2007) note that the controversy regarding the SWF equity investments that allow them to become significant controllers of the firm is a bit exaggerated. Rose (2009) argues that if SWFs wanted to make their investments politically driven instead of economically driven, there are various regulatory, economic, and political effects mitigating such risks. Rose further asserts that the US does not need more regulation but rather continued vigilance to protect the US from any possible political threats from SWFs. The argument against additional or excessive regulation is further supported by Santiso and Avendano (2010), Bahgat (2008), and Epstein and Rose (2009).

The SWFs, however, had to respond to the pressure. In 2008, to address these concerns, a joint effort between the International Monetary Fund (IMF) and the “International Working Group of Sovereign Wealth Funds (IWG-SWF)” was formed. This collaboration represents the coming together of 14 principle funds including some of the largest, such as GIC Private Limited and Abu Dhabi Investment Authority, drafted the 24 Santiago Principles, to set out common international standards regarding transparency, independence, and governance which SWFs might follow (IWG-SWF, 2008). These were made public after being presented to the IMF International Monetary Financial Committee on 11 October, 2008. Behrendt (2011a) found that the implementation of the Santiago Principles remains fragmented with a compliance rate between 50 and 60 percent.

The activities of SWFs are as controversial in the host country as much as target countries and hence regulation of SWFs should focus on their activities in the host country as much as their activities in target countries (Gelpern, 2011; Gilson and Mailhaupt, 2007). For example, the 1982 law that established the Kuwait Investment Authority (KIA) prohibits disclosure to the public of any information related to KIA’s work, including the value of its assets under management. The Iraq invasion of Kuwait and the subsequent reconstitution of a new parliament led to the disclosure of massive asset losses within KIA due to corruption and theft leading to the promulgation of a new law requiring KIA to report to the parliament twice a year on all significant state investments (Murphy, 1993).

Gilson and Mailhaupt (2007) argue that the controversies of regulating SWFs are caused by the friction of two concepts, state capitalism and market capitalism. Market capitalism is defined by minimal government intervention in the economy and by individual firms whose objective is to maximise their value. On the other hand, state capitalism is concerned with maximising the value of a country’s economy as a whole and is characterised by a government that has a significant role in the economy. Frequently the management of SWFs has attempted to exploit the flexibility provided by each governance mechanism to minimise scrutiny.

Gelpern (2011) argues that transnational hybrids such as SWFs face a four-fold challenge: they are accountable to constituencies at home and abroad; to the public at large; and a narrower set of stakeholders defined by their organisational form and business practices. Based on the above, Gelpern (2011) identifies four dimensions or axis of accountability: (a) internal public accountability – achieved within the political system of the capital-exporting state; (b) private internal accountability – SWFs’ duties to a subset of shareholders, creditors, or other stakeholders, which stem predominantly from their charters and contracts; (c) external public accountability – duty of state-owned funds to adhere to international norms; and (d) private external accountability – describes SWFs as subjects of host country laws and norms applicable to private market participants. This study focuses on the internal public accountability of SWFs.

This section begins by defining the concept of the sovereign wealth funds (SWFs). The authors have classified various sources of SWFs and provided a brief historical overview of SWF development. It is important to explore the origin, purpose and development of SWFs before identifying the limitations restricting the potential of such a development fund’s contribution to economic development. Critical review of past studies reveals a lack of regulation of SWFs in host countries. Such trend is prominent in either oil-rich monarchy, e.g., Kuwait, Abu Dhabi, Qatar; autocracies, e.g. Russia and China; and democracies dominated by a single political party, e.g. Singapore and Malaysia (Behrendt, 2011b). Scrutiny of SWFs is also frequently depicted by politicians in the host as undermining national champions (Velayutham, 2016). Therefore, this study contributes to the literature by examining the CSR aspect inherent in the SWF. The next section will explore the theoretical and practical aspects of the CSR model of SWFs to cater to the socio-economic issues eminent in emerging economies.

Corporate social responsibility of sovereign wealth funds

CSR has always been a controversial topic with arguments for and against it (Carroll and Shabana, 2010). The case against CSR frequently begins with the classical economic argument made by Milton Friedman in the late 1970s, i.e., management has one responsibility, and that is to maximise the profits of its owners or shareholders. Friedman (1970) argued that social issues are not the concern of business people and that these problems should be resolved by either the unfettered workings of the free market system; or if the free market cannot solve the social problems, it falls upon government and legislation to do the job. He also observes that business is not the best institution equipped to handle social activities. It is also pointed out that shareholders, rather than managers, should be the right decision-makers on social activities.

The agency view makes the case that investment in CSR is simply a representation of agency problems within the firm and would be value-destroying. Bénabou and Tirole (2010) argue that in cases where CSR is initiated by management, it comes at a cost to corporations. Masulis and Reza (2014) found that a high percentage of firms contribute to charitable organisations affiliated in some manner with the CEO. They found several instances where CSR appears to benefit the CEO in some ways, and thus that corporate philanthropy is not just a way to maximise the firm's value; agency problems between managers and shareholders come into play. The above supports the argument of Behrendt (2011b) that SWFs managed by authoritarian governments are distinguished by a lack of public oversight and are instead tightly controlled by the current political leadership, and this allows governments more flexibility in using financial assets to pursue immediate political agendas.

Arguments in favour of CSR are based on the belief that it is in a business's long-term self-interest to be socially responsible. The standard explanation for why company invests in CSR is that doing so enhances profitability and its company value; a relationship often referred to as "doing well by doing good" (Dowell *et al.*, 2000; Orlitzky *et al.*, 2003; Renneboog *et al.*, 2008a; Renneboog *et al.*, 2011; Krueger, 2015). Other studies consider the inverse, that is, "doing good by doing well," by examining whether it is only well-performing firms that can afford to invest in CSR (Hong *et al.*, 2012). The third argument in favour of CSR is that it will ward off government regulation. Liang and Renneboog (2017), for example, found that there is a strong link between firm-level CSR and country-level legal origin, which may help explain cross-country variation in CSR.

CSR focuses on the way firms conduct business, whereas Socially Responsible Investing (SRI) encompasses the judgment of potential investments on specific social and ethical criteria in portfolio management. If more and more funds adopt SRI practices, it is argued that this will put pressure on firms to incorporate CSR into decision-making (Sparkes and Cowton, 2004). SRI becomes relevant in the screening of investments, where managers evaluate possible target firms on whether they adhere to specific CSR standards (Renneboog *et al.*, 2008b).

The prominence of SWFs in their home country requires them to maintain their legitimacy in both the home countries as well as investment destination countries. To maintain their legitimacy, they have frequently embarked on CSR activities and socially responsible investments. A review of the top ten SWFs (Sovereign Wealth Fund Institute, 2019) found that only one is located in Europe (Norway Government Pension Fund Global (Norway GPF)) and the rest are located in Asia or the Middle East. SRI has not been a significant issue or concern in Asia or the Middle East, and hence only Norway GPF has clear policies on SRI. The other top ten SWFs have no clear statement on SRI but rather have extensive statements on their CSR activities.

The other top SWFs reports mainly focus on their CSR activities. The Kuwait Investment Authority's (KIA) (the oldest and fourth-biggest SWF) main CSR program

involves training programs predominantly for locals but also regional capacity development. These mainly include MBA scholarships, and the IMF Middle East Centre for Economics and Finance (Kuwait Investment Authority, 2019). The China Investment Corporation (CIC), the second biggest SWF is involved in various poverty eradication efforts in various provinces in China (China Investment Corporation, 2018). In the case of the Abu Dhabi Investment Authority (ADIA) the third-largest fund, there is little information on its CSR activities. However, the Abu Dhabi government has established a separate Abu Dhabi Fund for Development with a mission to help developing countries to achieve sustainable economic growth and reduce poverty. It does this by providing concessionary financial resources in the form of loans.

Closer to Malaysia, Singapore owned SWF, Temasek Holdings has established the Temasek Foundation to deliver community programs in Singapore and Temasek Trust to provide governance and financial oversight for the endowment beneficiaries. Another Singapore owned SWF, the Government Investment Corporation also the sixth-largest SWF has funded several CSR projects like the Sparks and Smiles and the Purple Symphony.

CSR by Norway's GPF and Abu Dhabi's ADFD

The problem of CSR by SWFs is similar to the controversies of regulating SWFs which is caused by the friction of two concepts, public governance and corporate governance. The merits of public governance and corporate governance have been discussed extensively, and each has been ascendant at different times (Benz and Frey, 2007; Hirigoen and Laouer, 2013). In the early 1980s, the New Public Management literature advocated the adoption of the market and corporate practices by government entities (Gruening, 2001). These practices were first adopted in the United Kingdom under Prime Minister Margaret Thatcher and in the municipal governments in the US (e.g., Sunnyvale, California) that had suffered heavily from economic recession and tax revolts. The significant characteristics included privatisation and competition in public service provision, customer focus, decentralisation and the separation of funding and provision of services (Stewart and Walsh, 1992; Borins, 1995; Boston *et al.*, 1996).

Following the global financial crisis, Benz and Frey (2007) argue that corporate governance can learn from public governance. Institutions devised to control and discipline the behaviour of executives in the political sphere which can give new insights on how to improve the governance of firms. Hirigoen and Laouer (2013) argue that there is a convergence of corporate and public governance. The difference between public and corporate governance stems from the objectives of each. The objectives of corporate governance are particular and measurable, i.e. shareholder wealth maximisation (Friedman, 1970); in contrast to the objectives of public governance which is more nebulous and therefore has no precise measurement, i.e., public wellbeing. Because the corporate governance objectives are more specific and measurable, the executive is given more freedom to achieve the objectives; in contrast, public governance has mainly been about control. Light (1993) points out that this term has long been narrowly defined as "limit[ing] bureaucratic discretion through compliance with tightly drawn rules and regulations" (p.12).

As pointed out earlier SWFs are hybrids and hence appear to frequently not having such clear objectives because they are controlled by the state and funded from public funds, but with freedom of corporates, hence SWFs becoming a significant preference of autocratic regimes, providing them with considerable scope for corruption and abuse. SWFs should be responsible for investing in tax-payers funds effectively, and the returns on the investment should be returned to the government for allocation to public interest projects which do not seem to happen in many countries with SWFs.

Government Pension Fund Global (GPF)

The GPF was established in 1990 through an Act of parliament to shield the economy from ups and downs in oil revenue. It also serves as a financial reserve and as a long-term savings plan so that both current and future generations get to benefit from the oil wealth. Whilst, the first money was transferred in 1996, it grew rapidly to become the world's largest SWF with total assets of US\$1.2 trillion. The fund is managed by the Norges Bank Investment Management. The GPF does not have CSR activities but rather practices Responsible Investments, i.e., CSR is subsumed in its investment practices. The GPF has seven major sustainable expectations (based on internationally recognised principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises) of all companies it invests (Norges Bank, 2021):

1. Protection of children's rights – companies to respect children's rights in their business operations and supply chains, community interactions and the marketing and use of their products and services;
2. Climate change – companies to pursue sustainable policies and disclose the climate impact of their activities;
3. Water management – effective management of water sustainability and risks;
4. Human rights – respect for human rights in all business activities;
5. Tax transparency – companies to avoid aggressive tax behaviour and be transparent about where they generate economic value;
6. Anti-corruption – companies to identify and manage corruption risk, and to report publicly on their anti-corruption effort;
7. Sustainable use of the ocean – companies to have policies and practices to minimise the degradation of the ocean.

The Fund has detailed published expectations of companies for each of its seven major expectations which is available on its website (<https://www.nbim.no/en/publications/>). All seven documents require companies to:

1. Integrate expectation into policies and strategies;
2. Integrate expectation risk into risk management;
3. Disclose material expectation information;
4. Engage transparently and responsibly on the expectation.

Based on the above expectations, the Ministry of Finance has developed a set of Ethical Guidelines for the observation and exclusion of companies from the Funds Portfolio to be implemented by a Council on Ethics, which is appointed and reports independently to the Ministry of Finance. The role of the Council on Ethics for the Government Pension Fund Global (GPF) is to evaluate whether or not the Fund's investment in specified companies is inconsistent with its Ethical Guidelines. The guidelines contain both product-based exclusion criteria, such as the production of tobacco, coal or certain types of weapons, and conduct-based exclusion criteria, such as corruption, human rights violations, environmental damage and unacceptably high greenhouse gas emissions. The Council consists of five members and is supported by a secretariat. The Council's recommendations on the companies to be excluded are published on the Council's

website including the reasons for the exclusion (Council on Ethics, 2020). In addition to the above disclosures, Norges Bank also publishes its investment in all the individual companies, allowing scrutiny by the public.

The Abu Dhabi Fund for Development (ADFD)

The Abu Dhabi Fund for Development (ADFD) was established in 1971 to help developing countries to achieve sustainable economic growth and reduce poverty (Abu Dhabi Fund for Development, 2020). To do so it provides concessionary financial resources in the form of sovereign loans. In 2019 for example the fund provided US\$1.2 billion in concessionary loans and US\$235 million in development grants. The fund is administered by a Board of Directors that is responsible for directing and supervising the fund's development and investment activities, including deciding on its lending requests, identifying investments and applying corporate governance.

The ADFD publishes its guidelines on the submission of funding applications, funding eligibility and funding process on its website (<https://www.adfd.ae/english/Pages/Home.aspx>). The ADFD only accepts funding applications from mainly government entities and semi-government entities or private companies with a government guarantee. The application must be for an infrastructure project, e.g., energy, water, transportation, health, housing or education; from a developing country; and the project must fall within the government's developmental priorities, and the project must have a positive socio-economic impact. Also, requests need to be supported by an economic feasibility study and projected cash flows.

The funding process has identified steps that include:

1. Review of application documents
2. Initial assessment
3. Project appraisal
4. Loan approval

The Fund publishes the projects that have been funded including a brief description, the year, and the country. The ADFD Annual report 2019 includes individual projects funded in the year including the amount, the type of funding, e.g., concessionary loans, grants.

Best practices

The two cases illustrate major differences in approach but many similarities in practices that provide a basis for the development of best practices. The major difference is that CSR is subsumed in GPFG's investment policies while CSR is practised separately and independently of its investment policy. A review of SWFs, as well as private companies' practices, would indicate that the second approach is more common because the fund is free to maximise the returns on its investment regardless of the sustainability or ethics of the companies it invests in. CSR from this perspective is used as a means of cleansing its sins or corporate conscience. Also, to practising an investment policy that is based on ethics and sustainability, the Council on Ethics of the GPFG is promoting and facilitating CSR globally through its practice of publishing the names and reasons for companies excluded from its portfolio – a form of naming and shaming companies to encourage them to be more sustainable and ethical, i.e., promoting CSR through investments and negative sanctions.

The review of the CSR activities of GPFG and ADFD also highlights several best practices that should be adopted by SWFs in their CSR activities to minimise conflicts of interest and corruption. First, in GPFG and ADFD, the SWF is separated from the CSR funder or CSR guardian, and the CSR funder does not report to the SWF. As pointed out

earlier in Abu Dhabi, the SWF is the Abu Dhabi Investment Authority, and the CSR arm of Abu Dhabi is the ADFD and both reports independently to the government. In the case of Norway, the SWF is Norway GPFG managed by Norges Bank, and the implementer of its SRI framework is the Council on Ethics, each appointed and reports independently to the Ministry of Finance.

The second characteristic is that they fund CSR projects but do not operate the CSR projects, i.e., they are not directly involved in delivering CSR because the scope for abuse is unlimited. In the case of ADFD, it does not deliver CSR but funds CSR and in the case of the GPFG, it practices Socially Responsible Investments (SRI). Besides, the GPFG does not take controlling stakes in companies but rather small investments. In the case of ADFD its funding can be in the form of investment in companies that play a vital role in stimulating economic growth and creating job opportunities, and development funding through long term development loans with concessionary interest rates. The two organizations also focus on CSR that that is sustainable, i.e., the projects or investment do not require continuous cash infusion as in the case of the Trust School project, but rather self-sustaining and frequently able to return the initial investment which could be used to fund new CSR projects.

The third characteristic is that they have clear criteria for funding. Both ADFD and GPFG have explicitly stated criteria. In the case of ADFD, the application must be for an infrastructure project, e.g., energy, water, transportation; from a developing country; project falls within the government's developmental priorities; and requests need to be supported by an economic feasibility study and projected cash flows. In the case of GPFG, the guidelines for observation and exclusion have explicit statements and targets, e.g., observation or exclusion may be decided for mining companies and power producers which themselves or through entities, they control and derive 30 percent or more of their income from thermal coal (Norwegian Government Security and Service Organisation, 2019).

Fourth, both the GPFG and ADFD have transparent funding or investment process which includes deadlines for applications, assessment and approvals for the ADFD. In the case of the ADFD, it also gets involved in project management through direct supervision. The ADFD fund recipients are expected to provide progress and final reports on how the money was spent and benefits to society. In the case of the GPFG, Norges Bank has published voting principles and guidelines that it practices at company AGMs and in some cases publishes its voting intentions ahead of AGMs.

Fifth, there is a public announcement of the recipients and the amount awarded. The Norway GPFG reports Fund's investments by country, asset class and sector and the individual companies. Similarly, the Council on Ethics reports on all excluded companies in its annual report.

Conclusion

Most SWFs are involved in CSR, but as the 1 Malaysian Development Berhad (1MDB) scandal illustrates that it can also be a vehicle for corruption and abuse. The abuse of CSR has received very little attention in the SWF governance literature because the SWF governance literature has mainly focused on the regulation of foreign direct investments by SWFs. The paper highlights the primary reason for this is that the scrutiny of SWFs has mainly been by countries receiving investments by SWFs and minimal scrutiny at home because many of the SWFs are located in either oil-rich monarchy, e.g., Kuwait, Abu Dhabi, Qatar; autocracies, e.g. Russia and China; and democracies dominated by a single political party, e.g. Singapore and Malaysia (Behrendt, 2011b). Scrutiny of SWFs is also frequently depicted by politicians in a host as undermining national champions.

This paper is based on an in-depth study of CSR involvement of two SWFs - GPF and ADFD seek to develop good governance practices of CSR by SWFs and remedy the deficit in the SWF governance literature. It is recommended that the SWF should be separated from the CSR funder, and the CSR funder should not have primary accountability to the SWF. While SWFs can serve as the funding source for the CSR project, it is recommended that SWFs do not operate the CSR projects to ensure an optimum level of fund utilization. However, CSR projects need to have clear criteria for funding. SWFs also have the responsibility to ensure a transparent funding process preferably through a competitive process. SWFs could improve the transparency of the funding process by making such information publicly accessible. Findings and policy recommendation provided in this study could serve as a guidance mechanism for the regulatory authority. SWFs have a much bigger role to bring positive socio-economic change for emerging economies and the effective use of the CSR function can foster such change through the participation of both government and non-government agencies.

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Changing social burden of Japan's three major diseases including Long-term Care due to aging

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Abstract

Purpose – The purpose of this article is to clarify the social burden of Japan's three major diseases including Long-term Care (LTC) burden.

Design/methodology/approach – A modification of the Cost of Illness (COI)—the Comprehensive-COI (C-COI) was utilized to estimate three major diseases: cancer, heart disease, and cerebrovascular diseases (CVD). The C-COI consists of five parts: medical direct cost, morbidity cost, mortality cost, formal LTC cost and informal LTC cost. The latter was calculated by two approaches: opportunity cost approach (OC) and replacement approach (RA), which assumed that informal caregivers were substituted by paid caregivers.

Findings – The C-COI of cancer, heart disease and CVD in 2017 amounted to 10.5 trillion JPY, 5.2 trillion JPY, and 6.7 trillion JPY, respectively (110 JPY = 1 US\$). The mortality cost was preponderant for cancer (61 percent) and heart disease (47.9 percent); while the informal LTC cost was preponderant for CVD (27.5 percent). The informal LTC cost of the CVD in OC amounted to 1.8 trillion JPY; while the RA amounted to 3.0 trillion JPY.

Social implications – The LTC burden accounted for a significant proportion of the social burden of chronic diseases. The informal care was maintained by unsustainable structures such as the elderly providing care for the elderly. This result can affect health policy decisions.

Originality/value – The C-COI is more appropriate for estimating the social burden of chronic diseases including the LTC burden and can be calculated using governmental statistics.

Keywords Aging, Health economics, Health policy, Long-term Care, Cost of Illness, Japan

Paper type Research paper

Introduction

Japan is the world's most aged nations. In 2017, the percentage of Japanese people at least 65 years old was 27.7 percent, with 13.8 percent at least 75 years old (United Nations, 2019). By 2065, it is forecasted that 38.4 percent of the Japanese population will be at least 65 years old, with 25.5 percent at least 75 years old (National Institute of Population and Social Security Research, 2017).

Aging not only increases the demand for medical care and Long-term Care (LTC) but also is causing a variety of novel and inter-related social phenomena. For example, aging is changing Japan's disease structure (Ministry of Health, Labour and Welfare, 2015): the elderly people are likely to have multiple chronic diseases, which can carry a greater social burden of LTC than acute disease.

In 2000, Japan introduced a public LTC insurance system (Ministry of Health, Labour and Welfare, 2002) in order to socialize the LTC against a background of increased elderly requiring LTC. This in turn reflects a decline in the caring ability of the elderly's families due



to decreasing household members; reduced average housing area due to urbanization; a diminished notion of having to care for elderly parents. Unlike medical insurance (universal health coverage was established in 1961), where patients are hospitalized and receive in-kind benefits, users of the public LTC insurance receive insurance payments without a doctor's diagnosis, via a certification system. Patients (or their families) demanding public LTC insurance services can apply, and the local government will certify, based on the applicant's data and the attending doctor's assessment. Once certified, the applicant can receive subsidies for LTC services. There are seven levels of certification (requiring support 1–2 and requiring LTC 1–5) (Iwagami and Tamiya, 2018). “Requiring support 1” is certified for the mildest, while “requiring LTC 5” is for the most severely disabled. Up to 90 percent of the cost of LTC services is paid by the public LTC insurance, within the predetermined limits of each level.

However, even after the LTC insurance system has become established, the LTC burden on the families is significant. To understand the overall social burden of LTC, it is necessary to consider not only formal care, defined as the provision of services by the public LTC insurance, but also informal care by families.

In addition, the aging of family caregivers is also advancing. According to governmental statistics, in 2016, the proportion of caregivers over 60 years old exceeded two-thirds, and over 70 years exceeded one-third of all caregivers (Ministry of Health, Labour and Welfare, 2020). An apt keyword for today's Japan is: “The elderly providing care for the elderly”. The number of elderly households whose head is over 65 and consisting of only a couple is expected to increase from 6,277 thousand households in 2015 (11.8 percent of all households) to 6,870 thousand households in 2040 (+9.4 percent, 13.5 percent of all households) (National Institute of Population and Social Security Research, 2018). The number of households whose head is over 75 and consisting of only a couple is expected to increase from 2,735 thousand households in 2015 (5.1 percent of all households) to 3,635 thousand households in 2040 (+32.9 percent, 7.2 percent of all households) (National Institute of Population and Social Security Research, 2018). This problem will be getting more serious.

Japan's three major diseases are: cancer, heart disease, and cerebrovascular diseases (CVD), for which a high number of deaths have occurred and have been Japan's three leading causes of death since the 1950s. Each disease is strongly associated with aging. Since the 1980s, cancer has been Japan's preponderant cause of death, which has been consistently increasing. The second leading cause of death is heart disease, which has also been increasing. CVD is the third leading cause, which, since the 1970s has declined from its then top position (Ministry of Health, Labour and Welfare, 2019a).

Since each disease has its characteristics, it is expected that the social burden of various diseases will be structurally different. For example, CVD is a chronic disease with a potentially long clinical course including sequelae, and the deterioration of daily living.

The Global Burden of Diseases (GBD) is a representative international study on the social burden of diseases. The GBD showed that cancer, heart disease, and CVD were in the upper ranks in the ranking of burden of all diseases (World Health Organization, 2018; Murray and Lopez, 1996). However, the calculation method of Disability-adjusted life year (DALY), which is an index of GBD, is complicated and many assumptions must be made (Sayers and Fliedner, 1997). In addition, DALY is estimated as the time lost by patients, so the burden of providing LTC cannot be included. As a result, the social burden of chronic diseases may be underestimated.

The Cost of Illness (COI) (Rice, 1967) is also a method of estimating a disease's social burden, but its approach is different from DALY. The COI method is a relatively simple method to estimate the total cost to be borne by society and has been widely used. It includes the cost of medical care, while excluding the LTC costs, thus underestimating the social burden of chronic diseases.

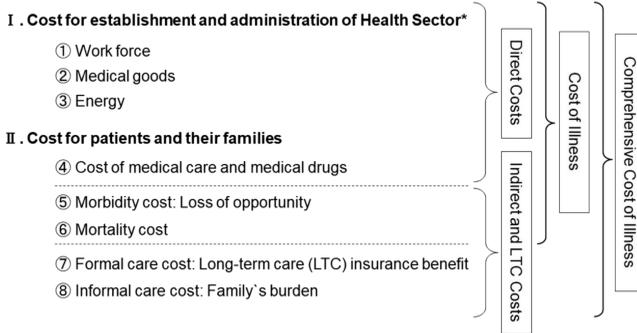
The purpose of this study is to examine and compare the structure of the social burden of the three major diseases, based on realistic assessments of the burden of chronic diseases and including all calculable costs.

Research methodology

The ICD-10 code defines the three major diseases as: Cancer (C00–C97, D00–D09); Heart disease (I01–I02.0, I05–I09, I20–I25, I27, I30–I52); and CVD (I60–I69). The COI proposed by Rice DP, estimates the social burden as monetary value, via direct costs and indirect costs such as lost opportunities to work (Rice, 1967). Although the COI has been criticized (Currie *et al.*, 2000; Drummond, 1992; Shiell *et al.*, 1987), its methodological advantages have been noted (Tarricone, 2006; Rice, 2000; Rice, 1994; Hodgson, 1989). In particular, the social burden can be easily calculated from readily available governmental statistical data, rendering it useful. It has influenced the decision-making of the US government for more than 30 years. Rice stated that the COI has continued to be in demand by health planners and policymakers; she updated her research to estimate the social burden of various diseases (Rice *et al.*, 1985). Kirschstein (2000) reported the COI calculation of major diseases to the US Congress. The studies of COI of tobacco-caused diseases in Medicaid were then used to revise the state laws pertaining to the tobacco industry (Miller *et al.*, 1998; Warner *et al.*, 1999). The COI study of trauma motivated the Centers for Disease Control and Prevention (CDC) to launch a trauma center (Max *et al.*, 1990). Outside the USA, Tarricone (2006) reported that the COI studies were typical in Italy and other countries, and were commonly used by The World Bank, World Health Organization, and the US National Institutes of Health. The COI has also been used to estimate the social burden of various diseases in Japan (Hirata *et al.*, 2019; Hayata *et al.*, 2015; Kitazawa *et al.*, 2015; Matsumoto *et al.*, 2014; Haga *et al.*, 2013). However, the COI does not include the LTC burden. The original COI method was not suitable for comparison of the three major diseases because it could underestimate the burden of CVD, which has the aspect of chronic disease.

In this study the social burden of the three major diseases was estimated using the Comprehensive Cost of Illness (C-COI) method, a revised (and expanded) version of the COI, which includes the social burden of the LTC. The C-COI method was established by our team and has been widely used (Hanaoka *et al.*, 2019; Matsumoto *et al.*, 2017; Matsumoto and Hasegawa, 2019). The advantage of this study is that detailed estimates of the burden of the three major diseases were made using the latest data, while following the method of previous studies. Figure 1 shows the structure of social burden of a disease, broadly divided into the “cost for establishment and administration of health sector” (I), and the “cost for patients and their families” (II). Of these, the “cost for establishment and administration of health sector” excluding that of LTC, and the “cost of medical care and drugs” (④) in the “cost for patients and their families” is included in the Medical Direct cost (MDC). “Morbidity cost” (MbC, ⑤) is the loss of opportunities to work and the labor value due to outpatient visits and hospitalizations. “Mortality cost” (MtC, ⑥) is the loss of labor value due to death from a disease.

The original COI estimates these three components. The C-COI method additionally estimates the LTC cost, which includes the Formal care cost (FCC, ⑦) and the Informal care cost (ICC, ⑧). FCC is defined as the cost of services provided by the public LTC insurance, which can also be expressed as a direct cost of LTC. The ICC is defined as the private burden on the family providing care for elderly, i.e., the family’s labor value lost by caring. In addition, loss of quality of life and mental burden are part of the social burden, but is difficult to estimate and, thus, not included in our study.



*With the introduction of the public LTC insurance, the establishment and administration cost of health sector expanded to include that of the public LTC insurance, which was not included in the original COI. The medical insurance and the public LTC insurance reimbursements cover costs for establishment and administration of each insurance scheme, respectively

Figure 1.
The structure of social burden of a disease

The C-COI is defined as:

$$\text{C-COI} = \text{Medical direct cost(MDC)} + \text{Formal care cost(FCC)} + \text{Morbidity cost(MbC)} \\ + \text{Mortality cost(MtC)} + \text{Informal care cost(ICC)}$$

The C-COI is composed of two direct costs and three indirect costs, for a total of five components. Table 1 illustrates the detailed calculation method. The MDC is calculated from the medical insurance reimbursement data because almost all medical services are covered by Japan's public medical insurance. The FCC is also calculated from the public LTC insurance reimbursement data. The cost for establishment and administration of LTC is included in the LTC reimbursement. The MbC is calculated by multiplying the number of days of outpatient visits or hospitalization by the labor value by gender age group. The labor value includes not only salary income but also the value of domestic work. The calculation assumes that the patient had lost one day of work for hospitalization and half a day for outpatient visits. The MtC is measured as the loss of human capital (human capital method): multiplying the number of deaths from a disease by the lifetime labor value by gender age group. Lifetime labor value is the income that a patient who died from a disease would have earned if he/she had survived to average age, calculated as the present value by accumulating the average income by gender age group. The discount rate for calculating the present value was 2 percent, recommended by Japan's economic valuation guidelines (Fukuda *et al.*, 2013).

Direct cost	
Medical direct cost	Annual medical expenses based on reimbursement data
Formal care cost	Long-term care (LTC) cost covered by the public LTC insurance
Indirect cost	
Morbidity cost	(Total person-days of hospitalization × One day labor-value) + (Total person-days of outpatient × One day labor-value × 1/2)
Informal Care Cost	The number of family caregivers × Average time for care a day × 1-hour labor value per person × 365
Mortality cost	The number of deaths × Life time labor-value per person

Table 1.
The detailed calculation method of the Comprehensive Cost of Illness

The ICC is calculated via two approaches: Opportunity cost approach (OC) and replacement approach (RA).

Opportunity cost approach:

$$ICC_{OC} = \sum NFC_{ij} \times ATCd \times LVh_{ij} \times 365$$

Replacement approach:

$$ICC_{RA} = NFC \times ATCd \times \overline{LVh} \times 365$$

ICC: Informal care cost

NFC: The number of family caregivers

ATCd: Average time for daily care

LVh: 1-hour labor value per person of caregiver

i: Sex, j: Age class

\overline{LVh} : Average wage per hour of professional care workers

OC is based on the family opportunity costs lost for caring for the elderly, calculated by multiplying the time spent on care for the elderly by the labor value of the family caregivers by gender age group. In RA, the average wage per hour of professional care workers was used instead of the labor value of family caregivers.

The C-COI of the three major diseases in 2008, 2011, 2014 and 2017 was calculated respectively. All data are based on governmental statistics: Statistics of Medical Care Activities in Public Health Insurance, Patient Survey, Labour Force Survey, Basic Survey on Wage Structure, Monetary Valuation of Unpaid Work, Vital Statistics, Life Tables, Statistics of Medical Care Activities in Public Health Insurance, Comprehensive Survey of Living Conditions, LTC Insurance Status Report, Survey of Institutions, Establishments for LTC, and Basic Survey on Wage Structure. Due to the availability of statistical data, the LTC costs were replaced with data from a year ago. Whereas the “Patient Survey” for calculating the medical costs was conducted in 2008, 2011, 2014, and 2017; the “Comprehensive Survey of Living Conditions” used for calculating the informal care costs was conducted in 2007, 2010, 2013, and 2016. Therefore, the statistics for the closest available year were used. It was considered that the LTC burden would not change dramatically in the short term. Actually, when checking the data used to estimate the LTC costs, there was a tendency for long-term changes, but the amount of change per year was small.

Research findings

Table 2 displays the results of this study. Figure 2 indicates the time trends of the C-COI for the three major diseases. The line graph is the average age of death for each disease (right axis). Over time, the total C-COI increased in both cancer and heart disease, while almost flat for the CVD. Comparing the composition ratios of the C-COI, the proportion of medical costs was high in cancer and heart disease, with the proportions of LTC costs 2.7 percent–4.5 percent and 10.9 percent–14.2 percent, respectively.

The MDC of cancer and heart disease increased drastically between 2008 and 2014, while the number of patients with both diseases increased only slightly. On the contrary, the MtC of cancer and heart disease had the highest composition ratio, accounting for 61.0 percent–66.9 percent and 47.9 percent–56.6 percent of the total C-COI, respectively. The ratio of MtC in CVD was 20.8–23.6 percent, almost equal to the MDC (20.5 percent–22.7 percent). Thus, the proportion of mortality cost was higher for cancer, heart diseases, and CVD. The number of

	Cancer				Heart diseases				Cerebrovascular diseases			
	2008	2011	2014	2017	2008	2011	2014	2017	2008	2011	2014	2017
The number of patients* (thousand)												
Total	297.8	298.3	300.8	309.8	188.5	192.3	193.9	198.2	319.3	283.8	253.4	231.9
Inpatient	141.4	134.8	129.4	126.1	58.2	58.1	59.9	64	199.4	172.2	159.4	146
Outpatient	156.4	163.5	171.4	183.6	130.3	134.1	133.9	134.2	119.9	111.6	94	85.9
	342,963	357,305	368,103	373,334	181,928	194,926	196,925	204,837	127,023	123,867	114,207	109,880
The number of deaths*												
Average age of death* (years old)	73.4	74.2	75.0	75.8	78.7	79.2	79.7	80.7	78.6	79.4	80.0	79.9
Medical direct cost (billion JPY)	2,227	2,419	2,816	3,169	1,265	1,305	1,514	1,757	1,436	1,367	1,444	1,511
Morbidity cost (billion JPY)	481	475	463	461	158	149	141	199	378	351	322	314
Mortality cost (billion JPY)	5,943	6,450	6,231	6,409	2,184	2,451	2,257	2,473	1,503	1,573	1,352	1,443
Formal care cost (billion JPY)	117	144	146	213	196	191	259	306	1,570	1,652	1,733	1,564
Informal care cost (billion JPY)	126	159	158	255	244	237	291	424	1,730	1,714	1,651	1,832
Comprehensive Cost of illness (billion JPY)	8,894	9,646	9,815	10,505	4,047	4,334	4,461	5,159	6,616	6,658	6,501	6,664

* Based on governmental statistics

Source(s): Compiled from data extracted from e-Stat (2020), including Patient Survey and Vital Statistics

Table 2.
An overview of the results: the Comprehensive Cost of Illness, the number of patients, the number of deaths and average age of death of three major diseases

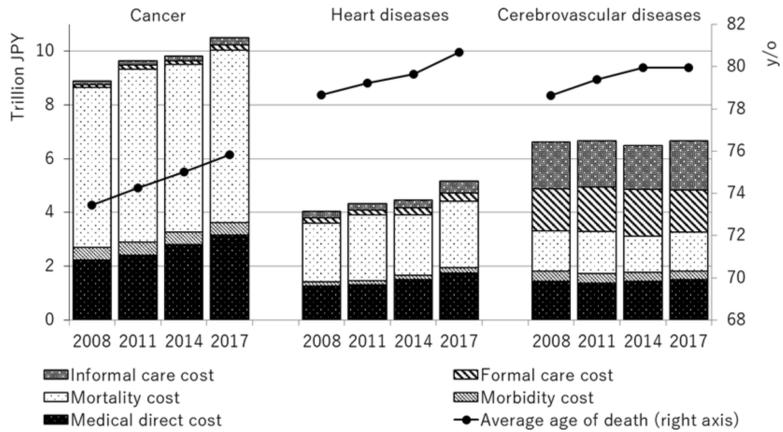


Figure 2.
The time trends of the Comprehensive Cost of Illness for the three major diseases

deaths from each disease was in the same order as MtC. The number of deaths from cancer and heart disease was increasing, while decreasing for the CVD.

The average age of death for cancer was lower than the other two diseases. The average age of death for cancer and heart disease was increasing. The average age of death for CVD was also increasing, although it leveled off in 2017.

The CVD had a higher percentage of LTC costs in the total C-COI compared to the other two diseases. The FCC and the ICC of CVD were almost equivalent. FCC slightly decreased, while ICC, which had been declining, rebounded in 2017.

Figure 3 compares the calculated results of the ICC of CVD using the two approaches. The results of the RA were 1.51–1.61 times that of the OC.

Discussion

In our study, the C-COI method was used to clarify the changes in the total amount and composition of the social burden of Japan’s three major diseases. The total C-COI of cancer

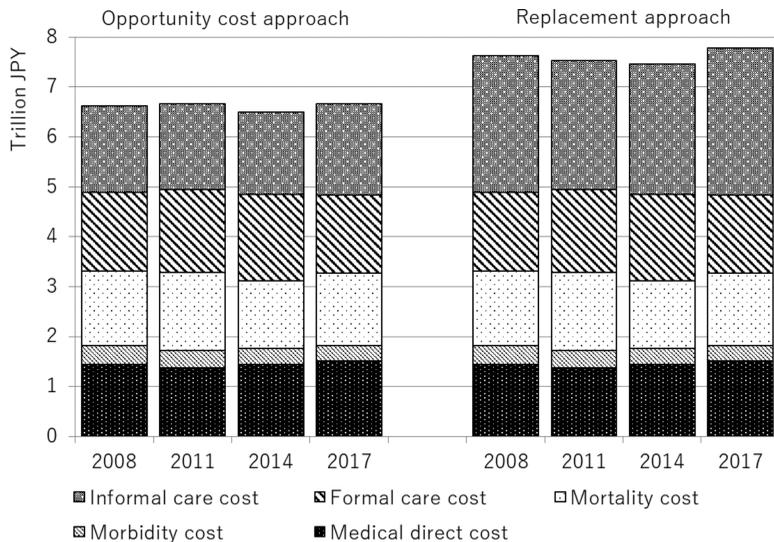


Figure 3.
Comparing the informal care cost of cerebrovascular disease using the two approaches

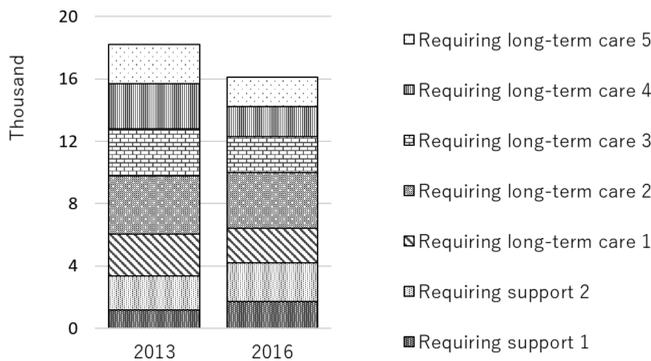
and heart diseases was increasing, primarily due to the increase in MDC. The number of patients with these two diseases increased, but the MDC of these two diseases increased more. It was assumed that aging may have increased the MDC per patient. According to government statistics, the per capita medical expenses for people at least 65 years old, were about four times higher than those under 65 (Ministry of Health, Labour and Welfare, 2019b). It was also pointed out that newly introduced expensive drugs have increased the medical costs for cancer (Dahl, 2016; Pagès *et al.*, 2017). In Japan, there are no regulations limiting expensive medical care or drugs for the elderly. On the contrary, the ratio of MtC in total C-COI was decreasing. The number of deaths from both diseases was increasing, as was the average age of death; and the MtC might be compressed by the aging of patients. The proportion of MtC in cancer, which might be affected by the lower average age of death, was higher than in the other two diseases.

LTC costs for CVD were higher than for the other two diseases. This is because estimating the social burden of chronic disease such as CVD using the original COI method underestimates the true social burden. When discussing chronic disease, it is not enough to evaluate only the medical costs.

In 2016, the FCC, which had been increasing, decreased; while the ICC was increasing. Figure 4 shows the number of people who have been certified by the public LTC insurance system due to CVD, along with their certification levels. Compared to 2013, the total number of certified people dropped, and the level declined generally in 2016. It is suggested that the certification criteria might be more stringent, and the support for people with CVD might have been reduced in 2017. Furthermore, the public LTC insurance system was revised in 2015 to become a sustainable system given the dearth of care resources due to the increase in the number of elderly people. As a result, more conditions have been set for admission to LTC facilities and only people with certification level “requiring LTC 3” or higher can be admitted, basically.

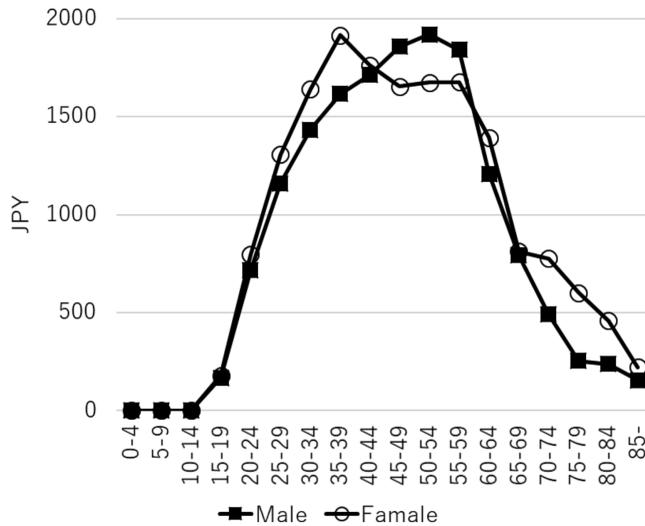
People who are unable to enter LTC facilities may be forced to stay at home. The increased ICC indicates that such people have increased the burden on their families. The introduction of the public LTC insurance system originally socialized the LTC. However, the increase in the demand for LTC due to the increase in the elderly cannot be covered by the public LTC insurance services alone, and the burden on families may increase once again.

The ICC by RA was 1.51–1.61 times the ICC by OC. Figure 5 displays the labor value of Japanese people by gender age group. As mentioned earlier, two-thirds of caregivers were over 60 years old. The labor value of elderly family caregivers is less than the average wage of professional care workers (1,666 JPY /hour) (Ministry of Health, Labour and Welfare, 2020). The amount of burden of care for the elderly does not inherently depend on the age of the



Source: Ministry of Health, Labour and Welfare (2016)

Figure 4. The number of people certified by the public Long-term Care insurance system for cerebrovascular disease, with their certification levels



Sources: Ministry of Health, Labour and Welfare (2017); Cabinet Office (2018)

Figure 5.
The labor value of Japanese people by gender age group

caregiver. On the contrary, as the phrase “the elderly providing care for the elderly” has become common in Japanese society, the care imposes a greater burden on older and fragile families. Nevertheless, as the elderly family caregivers with low labor value have accepted the burden of informal care, the ICC has been apparently compressed in Japan. This situation seems unsustainable.

Considering the present situation, the window of families to accept the LTC burden has decreased. In the near future, informal care will reach its limits and more professional caregivers will be required. Then, the social burden of CVD is assumed to converge on the estimation based on RA.

This study clarified the actual social burden of LTC. The cost of LTC is important in Japan, which is the world’s most aged nations; likewise, similar problems will occur in other countries where rapid aging is expected in the near future. In particular, the burden of informal care is unpaid work, so it is difficult to grasp it. As mentioned above, the problem is becoming more serious. Researchers in other countries have also attempted to estimate informal care cost. Studies of the social burden of the CVD in the US, the UK, Germany, Australia, and the EU found that the proportion of informal care in the total burden was significant (Joo *et al.*, 2014; Heidenreich *et al.*, 2011; Gustavsson *et al.*, 2011; Cadilhac *et al.*, 2009; Saka *et al.*, 2009; Rossnagel *et al.*, 2005; Youman *et al.*, 2003; Hickenbottom *et al.*, 2002). However, the definition of indirect costs varied and no standardized method has been developed yet. Availability of governmental statistics varied among countries, which contributed to the lack of standardized method. Based on the best available governmental statistics, this study provides more detailed estimates than previous studies. For example, the number of people who received informal care, and the average time for daily care were calculated by severity (certification levels of the public LTC insurance), and the sex age group of family caregivers were among the data which are difficult to use in previous studies. Therefore, the lost opportunity cost of family caregivers could be estimated more accurately. This study also suggested that the aging of caregiver compressed the apparent ICC. Previous studies tended to use a small sample for cost calculations (Lopez-Bastida *et al.*, 2012, Dodel *et al.*, 2010, Navarrete-Navarro *et al.*, 2007, Zethraeus *et al.*, 1999) with few studies calculating

the total illness cost including the LTC. The C-COI method advantageously calculated the national total value of the social burden using available governmental statistics.

This study is not free from limitations. The C-COI for the three major diseases in 2008, 2011, 2014 and 2017 was calculated. However, as explained in the section of Research Methodology, the yearly LTC costs were replaced by ones from the previous year. It implies that this study may not correctly reflect the social burden of the three major diseases in Japan. Moreover, the LTC cost estimates didn't cover people who weren't certified for some reasons, such as not knowing the public LTC insurance system, or not having the ability to apply. Therefore, their burden is not included as such information was difficult to assess.

Conclusion

The burdens of Japan's three major diseases differed in total amount and breakdown. It was suggested that the LTC burden should have been included when evaluating the social burden of chronic disease because LTC burden as a percentage of the total social burden of chronic disease was higher than that of acute disease. The C-COI, which includes the LTC burden, could be used to measure the impact on health policy decisions in an aging society where the importance of chronic disease has increased compared to acute disease.

The burden of informal care accounted for a significant percentage of the social burden of LTC; and it was increasing. The current informal care system, including the problem of "the elderly providing care for the elderly," may be unsustainable, and it is possible that informal care may collapse in the near future, shifting the burden to formal care. This finding may give a lesson to policymakers and researchers in countries which will enter the super-aging society following Japan, and to enable them to take action.

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Impacts of the internet on perceptions of governance at the community level: the case of Jiangqiao Township in Shanghai, China

The case of
Jiangqiao
Township in
Shanghai

165

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Abstract

Purpose – The rate of urbanisation in China has accelerated community heterogeneity, and yet it has also led to challenges and problems in community governance. This trend has been accompanied by the rapid expansion of information and communication technology (ICT) and online activities. Based on the example of Jiangqiao Township in Shanghai, this paper aims to probe the link between online participation using the internet and its impacts on social capital formation and community development.

Design/methodology/approach – A literature review was conducted, and a case study method based on quantitative data was applied to test the theoretical framework in the interactions of users' online participation and perceptions of community governance.

Findings – Participation in an online community through the internet was found to foster new social capital. Distributed social capital had a positive impact on perceptions of governance at the community level, which was due to the resulting network density and social trust of the locality.

Originality/value – This study offers an expanded perspective on the impact of the internet on the behaviour of netizens in China in the context of community governance in new settlements and townships. During the COVID-19 pandemic, it is interesting to investigate how the use of mass communication channels, such as the internet and other digital platforms, affects social behaviour and generates new social norms. This study offers quantitative evidence from China to support the theory of Putnam (1993; 1995a). It thus extends beyond the field of sociology to the fields of public administration and urban development.

Keywords Community governance, Social capital, Internet, Social integration, Migration

Paper type Research paper

Introduction

In the past two decades, China's rapid urbanisation has led to many new urban or peri-urban communities and settlements. These emerging communities have experienced rapid population influxes, and they are faced with increasing heterogeneity and fragmentation. Many new residents found themselves living in an unfamiliar urban environment, and they have increasingly experienced social anomy. These trends have become critical issues that have affected community cohesion and its governance. Both local government and residents have experienced dissatisfaction with this situation.

In the past two decades, the internet has become widely available in China. According to the 39th Statistical Report on the Development of China's Internet Network, internet penetration had already reached 53.2 percent by December 2016, and Shanghai had the



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highest penetration rate of 74.1 percent (Cyberspace Administration of China, 2017). Currently, most Chinese residents in urban communities have established new ways of interpersonal communication with their neighbours through using the internet and mobile devices. The internet has created new opportunities for Chinese communities from e-commerce to online learning, and from information exchange to social contacts. Could these online channels also offer new pathways to community development, impact local governance and ease communication and information exchange?

Combining a literature review and a case study approach, this paper uses social capital theory and the improved Baron and Kenny (1986) mediation analysis model to explore the mediating role of social capital in internet participation and community governance. Recommendations are provided at the end of this paper to map the findings of other localities that facing similar challenges. The recommendations include replicating this study in other new towns in similar or divergent local socio-economic contexts to identify alternative policies to increase the effectiveness of community development and governance.

Literature review

Concept and composition of social capital

The concept of social capital originated in the 1970s. Although there has been a variety of definitions, the core of social capital consists of networks, norms and trust. Coleman (1990) argued that social capital consists of three main components: social network, social trust and social participation. Putnam (1995a) proposed that social capital refers to features of social organisation that facilitate coordination and cooperation for mutual benefit. Social capital consists of three components: moral obligations and norms, social values (especially trust) and social networks (especially voluntary associations). Putnam's central thesis (1993) was that if a region has a well-functioning economic system and a high level of political integration, they are the result of the successful accumulation of social capital. He highlighted that norms of reciprocity and networks of civic engagement could promote social trust and that both were highly productive forms of social capital that would enable normative civic communities to solve their problems through collective action and the better promotion of economic prosperity and democratic governance (Yiu *et al.*, 2020).

In the modern world, trust is essential for people when they leave familiar surroundings and move to an urban environment that is dominated by contingency, complexity and risk (Luhmann, 1988). Coleman (1988) believed that in the process of cooperation, people will have two different unintended consequences: either trust will be generated at a higher (macro) level, so that individuals will experience integration value; or lack of trust will lead to estrangement.

Trust is evidently the key currency in social capital. Stable network memberships and repeated community participation promote and strengthen social trust on both micro and macro levels. In measuring community or social trust, the following indicators are used: feeling of comfort or "safety" in sharing thoughts and feelings; discussing mistakes and problems; and being able to count on the "intention" of helpers to help (Amabile *et al.*, 2014).

Community participation is used to measure reciprocity through social behaviour or engagement in collective actions. In this paper, two indicators of community participation are used as follows: (a) sustained social networks, such as maintaining and increasing the number of ongoing relationships, and (b) members' participation in collective actions, such as volunteering or contributing to efforts to resolve public concerns and/or participating in public debates on these public concerns.

The network is the carrier of social capital. Nahapiet and Ghoshal (1998) defined a network as the pattern of interconnections between individuals, which consists of contact, configuration and organisation. Based on the above definition, in measuring the network

and its effects, this paper focuses on the network size, closeness and mode of connection to the internet utilised by individual residents surveyed in Jiangqiao Township.

Internet as a source of social capital formation

Nahapiet and Ghoshal (1998) suggested that social capital would be generated and maintained through continuous communication. Internet-based communities and social connectivity can be regarded as the largest and most extensive social network worldwide (Wellman *et al.*, 2001). Using computers and mobile devices, people develop online social networks that exceed physical borders and share common interests and objectives. Whitty (2002) supported the idea that the internet provides a new opportunity for people to establish intimate relationships. Although there are significant challenges in establishing truly intimate relationships, she argued that if sufficient time was given, people could establish close interpersonal relationships through the internet. Other scholars (McKenna *et al.*, 2002) found that surfing the internet did not mean avoiding real life and real relationships. Instead, they found that individuals used the internet not only to maintain existing relationships, but also to develop new intimate and meaningful relationships that were faster, stronger, deeper, and longer in a relatively threat-free environment.

In previous studies, some researchers revealed that the internet caused a decline in social capital, which was due to the time replacement effect. Their main argument was that the internet had reduced the amount of time spent in interactive communication and social participation, which had hindered the formation of social capital. Putnam (2000) pointed out that the development of modern technologies, such as television and the internet, had made people willing to stay at home rather than participate in social activities, which had led to a gradual decline in American social capital. In a similar study, Kraut *et al.* (1998) found that during the first one to two years of using the internet, both the social participation and the level of mental health of the interviewees decreased.

In contrast, other researchers found evidence that the internet had brought about an increase in social capital. Lin (1999) pointed out that the internet had created new social networks and social relations, which means social capital had not fallen but risen at the individual level. Interestingly, from 1998 to 1999, Kraut *et al.* (1998), who continued to research internet use, evidenced that the negative effects of the internet shown in previous studies had disappeared. On the contrary, the more internet is used, the higher the levels of social participation and mental health prevail.

These research findings indicate that the effects of the internet on social capital formation are complex and multifaceted. The relationship between internet use and social capital is less causal and a more gradual interactive process. With evolution over time, people's original social networks and implied social capital might be broken, and new social networks and social capital may be gradually cultivated.

Community governance and its measures

Bevir (2012) pointed out that governance included all governance processes regardless of whether they were conducted by governments, markets or networks; through a family, tribe, formal or informal organisation or territory; or through laws, regulations, power or language. The difference between governance and government management is that the former pays less attention to state and government activities, and more attention to social activities.

Putnam (1995b) explored the intrinsic link between social capital and community governance, and pointed out that levels of social capital determined the performance of community governance. Therefore, in assessing the effectiveness of governance, two outcome indicators are utilised: first, the improvement of a community's living standard; second, the level of social cohesion of a community as determinants.

In new public management (NPM), the public are considered as “customers”, and the principle of “customer first” is applied to performance management in the public sector, which plays a positive role in improving the quality of public services. Correspondingly, performance evaluation adopts indicators that are subjective measures of public perception which directly reflect the public’s evaluation of the performance of government services. At the community level, “customer satisfaction” is also a yardstick used to measure the fulfilment of community needs. The most intuitive reflection in this regard is the residents’ subjective recognition of the achievements attained by the local government and its affiliates in implementing social governance policies in the community. This has been the basic principle of NPM since its launch in the late 1980s in the Western world and in China at the end of the 1990s (Xu, 2001).

Nevertheless, in assessing community governance based on subjective indicators, the question of reliability or relevance inevitably arises. At present, scholars are affirmative regarding the effectiveness of subjective evaluation and the use of subjective indicators, provided that such measures pay close attention to the selection of appropriate evaluation dimensions, the reliability of measurements, and appropriate evaluation strategies to safeguard the reliability of the findings.

The mediating role of social capital between the internet and community governance

This mediation effect will be reviewed as follows.

The impact of the internet on social capital

1. Amplification of benefits — Internet use can effectively improve network externalities. The benefits of internet use by individuals are proportional to the total number of internet users. In offline life, transaction costs in developing new relationships tend to increase due to limitations of time and energy. The transaction costs, on the other hand, of establishing and maintaining social networks could be greatly reduced because of network externalities.
2. Impact on trust — Modern information technology is an enabler in generating, recording and spreading the reputation of online personae. The transaction costs of a network reputation are far lower than those of real life. A network reputation can be comprehensive, transparent and fair, especially when the members of the social circle also interact with each other offline. This feature of the internet could solve the problem of trust in network communication if effective internet governance mechanisms existed.
3. Impact on social participation — The internet enables a stable exchange of repeated information. When a virtual community and a real community overlap and develop, people’s desire for acceptance and belongingness by the group tends to grow, according to Maslow’s needs hierarchy (1943). At this moment, it is possible to witness that private norms and rules emerge within a specific virtual community to consolidate the connectedness of its members, thus moving both private goods and public goods to members living in that community from online to offline.

Impact of internet connectivity on community governance

1. Enabling effect — The internet can effectively increase network density and continuously improve the network landscape to form lasting and functional community networks. These interconnected networks could increase the frequency of transactions regarding community governance. Optimising community networks

and attracting the participation of multiple stakeholders in the community could increase the transparency of community governance, solve the problem of information asymmetry, and reduce transaction costs in the process of community governance.

Impact of social capital on community governance

1. Trust as an enabling factor — Trust enables multiple stakeholders in the community to predict the behaviour of other parties, thus making actors feel secure in sharing resources and communicating with each other based on mutual trust. Such predictability also alleviates the problems of benefit sharing and risk in community governance, and it effectively avoids opportunism and “free ride” behaviour.
2. Impact of social capital on community participation in community governance — The reciprocity norm consists of an effective commitment between multiple stakeholders, which can also encourage their participation in community public affairs, thus reducing the transaction costs of community governance. Moreover, community participation must be based on voluntary and equitable cooperation with the coordination and consent of diverse stakeholders in the community, leading to implicit and endogenous community norms. However, such norms tend to be unstable. This instability promotes the active innovation of community governance.

Research methodology and hypotheses

A multi-stage random sampling method was used to collect users’ data on the internet and internet usage, social networking activities, and customers’ feedback concerning perceptions of community services and their willingness to engage in local affairs. These data were analysed to identify the mediating effects of social capital. The following conceptualisation was developed to examine the cause-and-effect relationship between the variables (Figure 1).

The following hypotheses were formulated:

- H1.* The use of the internet and the internet increase the social capital of residents in their communities.
- H2.* Increasing the social capital of community residents has a positive effect on community governance.
- H3.* The use of the internet and the internet have positive effects on community governance, which is achieved through mediation by social capital.

The data analysis was conducted based on the mediation effect model developed by Wen and Ye (2014). This model is used to examine the process and mechanisms by which the independent variables influence the (non-observable) mediator variable, which then influences the dependent variable. Compared with similar research that analysed the

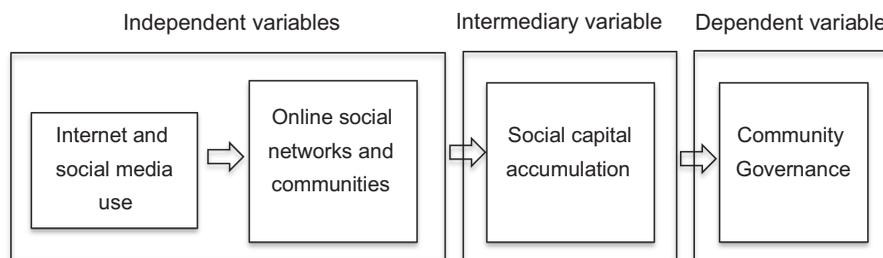


Figure 1.
The research design
and variables

influence of the independent variable on the dependent variable, mediation analysis can obtain in-depth results. The results of the mediation analysis and the related regression equations are presented in the case study of Jiangqiao Township.

Sample selection

Jiangqiao Township is a typical example of urban development. Therefore, it was selected as the case study for this research. Jiangqiao Township is also a natural laboratory for policy exploration because its features are similar to those of many peri-urban townships located near major economic centres, which must respond creatively to the spill-over effects of large metropolitan areas.

This study was conducted in this complex socio-economic setting to determine the impact of internet use on individuals' social networks and the formation of social capital, resulting in their civic behaviour. It was hypothesised that individuals' participation in online communities affected their perceptions of and satisfaction with community governance at the local administrative level of a township.

Case study of Jiangqiao Township

Geodemographic profile of Jiangqiao Township

Located in the northwest of Shanghai, Jiangqiao Township consists of 39 urban communities in an area of 42.47 square kilometres. By the end of 2016, Jiangqiao Township had a permanent population of 288,000, 68.8 percent of which lived within the township's parameters. The rest of the population lived in rural areas surrounding the township.

Internet penetration in Jiangqiao Township

In Jiangqiao Township, the rate of internet adoption was found to be similar to that in Shanghai. At the end of 2016, the percentage of broadband subscribers is around 21 percent; the monthly charge per mobile phone use is around 84 Renminbi; and the monthly mobile traffic per person is around 862M in both places.

Social issues and community interactions

Rapid urbanisation and migration have presented multiple challenges, such as stress on physical infrastructure, housing, social belonging, neighbourhood relations and social dynamics. Jiangqiao Township is no exception. The following social phenomena were observed:

(a) The rapid development of emerging settlements and large influx of "outside" populations

In 2001, there were only six communities in the urban centre of Jiangqiao Township. By the end of 2016, they had increased to 39, representing a six-fold growth, in which each community had 500–1,000 residents. Therefore, in the past 15 years, the urban population of Jiangqiao Township increased from 20,000 to 198,000 at an average annual growth rate of 16.5 percent.

(b) Increased heterogeneity or population mix in local communities

Among the permanent residents of the urban communities, the indigenous resident population was only 16.7 percent, who spoke the local dialect of Shanghai and shared common culinary customs and diet. The remaining 83.3 percent comprised the recent

incoming population, which could be divided into two groups: those from other provinces and cities, accounted for 63.6 percent; the population from central Shanghai urban areas, accounted for the remaining 19.7 percent. A cultural divide existed between the indigenous, essentially rural population, and the newly immigrated cosmopolitan population mainly from Shanghai.

(c) Social trust in neighbours and psychology of safety

According to the findings of the survey conducted in this study, 51.6 percent of Jiangqiao Township residents felt they trusted their neighbours, 33.2 percent thought that their neighbours could be trusted, and 13.9 percent considered their neighbours untrustworthy. Similarly, the findings showed that the residents expressed different senses of safety in their respective localities.

(d) Decline in social participation

In contrast to the mature communities of Shanghai, the residents of Jiangqiao Township showed little willingness to participate in community affairs and actions. The findings of the survey showed that 82.6 percent of the survey respondents did not participate in any volunteering activities during the first half of 2016. Those who participated in one or two voluntary activities accounted for only 12.5 percent of the total. Only 2.1 percent of the sample participated in more than five voluntary activities.

Within one year, 78.2 percent of all Jiangqiao Township residents surveyed did not engage in collective problem solving or conflict resolution within their communities. The number of people who participated in collective problem solving amounted to only 14.4 percent, while those who volunteered more than two times accounted for 7.4 percent of the total.

Quantitative survey

From September 13 to October 10, 2016, a questionnaire survey was conducted in Jiangqiao Township, Shanghai. The survey covered all 39 communities in the township. A multi-stage random sampling method was used in the survey. The unit of sampling used in each stage was disaggregated according to community-building-household-resident. A total of 6,460 households were surveyed, which accounted for 7 percent of the total number of households in Jiangqiao Township (92,286 households). The person who completed the questionnaire was the first person the researcher met upon entering the home. Finally, a total of 6,384 valid questionnaires were obtained for the statistical analysis.

Sample description

The sample features are described in Table 1.

Statistical method

In recent years, in the social sciences and other research areas, many empirical studies have used the mediation effect model for data analysis. The mediation effect model examines the process and mechanisms by which the independent variable influences the (non-observable) mediator variable, which then influences the dependent variable. Compared with similar research that analysed the influence of the independent variable on the dependent variable, mediation analysis can obtain in-depth results. This study adopts five-step method by Wen and Ye (2014) to help conduct both the modelling and the data analytics. The model consists of the following three regression equations:

		Proportion (%)	Number of Samples
Gender	Male	47.9	3061
	Female	52.1	3323
Marriage	With spouse	83.0	5297
	Unmarried	7.3	467
	Divorced	6.7	428
	Widow	3.0	192
Age	Under 39 years old	22.5	1438
	40–59 years old	28.6	1825
	More than 60 years old	48.9	3121
Number of family members	Three	32.6	2082
	Two	31.9	2036
	More than four	25.1	1603
	Live alone	10.4	663
Housing area	Less than 50 m ² of house rental	3.4	216
	51–100 m ²	72.3	4617
	101–150 m ²	22.5	1436
	151–200 m ²	0.9	57
	200 m ² or more	0.9	58
Education	Primary school or lower	15.3	979
	Middle school	34.3	2189
	High school	23.9	1526
	Secondary vocational school/ technical school/ college	18.9	1204
	Bachelor's degree or higher	7.6	486
Ever surfing the internet	Yes	81.5	5203
	No	18.5	1181
Ever use of WeChat/QQ	Yes	83.8	5351
	No	16.2	1033

Table 1.
Description of the samples

$$Y = cX + e_1 \tag{1}$$

$$M = aX + e_2 \tag{2}$$

$$Y = c'X + bM + e_3 \tag{3}$$

Based on the mediation effect model, the independent variable X was set to the internet usage level of the respondent, and the mediation variable M was the social capital of the respondent.

The core of community governance is the satisfaction of residents' expectations, and the most intuitive reflection is the subjective recognition of the residents' community. The dependent variable Y was set as the respondent's assessment of community governance. Variable Y was used to measure the effects of the internet and social capital on community governance. The hypothesis that social capital is formed through the social use of the internet and affects perceptions of governance at the local level was supported.

In the model, coefficient **c** was the total effect of the usage level of the internet by the respondents on the perception of governance performance of the community. Coefficient **a** was the effect of the usage level of the internet by the respondents on social capital. Coefficient **b** was the effect of social capital on the perception of governance performance of the community after controlling for the influence of internet usage level. Coefficient **c'** was the direct effect of internet usage level on perceptions of governance performance of the community after

controlling for the influence of social capital. Coefficients **e1** to **e3** were regression residuals. The mediation effect was equal to the indirect effect, and thus equal to the coefficient product ab , which had the following relationship with the total effect and the direct effect: $c = c' + ab$.

Measurement of variables

The independent variable X “respondent’s internet usage level” consisted of three aspects: internet resource richness, internet use intensity and internet interpersonal strength (Table 2).

The control variables included three consecutive variables: age, years of residence, and per capita housing space, and four sub-variables: household registration, work experience, marriage, and education level.

The mediator variable M was the individual social capital of the respondents, which consisted of three elements: social network, social trust and social participation. This study used social network density, community trust and frequency of community participation as proxies to measure the social capital possessed by each respondent. The total score for social capital was the sum of the indicators shown in Table 3. Each indicator was selected through application factor analysis combined with dimensionality reduction techniques.

The dependent variable Y was set as the perceived governance performance of the community, representing the respondents’ evaluations of the governance of the community where they resided. This variable consisted of two aspects: community cohesion and community life (Table 4).

Reliability and validity

SPSS was used for the factor analysis and the analysis of the reliability of the scale.

First, the Kaiser-Meyer-Olkin (KMO) test was performed to determine whether the scale was suitable for the factor analysis. In general, the larger the KMO value is, the more common factors there are between the variables, and the more suitable it is for factor analysis. If the KMO value is less than 0.5, the factor analysis should not be conducted. In addition, if Bartlett’s sphericity test value is significant, it indicates that there are common factors between relevant correlation matrices and that the social capital scale is suitable for the factor analysis. Regarding the total explained variance, after the extraction using principal components analysis (PCA), the total explained variance without rotation was obtained. Common factors with an eigenvalue greater than 1 were extracted. This study referred to the results in selecting the common factors (Table 5). The validity of the sample was verified.

In evaluating the reliability statistics, the standardised α coefficient of 14 items on the scale was 0.925, and the reliability measures passed the internal consistency test.

Measurement index	Definition	Indicators
Internet resource richness	Measure the easiness of per capita internet facilities and the availability of internet information in community households.	Number of devices with internet access (including smart phones, TV with on-demand technology, computer/iPads and other internet devices)
Internet use intensity	Measure the frequency of internet use by community residents.	Internet browsing frequency Last month network usage fees Personal mobile phone bill in the last month
Strength of social interactions on the internet	Measure the scope and frequency of community residents’ interaction with others through the internet.	Frequency of using WeChat/QQ Frequency of using Weibo/forum

Table 2.
Internet application
measurement

Measurement index	Main content	Indicators
Network density	Measuring the online communication patterns of respondents with their social relations and social network within their residing community	Number of people available online for communication at any time Times of talk in WeChat/QQ groups last week Number of friends available online at any time Frequency of talks in WeChat/QQ groups Topic of talks initiated in WeChat/QQ groups by the respondent Number of members in WeChat/QQ groups constituted of local residents
Psychology of trust within the community	Measuring the degree of mutual trust of respondents and residents of the same community	Have asked for help from other residents through WeChat/QQ Other residents have asked for help through WeChat/QQ Extent of trust in online friends Have sought comments and/or opinions from other residents through WeChat/QQ Other residents have sought comments and/or opinions through WeChat/QQ
Community participation	Measuring the degree of community participation by respondents	Have mobilised residents through WeChat/QQ to come together to resolve common problems of the community Have responded to other residents' requests to join in the resolution of common problems through WeChat/QQ Am interested in the discussions within WeChat/QQ community groups

Table 3.
Measurement of social capital

Findings

1) Hypothesis 1 test results (Table 6):

- H1.* Social capital at the community level was increased by the internet and internet use by the residents.
- H1a.* The social network density of the community was increased by the internet and internet use by the residents.
- H1b.* The trust level of the community residents was increased by the internet and internet use by the residents.
- H1c.* Residents' participation in their community was increased by their internet use.

2) Hypothesis 2 test results (Table 7)

- H2.* Increased social capital of community residents had a positive effect on the perception of community governance.
- H2a.* Increased social network density of residents in the community had a positive effect on the perception of community governance.
- H2b.* Increased trust in the communities where residents lived had a positive effect on the perception of community governance.

Measurement index	Main content	Indicators
Assessment of community cohesion	Measures the respondents' perception of the cohesiveness of their community/neighbourhood	<p>Does one like one's own community or neighbourhood?</p> <p>Are residents willing to help each other?</p> <p>Are social relations among residents in the neighbourhood harmonious?</p> <p>Does the respondent play an active role in maintaining the functioning of a community defined as economic activities, socialisation, social control, participation and mutual support?</p> <p>Does the respondent feel an important member of community?</p> <p>Are residents eager to be involved in local affairs?</p> <p>Are residents enthusiastic about participating in WeChat (QQ) groups or homeowners' forums?</p> <p>In the eyes of residents, does the neighbourhood committee play an active role in maintaining community functions?</p> <p>In the eyes of residents, does the homeowners' committee play an active role in maintaining community functions?</p> <p>In the eyes of residents, does the property management company play an active role in maintaining community functions?</p> <p>Is the relationship between members of WeChat (QQ) groups or homeowners' forum harmonious?</p> <p>Is it possible to make friends through WeChat (QQ) groups or homeowners' forum?</p>
Evaluation of community life	Measures the respondent's assessment of quality of life in the community.	<p>Is there a sense of home in the community?</p> <p>Is the neighbourhood suitable for children?</p> <p>Is the neighbourhood suitable for older persons?</p> <p>Are the grounds of the community safe?</p> <p>Are the issues discussed in community WeChat (QQ) groups or homeowner forums beneficial for raising children?</p> <p>Are the issues discussed in community WeChat (QQ) groups or homeowner forums beneficial for caring for older persons?</p>

Table 4.
Measurement of
community
governance
performance

H2c. Increased community involvement of residents in their communities had a positive effect on the perception of community governance.

3) Hypothesis 3 test results

H3. The use of the internet had a positive effect on the perception of community governance (H3a) and was achieved through the mediating effects of social capital (H3b) (Table 8).

The results of the mediation effect test (Wen and Ye, 2014) showed that coefficient **a** and coefficient **b** were significant. Therefore, the hypothesised mediating effect of social capital

was supported. However, coefficient c' was significant, indicating that the direct effect was also supported, and further testing was needed. The comparison of $a*b$ and c revealed that they were positive, indicating that the equation belonged to the partial mediating effect, and the ratio of the mediating effect to the total effect was $a*b/c = 56.87$ percent. Therefore, H3b was supported. The use of the internet had a positive effect on community governance, which was partially (56.87 percent) achieved through the intermediary effect of social capital.

Discussion

The findings of this study provide empirical evidence for the examination of the potential impacts of information and communication technology to ensure the growth of locality-based virtual communities. The focus of this study was on the impact of virtual communities through their social capital formation at individual and community levels on residents' satisfaction with local governance.

All hypotheses were supported. Using data analytics, the case study of Jiangqiao Township in Shanghai revealed that because of the increase in social capital, internet participation had a direct impact on the perceived performance of community governance. Promoting the active use of the internet and correctly combining virtual networks with community participation may lead to greater satisfaction regarding community governance among diverse and fragmented resident populations. The consequent social cohesion could strengthen local governance and improve the responsiveness of public services, thus creating a virtuous cycle. Social policies that support the greater participation and engagement of residents in digital life, especially the marginalised and vulnerable groups in the community, could provide access to social resources and complementary spaces for public discourse.

Policy implications and recommendations

In previous studies, researchers, governments, enterprises, and the media have all emphasised the convenience of service delivery through digitalisation and internet platforms. However, the endogenous social needs of the community in a digitalised world have seldom been discussed. Based on the findings of this research, the government should give more consideration to the intermediary effects of social capital, which the internet helps to foster and propagate. Through the connectivity of the internet, the potential for forming new interpersonal networks and promoting social participation and trust within the community is amplified, resulting in greater community integration in the process of rapid urbanisation throughout the country. In this context, the following policy priorities are proposed:

1. Expanding the digital skills and internet access for all residents

In addition to smartphones and computers, the government could actively promote the use of all kinds of internet devices and technologies, including the Internet of Things (IOT). It is also

		Social capital scale	Micro community governance performance scale	Scale used to capture the level of internet use by respondents
KMO	value	0.655	0.928	0.827
Bartlett's sphericity test	value	1172.956	26677.004	7964.33
Common factors	p	0.00	0.00	0.00
	Cumulative variance contribution rate	69.718%	67.629%	51.692%

Table 5.
Validity

Explained variable	H1		H1a		H1b		H1c	
	social capital modulus	Standard error	social network density modulus	Standard error	community trust modulus	Standard error	community participation modulus	Standard error
Core explanatory variable Internet usage	0.0163**	0.0001	0.0177**	0.000973	0.0256**	0.00087	0.0217**	0.0134
R2	0.96		0.264		0.225		0.291	
Sample size	6384		6384		6384		6384	

All core explanatory variables (i.e., social capital, social network density, community trust and community participation) of the equation were significant. Therefore, H1, H1a, H1b and H1c were supported.

Table 6.
H1 Hypothetical model
test results

Table 7.
H2 Hypothetical model
test results

Explained variable	H2		H1a		H1b		H1c	
	Community evaluation modulus	Standard error						
Core explanatory variable	0.699***	0.0289						
Social capital			0.458***	0.0247				
Social network density					0.419***	0.0209		
Social network							0.513***	0.0247
Social participation	0.511		0.474		0.456		0.453	
R2	6.384		6.384		6.384		6.384	
Sample size								

The core explanatory variables (community evaluation) of the equation were significant. Therefore, H2, H2a, H2b and H2c were supported.

Table 8.
Mediation effect model
test results

Explained variable	H3a		H1		H3b	
	Community evaluation modulus	Standard error	Community evaluation modulus	Standard error	Community evaluation modulus	Standard error
Core explanatory variable						
Internet usage	0.0027*** (c)	0.0002	0.0168*** (a)	0.0001	0.0009*** (c')	0.0001
Social capital					0.0914*** (b)	0.0005
R2	0.59		0.98		0.98	
Sample size	6,384		6,384		6,384	

The core explanatory variables (community evaluation) of the above equations were significant, where a = 0.0168, b = 0.0914, c = 0.0027, and c' = 0.0009. Coefficient c was significant. Therefore, H3a was supported.

important to provide technical support for people who do not have the skills to log on and surf the internet. In view of the imbalanced development of different parts of China, the government should increase the investment in ICT infrastructure and ensure the equalisation of public services to all localities and populations. Strategic guidance and system deployment should be strengthened to promote the rapid and inclusive distribution of internet infrastructure.

2. Cultivating the healthy development of the internet community and trust building

Social networks within the same community should be encouraged. WeChat (QQ) groups, homeowners' forums, and other internet communities could be guided and nurtured to enhance greater social interaction and the development of mutual trust over time. The government should pay attention to the views of internet leaders, such as WeChat users, regarding community development, prompt solutions to problems raised in the internet community, and the enhancement of residents' trust in internet communities. The government should encourage public organisations to actively participate in internet communities and be responsive to the public concerns expressed in online communities in a transparent manner.

3. Harvesting the social force of internet communities to further enhance community participation

Related to the effort in leveraging internet connectivity is to reinforce the norm of reciprocity. In the evolution of internet communities, the concurrent promotion of norms concerning formal or informal reciprocity could occur, which would enable social interactions on the internet to produce pro-social behaviour similar to socialisation in daily offline life. It could thus be said that while online social groups produce private goods for their members, online socialisation creates public goods for the benefit of the entire community.

Research outlook

Although the linear correlation between internet and internet participation and satisfaction in community governance was statistically proven in this study, other theoretical questions remain unanswered, and they require further scientific enquiry.

The first is about mediation variables. Step (2) (c' was significant) in the Wen and Ye (2014) mediation effect test confirmed that social capital mediates membership in virtual communities and reactions to community governance. Other mediating variables, however, were not excluded in dealing with the complex issue of social trust, citizen satisfaction with public services, power distribution and decision-making in public affairs. Each variable had a

specific influence on the residents' perceptions. If these other intermediaries were also proven to mediate the independent and dependent variables, the question would be as follows: How do they then interact with social capital and other factors and the weight of their influence? These issues should be further studied. The identification of further mediating variables could deepen our insights into disruptive as well as ameliorating effects of ICT, as well as contribute to multifaceted policymaking.

Second, there are two sides to internet technology. This study showed the existence of a social compensation effect of the internet. However, does the time replacement effect exist at the same time? In other words, for most people, the social compensation effect is greater than the time replacement effect. However, for others, the internet deprives them of traditional interpersonal communication channels without establishing a healthy online communication channel, thus causing negative behavioural patterns, such as internet addiction, online gambling and so on. It is also possible that internet platforms offer the possibility of forming adversarial social groups and promoting intergroup competition and conflicts. Such adversarial interactions could lead to ethnic conflict and open expressions of racism.

Third, the scope and time of the present study should be increased. Jiangqiao Township of Shanghai represents those newly formed communities that are connected to large coastal cities in China. However, there are significant regional differences in the country. The development of urban and rural areas is not balanced, and the level of internet development (in both infrastructure and coverage) is also diverse. It is therefore necessary to conduct further case studies to capture ICT's role in social development in the broad landscape of emerging townships and communities around the country, especially in less advanced provinces. Because of the rapid development of internet connections, it is necessary to conduct regular tracking surveys at different times to reveal the interactional effects of internet use on experiences of community governance.

Finally, the application of data analytics in social science studies is a relatively novel approach. This study demonstrated the potential for using a bigger data set and mathematical computation to reveal underlying social patterns. This evidence-based approach could support tailored and nuanced public policymaking in meeting the challenges of social development.

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Evaluation of generic competencies among secondary school leavers from the new academic structure for senior secondary education in Hong Kong

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Abstract

Purpose – A new academic structure for senior secondary and higher education was introduced to Hong Kong in 2009/2010. This paper aims to: (1) compare the cohort from the old academic structure (Cohort 2010) and the cohort from the new academic structure (Cohort 2015) on the 14 categories of generic competencies; and (2) compare these attributes among students from different divisions in a tertiary institution in Hong Kong.

Design/methodology/approach – Self-Assessment of All-Round Development (SAARD) questionnaires were distributed to students who took the two-year sub-degree programmes offered by the College of Professional and Continuing Education, The Hong Kong Polytechnic University in 2010 and 2015 on a self-administered basis. A total of 4,424 students have returned the questionnaires. Data were analyzed with t-test to compare between the two cohorts.

Findings – When comparing Cohort 2015 with Cohort 2010, significantly higher scores were observed on five areas such as global outlook and healthy lifestyle ($p < 0.05$). Significantly lower scores were observed on the other five areas such as problem solving, critical thinking and leadership ($p < 0.05$). Students from all divisions unanimously showed higher perceived rating on social and national responsibility but lower perceived rating on leadership ($p < 0.05$).

Originality/Value – The elimination of one public examination, the newly included components such as Other Learning Experiences (OLE) and the compulsory Liberal Studies were believed to contribute partially to the diverse responses of the two cohorts. The dramatic change of the curriculum has not changed the examination culture in Hong Kong which may hinder the development of generic skills among students.

Keywords New academic structure, Generic competencies, Liberal Studies, Other Learning Experiences, Senior secondary education, Hong Kong

Paper type Research paper

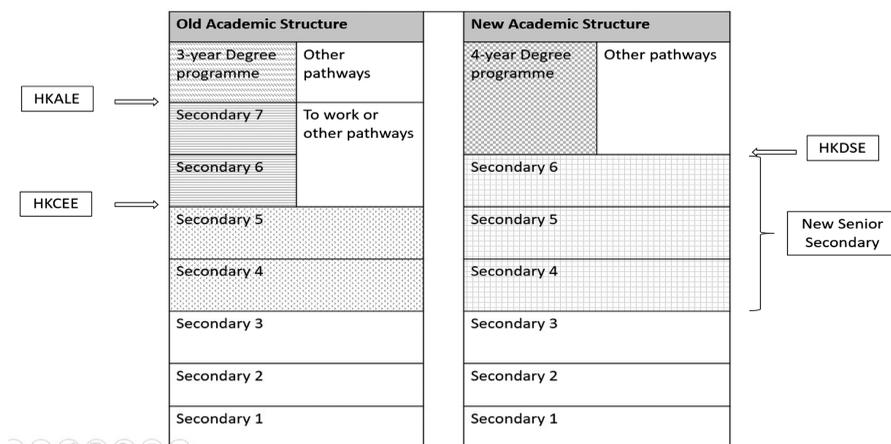


Introduction

Since the impacts of globalization on education and pedagogy have been discussed actively in the recent decades (Tikly, 2001, Selwyn and Brown, 2000), many countries have reformed their educational systems to cope with the swift changes of the world and to increase global competitiveness of their students (Mok and Chan, 2002). For example, in Japan, Korea, Malaysia and Singapore, their educational systems have been reviewed to better monitor the educational quality and effectiveness. Many of their examination policy put more emphasis on promoting whole-person development (Cheng, 2006). In Hong Kong, the Education Commission suggested implementing school-based management in all public sector schools (Education Commission, 1997). In 2000, Education Commission issued an educational reform document entitled “Learning for Life, Learning Through Life: Reform Proposals for the Education System in Hong Kong” (Education Commission, 2000). The reform document focuses on professional, school-based, autonomy, participation and self-evaluation (Chan, 2010). This education reform was implemented in Hong Kong leading to a new academic structure (3+3+4).

The old academic structure originated from the British system required students to have three years of junior secondary education (S1-S3) and two more years (S4-S5) to prepare for the Hong Kong Certificate of Education Examination (HKCEE). With satisfactory results in HKCEE, they could further to two more years of secondary education (S6-S7). When students passed a second public examination: Hong Kong Advanced Level Examination (HKALE), they could be admitted to a 3-year university program. The old structure focused more on academic proficiency and is the so-called 3+2+2+3 system. Students would choose between two streams, namely the Sciences or the Arts streams.

The new academic structure requires students to complete junior (S1-S3) and senior secondary (S4-S6) cycle with no examination in between in order to enable students to attain all-round development in the domains of moral, intellectual, physical, social and aesthetic (Figure 1). The only public examination is the Hong Kong Diploma of Secondary Education Examination (HKDSE) that determines students’ chances for admission to university. The key components of the new academic structure include eight learning areas, which are English Language, Chinese Language, Mathematics, Arts, Technology, Science, Physical and Personal, Social and Humanities (Education Bureau, 2010). Senior secondary students are required to participate in a restructured curriculum including four core subjects (English Language, Chinese Language, Mathematics and Liberal Studies), two or three elective subjects, one component of school-based assessment and Other Learning Experience (OLE). The new



Source: Adopted from Education Commission (2003a).

Figure 1. Comparison between the British system and the new academic structure of Hong Kong

structure emphasizes greater elective choice and flexibility. In the past, about one-third of students could proceed to Form 6 and 7 after the HKCEE. Assessment was based 100 percent on the public examination. On the contrary, all students can progress to Form 6 in the current structure. School Based Assessment has been introduced into all subjects for rating of up to 25 percent (Quong, 2011).

The major changes include that Liberal Studies becomes a compulsory instead of elective subject. Liberal Studies provides a framework to encourage self-directed learning, critical thinking, and an understanding of the role of individual in society (Curry, 2012). In addition, OLE and Applied Learning (ApL) are newly introduced in the current curriculum. OLE emphasizes the moral and civic education, community service, intellectual development, physical development and career-related experiences (Chan, 2010). Applied Learning (ApL) courses are elective subjects that emphasize on practice and theory linked to professional and vocational fields. The new structure sets the priority on “enabling students to enjoy learning, enhance their effectiveness in communication and develop their creativity and sense of commitment” (Education Commission, 2000). The atmosphere of educational reform is becoming positive and encouraging to these new developments (Cheng, 2009). With the revolutionary changes of the education system, it is expected that students graduated from the two structures may perform and perceive differently on various areas of their learning.

To evaluate the effectiveness of the new structure comprehensively, it is important and timely to review the two structures from the perspectives of different stakeholders, specifically the main users - the students. The author focuses on the student’s perspective on their all-round development. Generic skills represent the qualities that all students should have and reflect the central achievements of education (Chapman and O’Neill, 2010). These are essential for the graduates’ career advancement in order to promote economic and social development (Bunney *et al.*, 2015). Educationalists have published similar discussions on the development of generic competencies (Ng and So, 2017, Benjamin *et al.*, 2012, Leung *et al.*, 2014, Kember *et al.*, 2007, Rhee and Kim, 2012, Kember, 2009) but many educators found it challenging to define and assess generic competencies. One assessment tool named Self-Assessment of All-Round Development (SAARD) questionnaire was developed by The Hong Kong Polytechnic University (PolyU) in 2006 (Fung *et al.*, 2007), which was showed to be a reliable and valid tool (Ho and So, 2016). The current study aims to evaluate the new academic structure by: (1) comparing the cohort from old British structure admitted to a tertiary institution in Hong Kong in 2010 with the cohort from the new academic structure admitted in 2015 on 14 categories of generic competencies; and (2) comparing these attributes among students from three divisions in the institution.

Research methodology

Data were collected via SAARD questionnaire distributed to students who commenced their studies in Cohort 2010 (HKALE entrants) and Cohort 2015 (HKDSE entrants) on a self-administered basis. The SAARD questionnaire consisted of 28 items measuring 14 categories of generic competencies viz. creative thinking; problem solving; critical thinking; lifelong learning; leadership; teamwork; communication; psychological wellness; interpersonal effectiveness; cultural appreciation; global outlook; social and national responsibility; entrepreneurship; and healthy lifestyle. The study was approved by the Research Committee of the College of Professional and Continuing Education, The Hong Kong Polytechnic University. All participants gave their opinion of how well they thought that they were able to accomplish the different tasks indicated in the statements, according to a 7-point Likert scale (1 = not well at all; 7 = very well). Each statement assessed only one area of generic competency, and each domain of generic competency consisted of two statements. Questions were shown in random sequence to the respondents to ensure the reliability of the study.

Questionnaires with incomplete response e.g., missing items were discarded to ensure validity of the data set. The mean score of the particular generic competency was then computed by averaging the score of the relevant statements.

A total of 4,424 students in the two-year sub-degree programmes offered by a Community College in Hong Kong were surveyed immediately after admission, comprising 1,423 students from Cohort 2010 and 3,001 from Cohort 2015. Data were analyzed with t-test to compare all 14 generic competencies between two cohorts. Further analyses were done among 3 divisions' students: business (BUSS), communication and social science (CSS), and science and technology (S&T). IBM SPSS version 25.0 for Windows was used as the data analysis tool. A p-value (2-tailed) of less than 0.05 was interpreted as statistically significant.

Results and discussion

Among the 14 generic competencies, there were significant differences in 10 generic competencies between the two cohorts. When comparing Cohort 2015 with Cohort 2010, significantly higher score was observed on five areas including teamwork, global outlook, social and national responsibility, entrepreneurship, and healthy lifestyle (p<0.05) (Table 1). Significantly lower score was observed on the other five areas including problem solving, critical thinking, leadership, communication, and interpersonal effectiveness (Table 2). Students from all divisions unanimously showed higher perceived rating on social and national responsibility but lower perceived rating on leadership (Figure 2).

The significantly different results among the 10 generic competencies out of 14 reflected the marked changes between the two cohorts. While knowing that learning generic skills has been infused in the school curriculum and it is not exclusive to a particular curriculum area in Hong Kong Schools (Lee *et al.*, 2017b), the intrinsic differences of the two academic structures may account for part of it. The old structure focused more on academic development to prepare students for the two public examinations. There was no formal curriculum on student development and the subject "Liberal Studies" was not compulsory for all students. On the other hand, the new structure puts more emphasis on all-round development and aims at "enabling students to enjoy learning, enhance their effectiveness in communication, and developing their creativity and sense of commitment" (Education Commission, 2000) (Table 3). The curriculum is believed to shift from a very examination-oriented school system to a system with more student focused, inquiry-based education and whole person development.

Generic competencies	Cohort 2015	Cohort 2010	P value
Teamwork	5.04±0.01	4.94±0.02	P<0.05
Global outlook	4.76±0.02	4.68±0.03	P<0.05
Social and national responsibility	5.21±0.02	4.91±0.03	P<0.05
Entrepreneurship	4.90±0.02	4.83±0.03	P<0.05
Healthy lifestyle	4.66±0.02	4.58±0.03	P<0.05

Table 1.
The generic competencies that received higher perceived rating in the Cohort 2015

Generic competencies	Cohort 2015	Cohort 2010	P value
Problem solving	4.83±0.01	4.90±0.02	P<0.05
Critical thinking	4.79±0.01	4.88±0.02	P<0.05
Leadership	4.73±0.02	4.89±0.02	P<0.05
Communication	4.68±0.02	4.77±0.02	P<0.05
Interpersonal effectiveness	4.79±0.02	4.91±0.03	P<0.05

Table 2.
The generic competencies that received lower perceived rating in the Cohort 2015

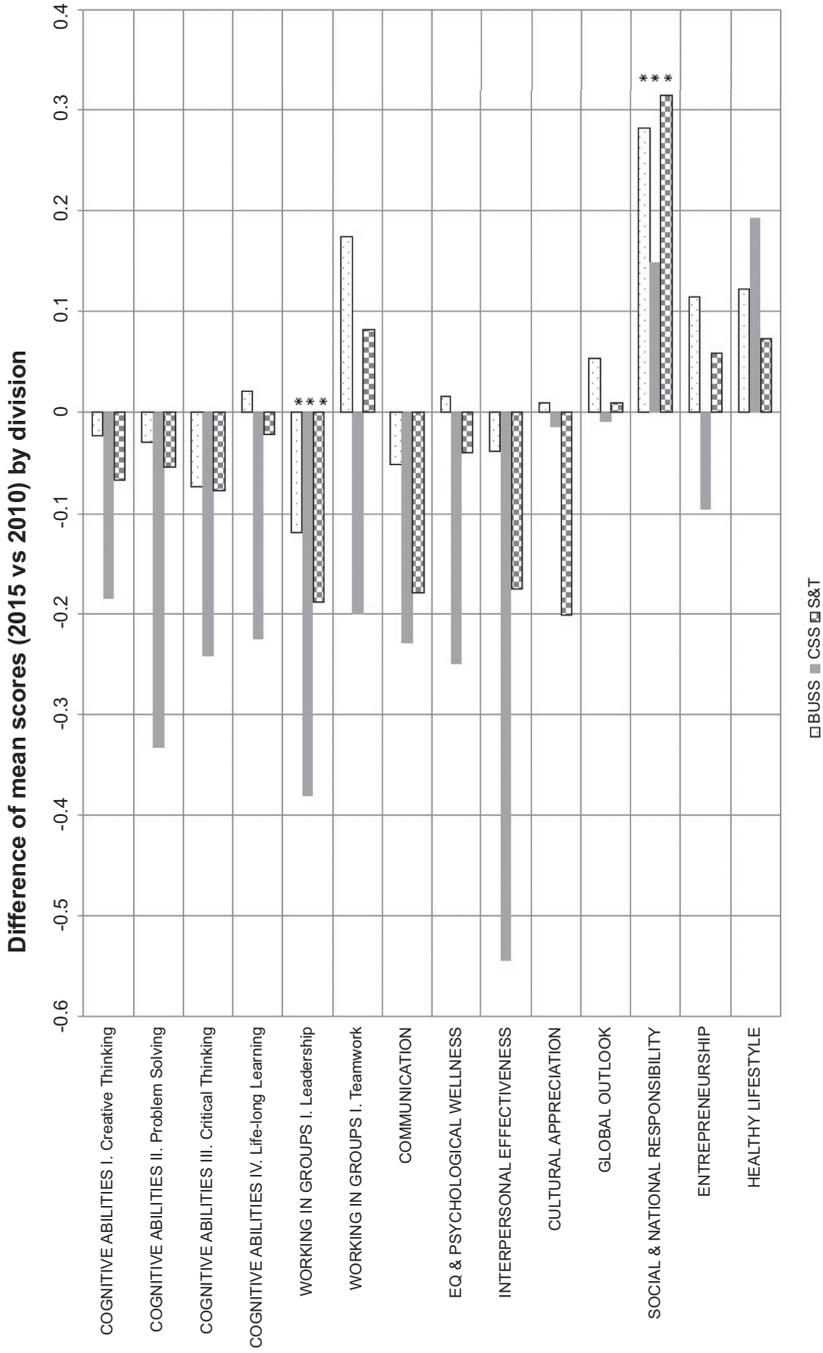


Figure 2.
Difference of mean scores of the 14 generic competencies among the two cohorts

*p<0.05, compared between the two cohorts

The current academic structure aims to enable students to build a broader knowledge base and a more solid foundation for whole-person development and life-long learning. The concept of healthy lifestyle was embedded in the elective subject “Physical Education”, area of physical development in OLE, area of Applied Science in ApL and Liberal Studies, which may account for 5-25 percent of their total learning time. Apart from that, the increased awareness of healthy lifestyle in the Hong Kong society particularly on the aspect of regular physical activities may also explain for the results. According to the statistics on behavioral risk factors from Centre for Health Protection *et al.* (2017) (Table 4), higher proportions of respondents did moderate and vigorous physical activities for 2 days or above per week and met the World Health Organization (WHO) recommendations for physical activity in 2016 when compared with 2010. It should be noted that the statement in our questionnaire, “I exercise for 20-30 minutes at least twice a week.” was easier to achieve when compare with the recommendations from WHO i.e. at least 150 minutes of moderate-intensity physical activity throughout the week for adults aged 18-64 (Table 5). Based on PISA 2015 results (OECD, 2017), 64.7 percent of Hong Kong students reported that they exercised or practiced sports before or after school, which was lower than the OECD average (69.8 percent). The results of current study were promising but educators should continue to promote regular physical activity so as to catch up with other OECD countries.

In the new academic structure, the compulsory subject “Liberal Studies”, “Other Learning Experiences” (OLE) and elective subject “Applied Learning” (ApL), which was equivalent to

	Cohort 2010	Cohort 2015
Academic structure	3+2+2+3 4-year higher form	3+3+4 3-year higher form
Public examinations in secondary education	Two (HKCEE and HKALE)	One (HKDSE)
Age to university	One year older	One year younger
Student development	No formal curriculum	Other Learning Experiences (OLE)
Liberal Studies	Elective subject	Compulsory subject

Table 3.
Differences between the two cohorts

Year	2010	2016
% of respondents do vigorous physical activities for 2 days or above per week	24.9%	30.9%
% of respondents do moderate physical activities for 2 days or above per week	34.7%	45.4%
% of respondents walk for at least 10 minutes at a time everyday	67.4%	71.9%
% of respondents meet the WHO recommendations for physical activity	35.7%	43.6%

Source: Centre for Health Protection (2017).

Table 4.
Comparison of physical activity participation among Hong Kong people aged 18 to 64 years in 2010 and 2016

<i>The two items under healthy lifestyle from the SAARD questionnaire:</i>	<i>WHO recommendation on physical activity for Adults (World Health Organization, 2019)</i>
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- I exercise for 20-30 minutes at least twice a week.
- I follow the advice about improving health mentioned on TV, the Internet, in newspapers, magazines, or other channels.

Adults aged 18–64 should do at least 150 minutes of moderate-intensity aerobic physical activity throughout the week or do at least 75 minutes of vigorous-intensity aerobic physical activity throughout the week or an equivalent combination of moderate- and vigorous-intensity activity.

Table 5.
Comparison of the two items under healthy lifestyle and the WHO recommendation on physical activity for adults

Table 6.
The proposed time
allocation arrangement

Subject/Learning Activity	Proportion
Chinese Language	12.5%
English Language	12.5%
Mathematics	10%
Liberal Studies	15%
Elective Subject 1	10%
Elective Subject 2	10%
Enhancement and Remedial Measures (e.g. take up a third elective subject or engage in enrichment courses)	10%
Acquiring Other Learning Experiences (OLE), for example:	
Physical Learning Experience	5%
Aesthetic Learning Experience	5%
Moral and Civic Education	5%
Community Service / Job-Related Experiences	5%

Source: Adopted from Education Commission (2003b).

around 55 percent of students' total learning time (Table 6), were promoted as broadening students' perspective and outlook, facilitating all-round development and nurturing positive values and attitudes. These subjects are claimed to help students to become more active, informed and responsible citizens, which might be the possible reasons for the higher scores of Global outlook, social and national responsibility and healthy lifestyle in the Cohort 2015.

Liberal Studies which include 6 modules and Independent Inquiry Studies aim to help students to "develop their critical thinking and independent learning and promote the broadening of their perspectives and knowledge" (Table 7). According to Lee *et al.* (2017b), among 192 local students interviewed, most students (21.4 percent) and teachers (21.2 percent) perceived Liberal Studies as the main channel among major curriculum areas to learn self-management skills which commonly include knowledge, intellect, willingness to learn, communication skills, teamwork and interpersonal skills. Students ranked Liberal Studies after Arts Education as the curriculum-based venues to promote student creativity based on another publication of Lee *et al.* (2017a). It showed that students also agreed that Liberal Studies helped them to develop generic skills. In general, the students were quite confident to their self-management skills. Thirty-two percent of the student's participants rated themselves a high achievement level and 56 percent rated themselves as moderate achievement level. According to the School Survey on Medium-term Review (2014/15) that

Table 7.
The Liberal Studies
curriculum framework

Areas of Study	Independent Enquiry Study (IES)
<p><i>Self and Personal Development</i> Module 1: Personal Development and Interpersonal Relationships</p> <p><i>Society and Culture</i> Module 2: Hong Kong Today Module 3: Modern China Module 4: Globalization</p> <p><i>Science, Technology and the Environment</i> Module 5: Public Health Module 6: Energy Technology and the Environment</p>	<p>Students are required to conduct an IES making use of the knowledge and perspectives gained from the three Areas of Study and extending them to new issues or contexts.</p>

Source: Adapted from Curriculum Development Institute and Education Bureau (2011).

cited by the Curriculum Development Council *et al.* (2015), over 90 percent of panel heads in schools agreed that students achieved the aims of Liberal Studies particularly “to enhance students’ understanding of themselves, their society, their nation, the human world and the physical environment” upon completion of their secondary education. Nearly 90 percent of candidates got Level 2 or above in Liberal Studies every year. Despite the very satisfactory results from the above surveys, the perceived rating for critical thinking, communication, leadership and interpersonal effectiveness were lower in the Cohort 2015.

Liberal Studies should help students to develop these generic skills by flexible application of knowledge but not rote learning. Surprisingly, there were over 10 percent of senior secondary students taking private tutoring for Liberal Studies (Chan and Bray, 2014). The private tutoring focuses on formulaic approaches which include point-making systems and drilling on the articles digested and prepared by the tutor so that students do not need to research the topics themselves. In addition, some schools continue to adopt traditional modes of teaching method which asks students to learn through pen-and-paper note taking, one-way lecturing and memorizing the main points. The major drawback of it is that it promotes rote learning instead of analyzing, questioning and critiquing (Quong, 2011). Critical thinking is defined as “thinking about thinking” (Flavell, 1979). Teachers commonly focus on the content of the subject instead of the thinking process. Teachers in Hong Kong barely receive support from the Education Department about teaching thinking skills. It is hard to use standardizing curricula and test scores to address thinking skills in the classroom (Landsman and Gorski, 2007). The culture shift from examination focused to student centered learning are challenging to teachers and school leaders. The teachers have to adjust their teaching approach from the technical to the practical and critical. In the past, senior secondary teachers would have taught academically able students as only one-third of students would survive from the HKCEE. Currently, the teachers not only take care of the increasing proportion of weak students, but also the recruitment to reduce the pressure of closing school. Considering the dropping birth rate in Hong Kong, schools will continue to emphasize success in examinations to attract enrolments. Teachers have no choice but continue the direct-instruction pedagogies to efficiently and objectively to help students to prepare for the examination. The private tutoring, the increasing workload of teachers together with the approach to deliver the Liberal Studies might undermine its effectiveness in achieving the learning goals (Chan and Bray, 2014).

The aims of OLE are to “cultivate students’ positive values and attitudes for facilitating their whole-person development” (Curriculum Development Institute and Education Bureau, 2011). It accounts for 15 percent or above of the overall learning time. Based on the Curriculum Implementation Survey 2014/15 extracted by Curriculum Development Council *et al.* (2015), students agreed that OLE helped them get involved in the community, to adopt healthier lifestyles, encourage their creativity, and respect for plural values. Students believed that their understanding on local and national culture and their sense of citizenship had been enhanced. The subject also broadened their exposure on aesthetic and physical activities. It should be a crucial area to develop students’ generic skills. On the other hand, there are concerns that the new curriculum is still examination-oriented which may sacrifice the time for whole-person development (Curriculum Development Council *et al.*, 2015). Since DSE is a high-stakes examination and determining students’ opportunities to college, schools and students might spend more time on core subjects at the expense of OLE as the OLE is not graded as the other core subjects. The importance of academic results is entrenched in our Asian culture and the parents commonly consider academic success as “successful life” (Tan, 2019). Students may just complete the assignment without actively engaging in the learning process. In what extent the students could achieve the aims of OLE is debatable.

Applied Learning courses are elective subjects in the new academic structure, which consisted of 5 areas of studies namely creative studies, media and communication, business,

management and law, services, applied science and engineering and production. The aims of ApL are to allow students to “learn the theories and concepts through application and practice, to develop generic skills and explore their orientation for continuing learning and career aspirations” (Curriculum Development Institute and Education Bureau, 2011). In 2014/15, over 70 percent schools offered Applied Learning and 90 percent students achieved “attained” or above between the year 2012-2015 (Curriculum Development Council *et al.*, 2015). Based on the enrolment information and results, ApL was welcome by students and schools. However, it should be noted that only around 4,000 students i.e. 6-8 percent of day school candidates benefited each year and current study had not recorded the proportion of students that had taken ApL. Teachers’ expertise, their track record in teaching senior classes, parents’ comments and whether students need to travel to another school or centre influence students’ choices of elective subjects. Among those factors, parents exert the most influence on their choice and parents rank academic success as more crucial factor. Students may need to forgo the subjects that they are interested in but take the subjects that they can achieve better results (Lee and Ho, 2018). The limited academic recognition and poor standing of ApL may hinder students’ enrollment. Students can only get Level 3 as the maximum instead of 5 levels. There is considerable uncertainty whether universities would recognize ApL grades similarly as other academic subjects. Higher-achieving students would prefer studying other elective courses with higher grade to increase their chance to university (Bagnall and Lin, 2018). Therefore, the impact of ApL on this cohort of students would be insignificant.

Generic skills can be acquired inside and outside classroom learning. The associations between each generic skills and domain of knowledge is complex (Lee *et al.*, 2017a). Students tend to link creativity and problem-solving skills to certain subjects and they found it difficult to transfer those acquired skills to other subjects and actual life problems. Participation of co-curricular activities and outside school activities help cultivate students’ generic skills particularly creativity, problem solving and communication. Those experience unlike most subject-based activities seems transferable across life domains (Lee *et al.*, 2017a). Siddiky (2020) suggested that students’ participation in co-curricular activities significantly associated with their diverse personal skills and social skills. Taking leadership skills as an example, students perceived that leadership skills were associated with extracurricular activities more than subject learning in the formal curriculum (Lee *et al.*, 2017b). However, the leadership training activities inside or outside school may not be sufficient and at large enough scale. Only minority of students could be trained, and most activities lacked sustainability. As the number of students studying Form 6 in the new structure is more than that in the old structure, the proportion of students received the related training opportunities should be reduced if the amount of such activities did not increase accordingly.

It seems that the believed dramatic change of the curriculum has not changed the examination culture in Hong Kong and cannot deal with the core issues to achieve the expected outcomes. According to the students interviewed by Chang (2018), they complained that DSE was highly emphasized in schools. The curriculum still focused on test-taking skills and teacher-centered. Students in Hong Kong are used to be spoon-fed by teachers in order to attain high marks in examination. Critical thinking, creativity, communication skills and practical judgments are not likely to be promoted in the current examination system (Wan and Cheng, 2019). The examination-oriented culture entrenched among parents and students which definitely put pressure on schools and teachers. Most parents in Hong Kong still believe that access to universities is equivalent to a well-paid career and a bright future. The local universities still heavily consider the examination scores as the main criteria for admission. Some institutions have played down other elements such as interview results, student learning portfolios and the weighting of Liberal Studies, Applied Learning, and Other

Learning Experiences (OLE) during admissions. The curriculum in Hong Kong is not engaging and lacking connection with students' everyday lives. Students found it hard to apply what they learnt in school to their daily life. The change of the curriculum seemed not to be directly addressing the needs of students and society instead just satisfying the demands of school administration or the Education Bureau (Chang, 2018). All these factors have discouraged secondary school students to explore and engage in non-academic learning experiences (Cheng *et al.*, 2017).

Conclusion

The differences of the generic competencies of the two cohorts may not purely attributable to the change of the academic structure. Students' experience on co-curricular activities and activities outside school do play important role of their generic skills. It is a good intention to have the education reform to cope with the rapid changes of the world, but Rome wasn't built in a day. The exam-oriented culture should be addressed in order to help schools, teachers and students to focus more on generic skills. A comprehensive assessment tool of generic skills should be developed to show the improvement of students. The universities should also consider criteria other than examination scores for admission. The study establishes a baseline for stage 1 students for continuous comparison and assessment of new students. The lower rating areas gave insights for the tertiary education sector to formulate policy on student development services to supplement the new academic structure as those qualities such as problem solving, critical thinking, leadership, communication and interpersonal effectiveness will also contribute to later readiness to work and job success. It emphasizes the roles of Student Affairs Office and academic programmes in tertiary education.

Recently, the Education Bureau has announced measures to optimize the four senior secondary core subjects so as to release lesson time and enhance curriculum flexibility for creating space for students and cater for learner diversity (Education Bureau, 2021). Liberal Studies will be renamed Citizenship and Social Development. The curriculum content and lesson time will be reduced to about half of those of the original and the results reported will be either "attained" or "not attained" (Appendix). The Education Bureau underlining the importance of diversified learning experiences is good news for students so that students can free up some time on extra-curricular activities and OLE. The success of such intention depends on how the secondary schools, parents, students and the universities react to it. The Hong Kong Professional Teachers' Union concerned that students may need to take one more elective subject in order to fulfil the admission requirements of the three main universities in Hong Kong (Hong Kong Professional Teachers' Union, 2021). So far, only the Chinese University of Hong Kong has announced the minimum admission requirement for 2024 entry which is similar to the current requirement. As discussed, if the examination culture and the emphasis on examination scores have not changed, students may turn out allocate their time on subjects that help their entry to university instead of participating in activities to develop their generic skills.

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Appendix.
Comparison of current Liberal Studies and the newly renamed subject Citizenship and Social Development

	Liberal Studies	Citizenship and Social Development
Curriculum	<p>Areas of Study <i>Self and Personal Development</i> Module 1: Personal Development and Interpersonal Relationships <i>Society and Culture</i> Module 2: Hong Kong Today Module 3: Modern China Module 4: Globalization <i>Science, Technology and the Environment</i> Module 5: Public Health Module 6: Energy Technology and the Environment Independent Enquiry Study (IES) Students are required to conduct an IES making use of the knowledge and perspectives gained from the three Areas of Study and extending them to new issues or contexts.</p>	<p>Themes</p> <ol style="list-style-type: none"> 1. Hong Kong under “One Country, Two Systems” 2. Our Country since Reform and Opening-up 3. Interconnectedness and Interdependence of the Contemporary World 4. Chinese Culture and Modern Life
Time allocation	15%	~7.5%
Exam Result	5 levels	Attained or not attained

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Achieving Sustainable Development Goals of Agenda 2030 in Bangladesh: the crossroad of the governance and performance

Achieving
SDGs of
Agenda 2030

195

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Abstract

Purpose – This paper aims to assess the performance of achieving the targets of Sustainable Development Goals (SDGs) by aligning with the recent initiatives taken by different ministries and divisions in Bangladesh. It also examines the institutional challenges associated with the implementation of SDGs.

Design/methodology/approach – Both primary and secondary data were analysed by applying different techniques. The initiatives taken by various ministries and divisions of Bangladesh resonated partially with 84 targets of SDGs.

Findings – Ambiguous mandates of different ministries and divisions have caused overlapping jurisdiction, followed by conflicts of interest and lack of cohesion. Inaccurate stakeholder analysis, data unavailability, lack of competency and accountability, and a top-down policy approach can be considered as the major institutional bottlenecks in achieving SDGs.

Originality/value – This paper advocates revising the map to incorporate the right stakeholders to avoid erroneous monitoring, evaluation, and finally, inaccurate reporting. The reallocation of business for ministries and divisions is warranted to abolish jurisdictional overlapping and conflict of interests and make SDGs friendly. Despite the COVID-19 pandemic recession, Bangladesh may be able to multiply its achievement with the same resources and efforts by addressing those drawbacks.

Keywords SDGs, Agenda 2030, Public governance, Overlapping jurisdictions, Top-down approach, Bangladesh

Paper type Research paper

Introduction

The General Assembly of the United Nations embraced a “plan of action for people, planet and prosperity” known as the Agenda 2030 or Sustainable Development Goals (SDGs) (United Nations General Assembly, 2015, p. 1). It was an urgent call to transpose the world sustainably by taking lessons and experience from Millennium Development Goals (MDGs). The 2030 Agenda comprises 17 SDGs and 169 targets, representing a globally shared vision and a handsome to-do list, and an outline for the future generations (Morton *et al.*, 2017). SDGs are an integrated and multifaceted view on development, which endorsed the necessity of collaboration and alignment among diverse stakeholders (Pradhan *et al.*, 2017). United



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Nations Global Compact (2018) reported that organizations play a critical role in advancing SDGs by adopting time-bound policies, actions, and innovative solutions for the challenges. However, various factors shape organizations' decisions to new issues and reporting of their obligations (Hahn and Kühnen, 2013).

Public governance is vital in successfully implementing Agenda 2030 for all countries as its role is more prominent in SDGs than in the MDGs (Morton *et al.*, 2017). An accountable, effective, and inclusive public governance system is a standalone goal in the Agenda 2030. SDGs urge commitment from different levels, but public administration is everywhere. The public administration was called upon to adopt policies, strategies, or actions to achieve the goals (Turner and El-Jardali, 2017). Contradictorily, the implementation challenges are embedded with the public administration, particularly public service, considering scope, importance, limitation, and urgency.

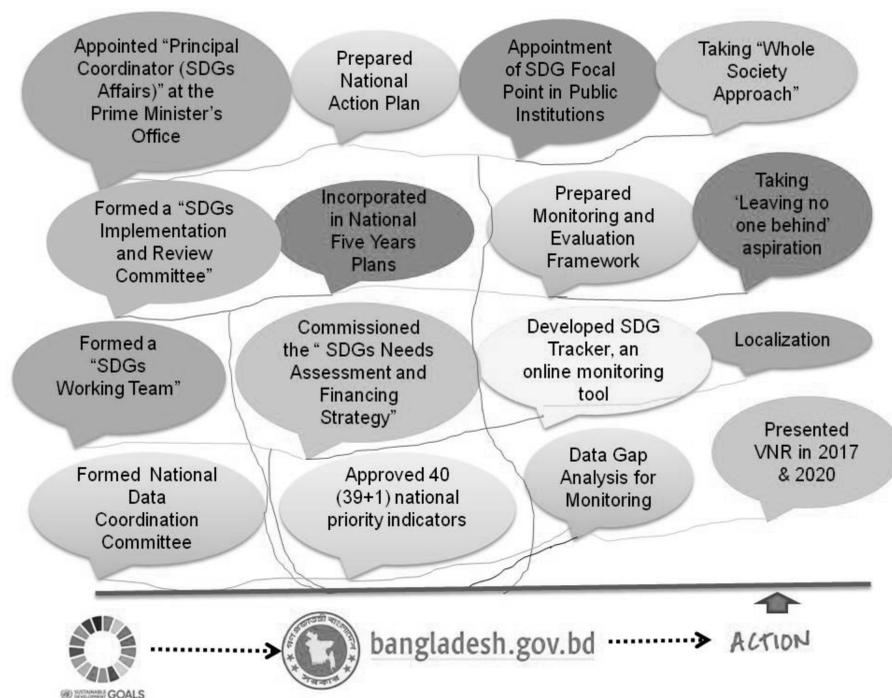
However, various external and internal determinants may influence organizations' achievements to actualize sustainability (Hahn and Kühnen, 2013). This study contributes to the understanding of internal factors that affect the SDGs implementation from Bangladesh's perspective. Such an investigation will be useful to the policymakers who are responsible for designing public policies and strategies to expedite SDGs implementation and reporting in Bangladesh. This study may also help other stakeholders like civil society, donor agencies, academics, researchers, environmentalists, and Non-Government Organizations (NGOs).

An evaluation of national progress in implementing the SDGs is sensible to identify the gaps (Allen *et al.*, 2018). Such study helps to analyze the degree to which pivotal implementation stages remain on the deck. Likewise, the assessment can highlight whether progress has been made in the initial planning stages. The study will help the policymakers to interconnect the linkages and trade-offs, and synergies between targets. The following section reviews the literature to build a analytical framework on Bangladesh's progress and challenges of SDGs associated with public governance.

SDGs and Bangladesh

Bangladesh made considerable progress in achieving MDGs despite geopolitical and environmental challenges (Datta and Rabbany, 2016). Like other countries, Bangladesh accepted SDGs. According to the SDG Index, Bangladesh is better positioned than some South Asian countries (Sachs *et al.*, 2020). Progressively, a lot of initiatives ranging from institutionalization to localization were taken (Figure 1).

The country started the journey by mapping ministries/divisions as "lead", "co-lead", and "associate" based on their allocation of business (GED, 2016). The mapping methodology followed consultations with line ministries and divisions (Kati, 2020). The discussion with line experts, researchers, academicians, and other stakeholders remains unclear. Any wrong selection of stakeholders will result in improper reporting. In that case, monitoring and evaluation may not count many remarkable achievements. Therefore, the mapping and stakeholder selection accuracy needs to check-in as ten years to go more. Sabbih (2018) identified some challenges encountered by Bangladesh for implementing SDGs, such as proper alignment with national planning and policy processes and coordination. Availability of factual data, partnership, and stakeholders' active participation is highly challenging for the country. Weak institutional capacity, poor governance, and policy incoherence will affect more than resource mobilization (Sabbih, 2018). Ashraf *et al.* (2019) revealed that controlling overpopulation and managing unplanned urbanization are highly demanding. Coping with natural disasters and climate change, facilitating good governance, and narrowing regional disparity are the main challenges for Bangladesh's public sector. It was reported that at the implementation level, the business remains as usual under the bracket of SDGs due to a lack of transformation and internalization. More progress realizes in the "upstream" compared to



Source: Adapted from Ministry of Planning (2020)

Figure 1.
Government's efforts
towards
achieving SDGs

“downstream” (Khatun *et al.*, 2020). Few studies identified several bureaucratic challenges in achieving SDGs underlining the corruption, politicization, polarization, inefficiency, and dominating behavior (Khatun *et al.*, 2020; Sarker, 2017), but the root cause was rarely analyzed. Therefore, the study strived to identify the inherent institutional challenges that will affect SDGs implementation greatly.

Bangladesh needs around US\$928.48 billion for the effective implementation of SDGs (Ministry of Planning, 2020). However, it is not possible for the government alone to finance that amount. Therefore, it is essential to cement the coherence amongst different stakeholders (Hossen and Sultana, 2020).

The ministries and divisions are mandated by “Rules of Business 1996” which was revised on a few occasions, lastly in April 2017 (Government of the People’s Republic of Bangladesh, 2017). The mandate of a public organization determines its frameworks, development, and outcomes. The business allocation parcels out decision-making authority from the public departments. Subsequently, jurisdictional overlapping, followed by the conflict of interest, emerges from this allocation (Gersen, 2007). In Bangladesh, many potential sectors have not flourished due to ambiguous mandates and jurisdictional overlapping among the public sectors (Hussain *et al.*, 2017). Therefore, examining the suitability of the “Rule of Business” for SDG implementation is a prerequisite.

Voluntary National Review (VNR) 2020 has shown the target-wise progress by exploiting primary and secondary data from different sources, where VNR 2017 utilized only official data. Both VNRs could not incorporate some notable achievements. The “Citizen’s Platform for SDGs, Bangladesh” (CPD) evaluated the performances of six goals based on the qualitative data (Khatun *et al.*, 2020). Differently, the “Sustainable Development Solutions Network” (SDSN) assessed each

country's goal-wise performance and trends based on few common indicators, which do not equally apply to each country. There is a mismatch between two reports that originated from different sources (Figure 2). Khatun *et al.* (2020) ranked the progress of six goals as SDG 4, 17, 8, 16, 10, and 13 based on respondents' perception. Despite insufficient data, the study showed that SDG 13 remains at the bottom. Contrarily, the rest of the world praises the way Bangladesh deals with climate adaptation and resilience. According to Sachs *et al.* (2020), SDG 12 surpassed the expectations considering only waste and emission per capita. Similarly, the performance of SDG 5 was downplayed, while SDG 3 and SDG 10 were heightened irrationally. Based on the vaccination coverage and HIV infection, the assessment of SDG 3 was misplaced. Hence, it has become indispensable to evaluate the institutional efforts in achieving SDGs targets empirically.

Research methodology

The study collected both primary and secondary data for the period from March to June 2020. The existing literature related to SDGs implementation challenges, institutional weakness, drawbacks of public policies, and legal framework were analysed to understand the broader picture of the data that was collected, and an analytical framework is developed. A stepwise systematical research approach was used for a better outcome (Figure 3).

Identification of significant initiatives

The study assessed the target wise progress by collecting secondary data from the annual reports under the financial years of 2015-2016, 2016-2017, 2017-2018, and 2018-2019 of 55 ministries/ divisions, and offices of Comptroller and Auditor General (CAG), Anti-corruption Commission (ACC), Information Commission (Infocom) and National Human Rights Commission (NHRC). Due to the annual reports' unavailability under the financial year 2019-2020, the annual performance agreements were critically analyzed to assess the commitments and the projected activities. Major SDGs centric laws, policies, strategic plans, and project documents were critically reviewed.

Aligning with SDGs targets

The vision, mission, and the course of the action plan of the identified projects, programs, public policies, and legal reforms were connected to SDGs targets. The number of associated targets per goal was enumerated.

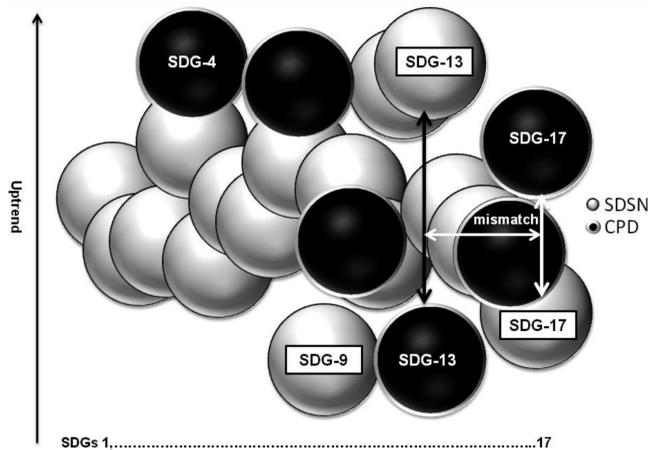


Figure 2.
A comparative assessment of the performance by SDGs between these reports

Sources: Analysis of Khatun *et al.* (2020) and Sachs *et al.* (2020)

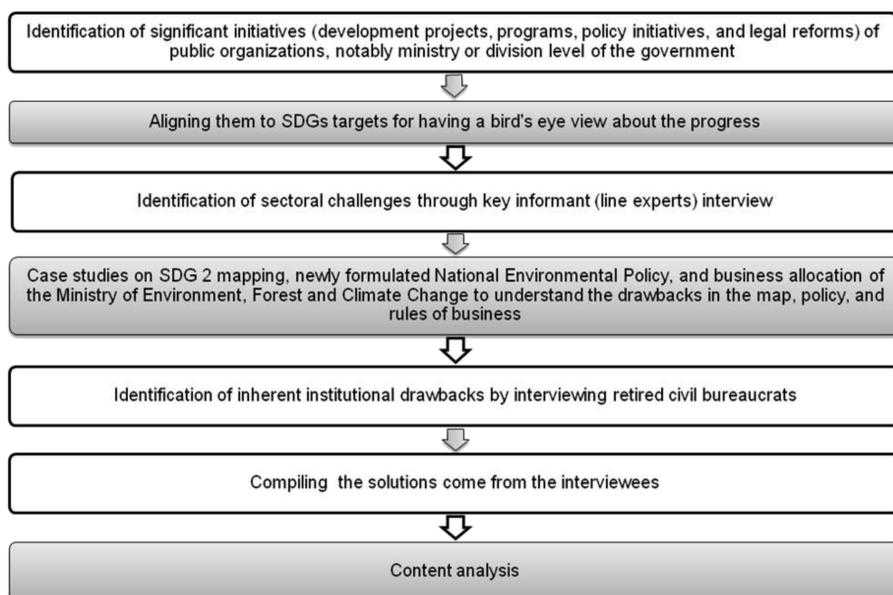


Figure 3.
The analytical
framework

Identification of sectoral challenges

The study followed Key Informant Interviews technique as it helps the researchers to minimize the confusion in concluding. A total of 15 key informants were selected from a diverse group of line experts who have in-depth knowledge about social, economic, and environmental sustainability. They were classified into three major groups: social, economic, and environmental, and each group had five informants. Beforehand, a loosely structured checklist, including a list of issues to be discussed, was prepared. During the interviews, there was a free flow and exchanges of ideas and information, with discussions focused on national challenges.

Case study

A case study helps the researcher to gain a big picture idea of a complicated situation (Harrison *et al.*, 2017). National Environment Policy 2018, which was formulated eyeing on SDGs implementation, was taken as a case to find out the shortcomings in the public policy. The allocation of business of ministries and divisions was scrutinized from the Rules of Business 1996. The business of the Ministry of Environment, Forest and Climate Change (MOEFCC) was critically analyzed to understand the appropriateness of the business allocation. The mapping of SDG 2 has been discussed to realize the accuracy of proper stakeholder selection. The case study followed a desktop data collection approach, and a few ambiguities were cleared up by the key informants.

Identification of inherent institutional drawbacks

For identification of the inherent institutional challenges, a number of five retired scholar-bureaucrats, who have comprehensive ideas about public institutional weakness, policies, and SDGs. Nationally they are highly renowned and occupied very important positions in the government in the recent past.

Compiling the solutions

Each interviewed key informants were humbly requested to recommend solutions to each problem they mentioned. All identified challenges and solutions were compiled. The solution was placed against the concerned challenges side by side.

Content analysis

The content analysis was done considering its uniqueness in that it supports both qualitative (Berg, 2009) and quantitative analysis (Krippendorf, 2004). The content analysis helps a researcher to analyze the themes, concepts, and interrelationships. The content analysis helps to transform a large number of texts into systematically organized and critical findings. The raw data from verbatim transcribed interviews can be coded and categorized quickly based on the themes. A further abstraction of data or condensation can be done at each step of the analysis (Erlingsson and Brysiewicz, 2017). At the outset, the collected data was coded into various categories and variables. De-contextualization, re-contextualization, categorization, and compilation were followed in this analysis.

Results and discussion

Progress at a glance

The initiatives taken by different ministries and divisions of Bangladesh are partially resonated with 84 targets of SDGs out of 169 (Table 1).

All ministries and divisions did not perform equally in terms of SDGs implementation. Similarly, all goals were not considered uniformly. Howbeit, most of the activities commenced before SDGs as routine works. Impressively, social safety net programs, micro-financing, and employment generation program for the poor help in curbing extreme and nationally defined poverty (Table 2).

The overseas employment sector emphasized increasing the remittance flow. The poverty in Bangladesh is declining at an average of 0.62 percent yearly. The extreme poverty dropped by roughly two-thirds in the last two decades, attributed to the expansion of readymade garment manufacturing and increased remittances (Iqbal and Pabon, 2018). Ministry of Agriculture (MOA), MOF, Ministry of Commerce (MOC), and MOHFW have taken various

<i>Goal</i>	<i>Targets</i>
1	1.1, 1.2, 1.3, 1.4, 1.5, 1.B
2	2.1, 2.2, 2.3, 2.4, 2.5, 2.A, 2.B, 2.C
3	3.1, 3.2, 3.3, 3.6, 3.7, 3.8, 3.B
4	4.1, 4.3, 4.A
5	5.1, 5.2, 5.3, 5.A, 5.B
6	6.1, 6.2, 6.3, 6.6
7	7.1, 7.A
8	8.2, 8.3, 8.7, 8.8, 8.9, 8.10
9	9.1, 9.2, 9.3, 9.4, 9.C
10	10.7, 10.B
11	11.3, 11.4, 11.5, 11.6, 11.B
12	12.3, 12.4
13	13.1, 13.2, 13.3
14	14.1, 14.3, 14.4, 14.B
15	15.1, 15.2, 15.3, 15.5, 15.7
16	16.2, 16.3, 16.4, 16.5, 16.6, 16.7, 16.9, 16.A
17	17.1, 17.3, 17.6, 17.8, 17.16, 17.17, 17.18

Table 1.
Number of SDGs target
partially attended by
the public institutions

<i>Name</i>	<i>Aligned goals</i>	<i>Nodal ministry/division</i>
Social safety net programs	1, 2	Ministry of Social Welfare (MSW)
Employment generation program for the poor	1, 2	Ministry of Disaster Management and Relief (MODMR)
Microfinance Project	1, 2, 8	Financial Institutions Division (FID)
National Gene Bank Project	2	Ministry of Science and Technology (MOST)
4th Health, Population and Nutrition Sector Programme	3	Ministry of Health and Family Welfare (MOHFW)
Higher Education Quality Enhancement Project	4	Ministry of Education (MOE)
Primary Education Development Program	4	Ministry of Primary and Mass Education (MOPME)
Secondary Education Development Program	4	MOE
Strengthening women's ability for productive new opportunities project	4, 8	Local Government Division (LGD)
Women entrepreneurs' development program	4, 8	Ministry of Women and Children Affairs (MOWCA)
My House My Farm Project	1, 8	Rural Development and Co-operatives Division (RDGD)
She Power Project	4	Information and Communication Technology Division (ICTD)
<i>Halda</i> Protection Project	6,15	Ministry of Water Resources (MOWR)
<i>Ruppur</i> Nuclear Power Plant Project	7	Ministry of Power, Energy and Mineral Resources (MPEMR)
<i>Rampal</i> Power Plant Project	7	MPEMR
Child Sensitive Social Protection Project	8	MOWCA
Sugar Refinery at North Bengal Sugar Mills	9	Ministry of Industries (Moind)
Pro-poor Slums Integration Project	11	Ministry of Housing and Public Works (MOHPW)
Clean Air and Sustainable Environment project;	11	MOEFCC
Urban Building Safety Project	11	MOHPW
Household Silos	12	Ministry of Food (MOF)
Integrating Community-based Adaptation into Afforestation and Reforestation Programs"	13, 15	MOEFCC
The Disaster Risk Management Enhancement Project	13	MODMR
Coastal Climate-Resilient Infrastructure Project	13	LGD
Sustainable Coastal and Marine Fisheries Project	14	Ministry of Fisheries and Livestock (MOFL)
Sustainable Forests and Livelihoods Project	2, 8, 15	MOEFCC
National Strategy for Development of Statistics Implementation Support Project	17	Statistics and Informatics Division (SID)

Table 2.
Major SDGs' centric
projects and programs

initiatives to ensure food security through scaling down hunger and malnutrition. The Agriculture Orientation Index (+0.5) is decent compared to that of other neighbors (FPMU, 2019).

Meanwhile, Bangladesh has made impressive progress in achieving SDG 3.2 by expanding the immunization program for newborn babies. Some programs and projects, remarkably Primary Education Development Program and Secondary Education Development Program, will attain quality education in primary and secondary levels. MOWCA has undertaken initiatives in line with the Convention on the Elimination of All Forms of Discrimination against Women, 1984, Beijing Platform for Action, and finally SDGs 5 (Table 3). Historically Bangladesh has been working hard to ensure gender parity and

Table 3.
List of SDGs' centric laws, policies, and strategic plans

<i>Name</i>	<i>Aligned goals</i>	<i>Nodal Ministry</i>
National Environment Policy 2018	All	MOEFCC
Dowry Prohibition Act 2018	SDG 5	MOWCA
Child Marriage Restraint Act 2017	SDG 5	MOWCA
Expatriate Welfare and Overseas Employment Policy 2016	SDG 1, 8	Ministry of Expatriates' Welfare and Overseas Employment (MOEWOE)
Overseas Employment and Migrant Rules 2017	SDG 1, 8	MOEWOE
National Plan for Disaster Management (2016-2020)	SDG 1, 2, 11, 13	MODMR
National Road Safety Action Plan	SDG 3	Road Transport and Highways Division (RTHD)
National Strategy for Prevention of Money Laundering and Combating Financing of Terrorism 2019-2021	SDG 16	FID

stands within the radius of this goal. Considering the global gender gap index and political empowerment, Bangladesh has secured the 50th and 7th positions in 2020 (WEF, 2020).

LGD has expanded safe drinking water national coverage and decreased the open defecation near zero. MPEMR has been implementing “Ruppur Nuclear Power Plant” and “Rampal Power Plant” to ensure long-term energy security. MOEWOE, ITCD, Ministry of Labour and Employment (MOLE); and FID have made considerable efforts to achieve higher levels of economic productivity. Bangladesh has counted 8.2 percent of GDP growth and 7.03 percent of GDP per capita growth in 2019 (The World Bank, 2020). The growth rate of real GDP per employed person increased to 5.85 percent in 2018-19 from 5.56 percent in 2017-18 (BBS, 2019). The industrial growth is ascending by undermining agricultural growth and maintaining a steady unemployment rate of around 4 percent (BBS, 2019). With international cooperation, few ministries have propelled infrastructure development. MOHPW has taken some projects, notably the Pro-poor Slums Integration Project, to improve the shelter and living conditions of the cities' low-income and informal settlements.

The Cabinet Division is working with the Annual Performance Agreement, Right to Information, Citizen Charter, National Integrity Strategy, and Grievance Redress System to develop accountable governance. Several ministries have taken initiatives to increase internal resources in achieving SDG 17. Notably, the Economic Relations Division (ERD) has expanded the horizons of international partnerships in resource collection.

As a newly graduated lower-middle-income country, Bangladesh has been making progress towards achieving SDGs. Bangladesh, one of the worst-hits of climate change and the most populous countries globally, cannot meet all ambitious targets of SDGs. It has made significant progress in achieving SDG 5, 7, 8, 17, 1, and 2. Oppositely, SDG 3, 10, 16, 14, 15, 12, and 11 are lagged behind in terms of implementation. Based on the initiatives and the perceptions of the key informants, the study has made a zonation for the goals: comfort (greyish), intermediate (whitish), and discomfort (blackish) zone, which were ranked in descending order (Figure 4).

Overarching challenges

The COVID-19 has pounded the economy and affected the country's success in poverty reduction. It may lead to a spike in hunger and malnutrition (Raihan, 2020). Decreased land to human ratio intensifies the import's dependency, albeit crop production is higher than before (Roy *et al.*, 2019). The agricultural market chain is distorted and controlled by intermediaries who make a multifold profit (Rahman *et al.*, 2020). The cash crops' production shows a

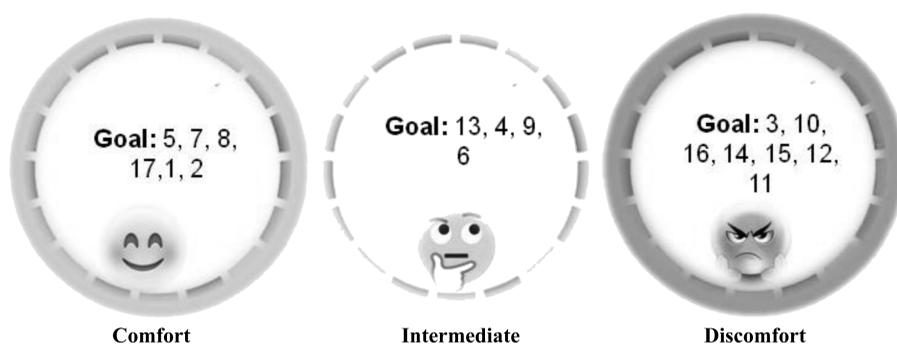


Figure 4.
Ranking of SDGs
based on performance

declining trend due to extreme weather events (Rahman *et al.*, 2017). Food contamination has become a custom, and the people have accepted this practice that poses a significant threat to the health of mass people. The COVID-19 tested enormous challenges in the fragile health sector. There is a lack of initiatives to ensure the enrolment of the left behind classes' children in primary school and lessen the disparities among different classes. The accessibility of disabled women to public facilities is unaccommodating (Akter and Rahman, 2018).

Any notable initiatives for protecting the periled freshwater ecosystems from further degradation and insulating the intensified river pollutions have not been perceived. Renewable energy contributes only 3 percent of total energy consumption (Uddin *et al.*, 2019). The COVID-19 may jeopardize all achievements through squeezing job markets locally, nationally, and internationally. The informal labor (85 percent) and the extremely vulnerable class may be the hardest hit. Bangladesh is on the bottle rung in reducing income inequality. The *Gini*-coefficient and *Palma* ratio has been increasing (Bureau of Statistics, 2017), which may affect poverty reduction, followed by relative deprivation. The number of high net-worth individuals, notably ultra-rich people, increases sharply (Wealthx, 2019). Dhaka has obtained the second position globally in terms of air pollution (Arefin *et al.*, 2017) while named the 3rd worst city to live in in 2019 according to the global livability index.

To date, a ten-year-long framework for ensuring responsible consumption and cleaner production has not been prepared. The Public Procurement Rules 2008 is not accommodative with sustainable and green procurement. Incremental salinity propelled by brackish shrimp culture is considered a silent disaster for Bangladesh (Rahman, 2020). The country confronts sea-level rise, desertification, and the influx of climate refugees. Environmental justice could not be ensured for ordinary people (Rahman, 2021b). The declining fish stocks in the shallow waters occur due to commercial fishers' ascendancy in the estuaries and territorial waters by pushing out the artisanal fishers (Alam *et al.*, 2021). The annual deforestation rate was 0.46 percent for the period 1930- 2015, maintaining an accelerated rate (Reddy *et al.*, 2016), which resulted in perpetuating degradation of natural habitat. The plantation of exotic tree species like *acacia* and *eucalyptus* in the drought-prone North Bengal leads to green desert mayhem. Likewise, encroaching, poaching, destructive fishing by poisons and biological invasion change are the significant confrontations in life on land. There is a lack of notable initiatives to achieve 21 targets allied to *Aichi* Biodiversity Targets, which are unlikely to be achieved by 2020.

Combating corruption, equal justice, and accountability of the law enforcers will be immensely demanding in ensuring inclusive governance. The Tax-GDP ratio is the lowest among the same countries (Hussain and Hossain, 2020). After the LDC graduation, the grant proportion is declining; contrarily, the loan is increasing. The tortoise-like implementation of the development projects downplays the utilization of foreign aid. Remittance inflow may be crippled by the pandemic COVID-19 recession.

The rules of business

According to the respondents' perception, ambiguous mandates of the ministries/divisions, jurisdictional overlapping, the conflict of interests, inaccurate mapping, data unavailability, and lack of cohesion, competency, and accountability are considered the significant institutional weakness. In addition, the top-down approach is used in planning and policy formulation.

The ministries and divisions are mandated from the business allocation, legal, and policy framework. The key informants revealed that the business allocation and the legal framework contradict legitimizing authorities in many cases. Many segmented, scattered, and old laws legitimized many ministries to work on the same issue. They also confided that the Rules of Business 1996 allocated ambiguous and chaotic mandates on several occasions, which are not convenient for SDGs implementation. With the growing concerns about environmental degradation, Bangladesh formed the Ministry of Environment and Forests in 1989, earlier than the Rio Earth Summit of 1992. This ministry was renamed the Ministry of Environment, Forest and Climate Change in 2018 to tackle climate change. Still, any single words pointing this matter are absent in its business (Table 4).

The top-notch mandates are environment, ecology, and pollution control without any clarifications. Besides, the mandates do not pinpoint administrative boundary, type of ecology, and environmental realm. The pollution control applies to the pollution of the benthic zone to space. Thereupon, the jurisdictions and the line of authority are ill-defined, which causes a deadlock in establishing environmental governance and justice (Rahman., 2021b).

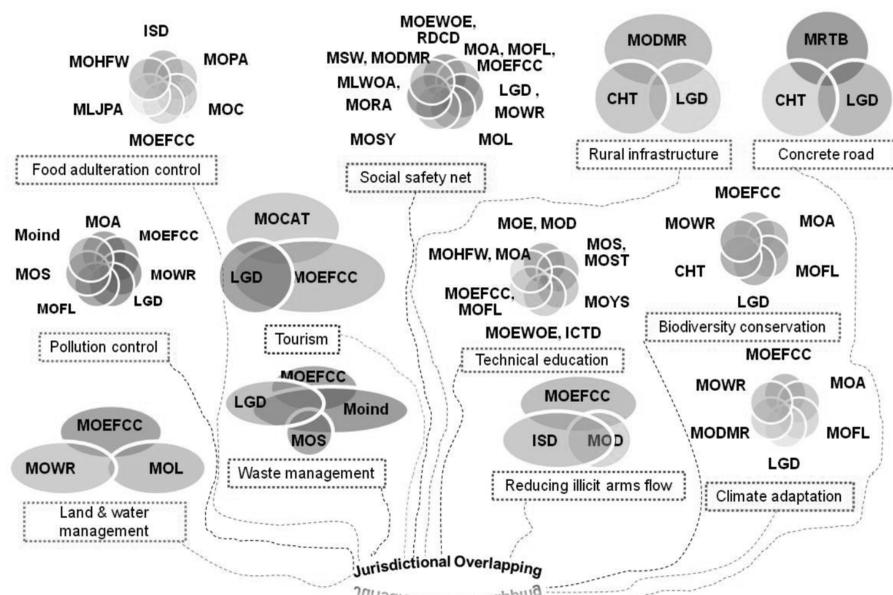
Jurisdictional overlapping

The key informants identified the significant areas where jurisdictional overlapping frequently occurs (Figure 5). It is revealed that social safety net, food security, infrastructure development, land and water management, tourism, pollution control, waste management, climate adaptation, biodiversity conservation, technical education, and control of illicit arms flow are intercepted by many public organizations simultaneously. The overlapping allows various ministries to adopt multiple safety net programs. The most chaotic condition exists in waste management, pollution control, and biodiversity conservation. The interceptions in social safety net programs serve the same beneficiary very often. Consequently, benefits go to the same house multiple times, which leads to increased inequality and a left-behind group.

Now and then, everybody's business emerges as nobody's business. The denial of the responsibilities comes to light in case of failure, conflict in the event of interests, and rivalry from exercising power. The conflict of interests among various departments leads to fragmented sector-by-sector and use-by-use management policies (Rahman, 2021a; Hussain et al., 2017).

<i>Ministry</i>	<i>Sub-ordinates</i>	<i>Allocated business</i>
<i>MOEFCC</i>	<ul style="list-style-type: none"> • Department of Forest • Department of Environment • Bangladesh Forest Research Institute • Bangladesh Climate Change Trust Fund • Bangladesh National Herbarium • Bangladesh Forest Industries Development Corporation • Bangladesh Rubber Board 	<ul style="list-style-type: none"> • Environment and Ecology • Matters relating to environmental pollution control • Conservation of forests and development of forest resources (Government and Private), forest inventory, grading, and quality control of forest products • Afforestation and regeneration of the forest, extraction of forest products • Tree plantation • Research and training in Forestry • Protection of wild birds and animals and establishment of sanctuaries

Table 4.
Allocation of business
for MOEFCC (a case)



Notes: MLJPA is Ministry of Law, Justice and Parliamentary Affairs; MOCAT is Ministry of Civil Aviation and Tourism; MOD is Ministry of Defence; MOLWA is Ministry of Liberation War Affairs; MORA is Ministry of Religious Affairs; MOS is Ministry of Shipping; MOYS is Ministry of Youth and Sports

Figure 5.
Jurisdictional overlapping among ministries/divisions

It negatively affects institutional coordination, resulting in inadequate regulation. The respondents opined that the intercepted areas are robust which require multi departments for operationalizing the activities, but the number of players can be minimized. Appointing a focal point and developing an effective coordination mechanism can reduce the existing chaos. They also advocated for abolishing irrelevant interceptions to ensure that one's business is not everyone's. Business should be reallocated by amalgamating scattered and fragmented laws.

Gaps in maps

According to the earlier mentioned map, the lead, co-lead, and associate ministries/divisions initiated actions to fulfill the goals. The case of mapping SDG 2 shows how the closely related ministries were excluded, and the far-flung ministries were included (Table 5).

It is unimaginable to think about how food production is possible by ignoring MOWR. The denial of the role of the MOEFCC means the rejection of the food security of millions of vulnerable people depending on the *Sundarbans'* forest ecosystem services. They are directly dependent on the provisioning ecosystem services like honey, fishes, and crustaceans (Hussain *et al.*, 2017). The absence of the MOST discounts the role of the National Institute of Biotechnology in increasing food productivity, developing resilient varieties, and establishing a national gene bank. The key informants opined that the mapping is erroneous due to deficiency of line experts' opinions, shortfall of internalization, and improper consultations. The inaccurate mapping may lead to faulty planning and subsequent haywire implementation, fragmented achievement, and scattered evaluation. Many notable achievements may be discounted, and unimportant attainments may be spotlighted

Target	Existing Map	Nature of stakeholders' engagement			
		Overrun	Downplayed	Far-flung	Absent
2.1	<i>Lead:</i> MOA; <i>co-lead:</i> MOFL, MOF; <i>associates:</i> MODMR, Moind, MOWCA, ICTD, MOE, MOPME, SID, MOHFW (2.1.2); Ministry of Information (Moinf) (2.1.2)	x	x	Moind, MOWCA, ICTD, MOE, MOPME, SID	MOEFCC, MOST, MOWR, Ministry of Public Administration (MOPA), Internal Security Division (ISD), MOHFW
2.2	<i>Lead:</i> MOHFW; <i>co-lead:</i> MOF; <i>associates:</i> MOA, MODMR, MOFL, Moind, MSW, MOWCA, Moinf, MOE, MOPME, SID	MOHFW, MOF	MOA, MOFL	MSW, Moind, MOWCA, ICTD, MOE, MOPME, Moinf, SID	MOEFCC, MOST, MOWR
2.3	<i>Lead:</i> MOA (2.3.1), Moind (2.3.2); <i>co-lead:</i> MOFL; <i>associates:</i> FID (2.3.1), LGD (2.3.1), Ministry of Chittagong Hill Tracts Affairs (CHT) (2.3.1), MODMR (2.3.1), MOF (2.3.1), MOHFW (2.3.1), Moind (2.3.1), Ministry of Land (MOL) (2.3.1), MSW (2.3.1), MOWCA (2.3.1), MOEFCC (2.3.1), SID (2.3.1) MOFL, MOE (2.3.2), MOA (2.3.2)	Moind	MOEFCC	SID, MOHFW	MOC, MOWR, MOST, ICTD
2.4	<i>Lead:</i> MOA; <i>associates:</i> MOEFCC, MOL, MOWR, MODMR, Moind, MOF, LGD, SID	x	x	Moind, SID	MOFL
2.5	<i>Lead:</i> MOA; <i>co-lead:</i> MOFL; <i>associates:</i> MOC, MOEFCC, Ministry of Foreign Affairs (MOFA)	x	MOEFCC	x	x
2.a	<i>Lead:</i> MOA (2.a.1), ERD (2.a.2); <i>associates:</i> FID (2.a.1), LGD, MOFL, MOFA (2.a.1), General Economic Division (GED) (2.a.1), MOA (2.a.2)	x	x	x	CHT, MOC, MODMR, MOF, MOWR, MOST
2.b	<i>Lead:</i> MOC (2.b.1), FD (2.b.2), <i>associates:</i> FID (2.b.1), MOA, MOFA(2.b.1), MOFL(2.b.1), MOC (2.b.2)	x	x	x	MOEFCC
2.c	<i>Lead:</i> MOC; <i>co-lead:</i> MOF; <i>associates:</i> Moinf, MOFA, SID	x	x	SID	ISD, ICTD

Table 5.
Mapping of SDG 2
(a case)

simultaneously. The defective mapping may hamper the fulfillment of cross-cutting issues at the cross juncture of SDGs. The respondents gave prominence to revise the map by taking all stakeholders' opinions, notably line experts, researchers, and academicians.

Data availability

The respondents apprehend that Bangladesh may face enormous challenges in measuring progress and monitoring and evaluation due to the unavailability and inadequacy of authentic data. Bangladesh has available data for 64 indicators, partially available for 58, while unavailable for 110 indicators (GED, 2018). Based on the data availability, SDG 1, 6, 9, 10, 11, 12, 13, 14, 15, and 16 fall behind. The maintenance of databases in public sectors is a crucial problem. Data manipulation and fabrication cast doubt about data's authenticity in some cases. Timely access and the gap in understanding are also significant problems. Standard methodological approaches and advanced technology are not used in data collection. Besides, data validation is rarely done. The National Data Coordination Committee should take crash programs to minimize the data gap.

Coordination and integration

The respondents divulged that the lack of coordination and integration is the actual drawback of the bureaucracy. Every ministry or division has a tendency to do everything alone, decoupling other stakeholders, which is the barrier in adopting the whole society approach. First of all, Bangladesh should develop a concrete institutional coordination and integration mechanism before taking further action. The lack of coordination between and among the players negatively impacted natural resources' sustainable use, including tourism and social welfare (Hussain *et al.*, 2017). Bangladesh should bridge the gaps among public sectors, private sector, NGOs, community-based organizations and civil society to uphold the whole society approach.

Competency and accountability

The gaps in the maps array the scarcity of line experts and SDGs oriented workforce in the public service for internalization. The key informants identified several causal factors like the absence of career planning and path, polarization, politicization, wrong people in the wrong place, lack of stick and carrot approach, and rapid turnover. The respondents opined that these historical problems could not be solved overnight. A massive reform in public service ranging from recruitment to positioning will be required. It is essential to motivate them by placing the right people in the right place, providing incentives, preparing a career pool, imparting moral and SDGs-related training, and ensuring job satisfaction and performance appraisal.

Top-down approach

The respondents argued that the public policy, planning, and projects rarely bring positive outcomes in Bangladesh due to adopting the top-down approach in the formulaic stage. In most cases, political agenda and interventions, bureaucratic superiority and inertia, influences of the donors, inadequate research, institutional complexities, ambiguous guidelines, and the absence of line experts' opinions are reflected. The evidence and research-based problems are missing, even in the latest National Environment Policy 2018 (Table 6). It seems that before setting objectives, vision, mission, course of actions, and stakeholder selection, the problems were not defined based on research findings or experts' opinions. Instead, it took a general list of issues from a common understanding.

The respondents also stressed adopting a holistic approach in formulating policy, plan, and development projects. The opinions of all stakeholders, notably line experts, academicians, and researchers should be taken in the initial stage.

Table 6.
Key features and gaps
of National
Environment Policy
2018 (a case)

<i>Key features</i>	<i>Gaps</i>
<ul style="list-style-type: none"> • The policy aims at achieving SDGs through environmental protection, pollution control, biodiversity conservation, and climate adaptation • Identified 24 sectors/ areas and set a guideline for each • The importance of research, ecotourism, biosafety, control of invasive species, coastal and marine ecosystem, 3R technology, and sustainable production and consumption has been added • Underlined the commitments given in the accepted international conventions, protocols, treaties, codes, and memorandums • Taken almost all ministries and divisions as the stakeholders, where MOEFCC is the nodal ministry. Also, a national environment committee headed by the Prime Minister will advise from time to time 	<ul style="list-style-type: none"> • Lack of reflection of research findings and line experts' opinions • Did not specify the responsibilities for the stakeholders • The coordination and integration mechanism is ambiguous. • The problems originating from jurisdictional overlapping were not addressed • The concept of environmental, water, land, forest and marine governance is absent • There is no time frame, monitoring, and evaluation tools

Conclusion

Bangladesh, one of the fastest-growing economies in Asia, is nearing to achieve economic sustainability, albeit it faces the COVID pandemic recession like other countries. By learning the lessons from pandemic COVID-19, Bangladesh should prioritize SDG-3. Economic sustainability is not guaranteed until and unless social and environmental sustainability is achieved. Bangladesh could not show a hallmark sign in achieving ecological sustainability in terms of nature conservation. In particular, Article 18A was added to the Constitution of Bangladesh in 2011 to guarantee the protection and preservation of the environment and natural habitats for both present and future citizens. The incremental income inequality may jeopardize social sustainability. Lack of attention on the identified drawbacks will not only cripple the achievement but also downplay all initiatives as they are deeply rooted in regulatory frameworks. The lack of cohesion may result in fragmented and scattered progress. The country may be able to multiply its achievement by exploiting the same resources and efforts if the institutional weaknesses are adequately addressed.

Not only good but also competent, inclusive and accountable governance will be highly demanding to actualize SDGs. The study recommends minimizing jurisdictional overlapping for better integration and coordination. Revising the allocation of business of various important ministries eyeing on SDGs can solve this problem. The bottom-up approach and engagement of multi-stakeholders may help appropriate policymaking. Beforehand, stakeholder analysis will be highly warranted. Keeping data gap will be highly challenging to measure the progress. Accountable and good governance should be considered as the critical crosscutting issue. Comprehensive and rigorous research is advisable on different sectors separately. The country needs to develop an authentic national database so that future researchers can carry out indicator-based researches.

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Impacts and challenges of Southern African Development Community's industrialization agenda on Botswana and Tanzania

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Abstract

Purpose – This paper aims to explore the impacts and challenges of the Southern African Development Community's industrialization agenda on the industrialization of two Sub-Saharan African states, Botswana and Tanzania.

Design/methodology/approach – The study adopts the documentary research method by carefully analyzing relevant policy documents, conference papers, reports, and journals.

Findings – While there is an impact on policy provisions targeted towards industrialization, there are challenges such as poor policy implementation that, if not addressed, could dampen efforts by policymakers in achieving the goal of industrializing the countries.

Practical implications – Governments should ensure equal synergy relations amongst institutions tasked with implementation. Increase investment in research and development (R&D) and human capital as drivers of innovation are needed for industrialization.

Originality/value – This paper adds to the discourse on industrialization. It also highlights challenges faced by countries whose policies have had minimal impact on industrialization.

Keywords Industrialization, Southern African Development Community, Botswana, Tanzania

Paper type Viewpoint

Introduction

Industrialization in Southern African Development Community (SADC) has been slow, particularly in the manufacturing sector, which has shown a decline in contribution of 10.6 percent to Gross Domestic Product (GDP) in 2015 compared to 14.1 percent in 2005 (SADC, 2020). The SADC framework hinges upon regional commitment, creation and intensification of individual country policies. The SADC region needs to increase the manufacturing sector share of GDP to above 25 percent to significantly transform the economic and social status of its citizens (Southern African Research and Documentation Centre, 2015). While there are concerted efforts towards regional industrialization in SADC, it is still a very individual experience. Member states will take different paths to achieve this goal. Thus, the aim of this paper is to explore the impacts and challenges of SADC's Industrialization Agenda (SADC-IA) on the industrialization of Botswana and Tanzania guided by the integration theory.

HKPAA



This paper formulates three research questions: (1) Has policy alignment with SADC-IA contributed to overall performance of the manufacturing sector in Botswana and Tanzania?; (2) Has SADC integration impacted the manufacturing sector and therefore, strengthened industrial competitiveness of selected sub-sectors of both countries?; and (3) What could be the institutional learning in both countries for others to avoid or to emulate?

Theoretical framework

In integration theory, the functional approach is characterized by awareness of integration processes, benefits obtained through integration, and meticulous developments of alternative strategies and instruments for integration (Bolanos, 2016). This paper applied a functional approach in integration theory based on its characteristics being awareness, benefits, and alternative strategies of integration processes in exploring the impacts and challenges of SADC-IA on Botswana and Tanzania's industrialization.

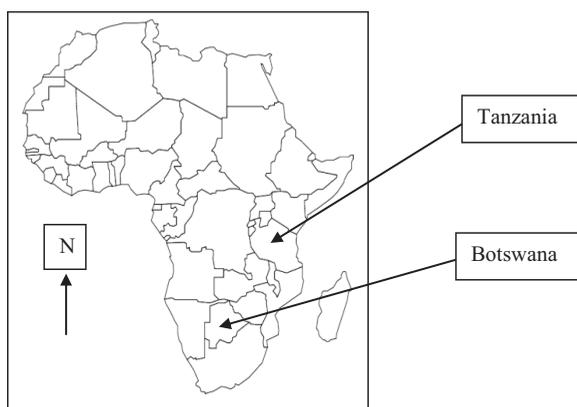
Research methodology

The documentary research methodology was adopted and involved literature review analysis of relevant policy documents, conference papers, reports and journals on industrialization policies. Figure 1 shows the location of Botswana and Tanzania in Africa as the study area. Table 1 presents their country profiles. The selection of these two countries is based on their commonality of serving as headquarters of regional blocs. Botswana is the headquarters of SADC while Tanzania is the headquarters of the East African Community (EAC) (SADC, 2020; EAC, 2020). Both countries have membership in SADC but also serve other integration blocs, namely, Botswana as a member of South African Customs Union (SACU, 2020) while Tanzania a EAC member (EAC, 2020). The scope of this paper is within SADC and not other integrations or declarations like Lima Declaration. The related domestic policies to SADC-IA for the case study of these two countries cover the period from 1984 to 2020 as shown in Table 2.

Findings

Awareness of integration processes

Policy alignment with SADC-IA in contributing to the manufacturing sector's overall performance in Botswana and Tanzania is summarized in Table 2. The industrial decline led



Source: Adapted from Supercoloring.com (2020)

Figure 1.
Locations of Tanzania
and Botswana in
Africa

Table 1.
Country profiles of
Botswana and
Tanzania

Indicators	Botswana	Tanzania
Size of Country	582,000 km ²	945,200 km ²
Population in 2018	2.2 million	54.1 million
Government	Executive/Judiciary/ Legislature	Executive/Judiciary/Legislature
Natural resources	Minerals (Diamond, Copper), cattle and wildlife	Minerals, cotton, coffee, cloves, sisal, cashew nuts, tea, tobacco, and wildlife
GDP (US\$ million)	18,596	57,347
GDP Growth rate (%)	4.5	7.0
MVA growth rates (%) in 2008 and 2018	In 2008 was -2.6 In 2018 was 3.6	In 2008 was 11.4 In 2018 was 8.3

Source: Adapted from SADC (2020)

Table 2.
SADC-IA Thematic
policy areas and
related domestic
policies for Botswana
and Tanzania

SADC-IA 2015-2063 Thematic Policy Areas	Botswana related domestic policies	Tanzania related domestic policies
Infrastructure and services	National Development Plan 10; Vision 2036	FYDP II 2016/17-2020/21; National Transportation Policy 2003
Macro-economic frameworks	Vision 2036; National Development Plan 10	FYDP I 2011/12-2015/16; FYDP II 2016/17-2020/21
Politics and governance	Co-operatives Transformation Strategy 2012; Citizen Economic Empowerment Policy 2012; Entrepreneurship Development Policy 2014	Tanzania Mini-Tiger Plan 2020; Long Term Perspective Plan 2011/ 12-2025/26; Tanzania Development Vision 2025
Social and human development policy	Citizen Economic Empowerment Policy 2012	National Strategy for Growth and Poverty Reduction (MKUKUTA) I and II; Tanzania Development Vision 2025
Labour market policies	National Trade Policy 2009; National Export Strategy 2010; Economic Diversification Drive Strategy 2011; Special Economic Zone Policy 2010; Competition Policy 2008	National Employment Policy 2008; Education and Training Policy 1995
Trade policies	National Trade Policy 2009	National Trade Policy 2003; SMEs Development Policy 2003 SIDP 1996; Vision 2025
Industrial development policies	IDP I 1984-1998; IDP II 1998-2012; IDP III 2014-2028	
Technology and innovation policies	Botswana National Research, Science and Technology Plan 2005; National Science Technology and Innovation Policy of 2012	National Science and Technology Policy 1996

Sources: Adapted from Botswana Government (2014); Policy Forum (2018)

to the approval of a framework for SADC industrialization strategy and roadmap from 2015 to 2063 to boost industries' productive capacity, develop infrastructure, and promote technological advancement (SADC, 2015). Funding was a challenge, and this was expected to be achieved through Public-Private Partnerships (PPPs) (SADC, 2015). On a broader policy context, SADC engages the Africa Union (AU) and international organizations. Examples of

international organizations are the United Nations (UN) proclamations of the Africa Industrialization Day in 1989, the 1991-2000 and 2016 Industrial Development Decade for Africa, United Nations Industrial Development Organization (UNIDO), and action plan for the Accelerated Industrial Development of Africa (AIDA) (UN, 2020). Despite SADC's international engagements, the manufacturing sector contribution to GDP has not exceeded 14.1 percent since 2005. Hence forcing AU to embark on Africa Continental Free Trade Area (AfCFTA) established in 2018 (AU, 2020). In 2019, UN proclaimed the UN Theme: Positioning African Industry to Supply the AfCFTA Market (UN, 2020). In the awareness of integration process, Botswana and Tanzania have formulated domestic industrial policies to address industrialization.

Botswana's first Industrial Development Policy (IDP I) was developed in 1984-1998 to promote economic diversification, employment creation and private sector development through import substitution of locally produced goods. IDP II of 1998-2012 emphasized export-led growth with a desire for long term economic development like strengthening industrial aligned skills, while IDP III of 2014-2028 focuses on export-led growth through strategic use of already established resources (Botswana Government, 2014). IDP III targets other potential sectors to drive industrial growth while maintaining manufacturing as the core sector to support the transition from a factor-driven economy to an efficiency-driven economy. Botswana initiated institutions to support the expected local manufactured outputs such as the Citizen Entrepreneurial Development Agency (CEDA) (Botswana Government, 2014).

Tanzania's government formed the Sustainable Industrial Development Policy (SIDP) from 1996 to 2020 to enhance sustainable development of the industrial sector, employment creation, economic transformation, and equitable development (Ministry of Finance and Planning [MFP], 2016). The SIDP aims to strike a balance between import substitution and export orientation while recognizing the private sector as the primary vehicle for direct investments in the sector (MFP, 2016). Other initiatives include Vision 2025 which emphasizes on making Tanzania a semi-industrialized nation by 2025 (Policy Forum, 2018). In 2011, SIDP was reformulated to Integrated Industrial Development Strategy (IIDS) 2025 to match vision 2025 (MFP, 2016). The IIDS ensures that the manufacturing sector contributes to 23 percent of GDP with growth rate at 15 percent by 2025, while the Five Year Development Plan (FYDP) II 2016/17-2020/21 is to foster economic and industrialization development (MFP, 2016).

Benefits of integration process

The SADC integration has impacted the manufacturing sector and strengthened the industrial competitiveness of selected sub-sectors of Botswana and Tanzania. In Table 3, Botswana ranked 101/189 in Human Development Index (HDI) which indicated a high level of overall human development (HDI, 2017). Botswana also had a relatively high ranking in overall governance and prosperity index of 5/54 and 76/167 respectively (Ibrahim Index of African Governance [IIAG], 2018; LPI, 2019). The Corruption Perception Index (CPI) for Botswana is 34/180 meaning there is certain corruption (CPI, 2019).

Tanzania ranked 14/ 54 and + 1.3 which is a positive sign for overall governance and thus considered as bright green flag 2008-2017 with trends categorized as "Increasing Improvement" (IIAG, 2018). Tanzania is also ranked 96/180 in CPI which means that there is certain corruption (CPI, 2019). Tanzania scored 154/189 which indicated a low level of overall human development (HDI, 2017) whilst the prosperity index as per LPI (2019) was 120/ 167 (Table 3).

The success of competitiveness alignment with SADC-IA for Botswana from the perspective of benefits of integration process is aligned better with SADC-IA thematic

Table 3.
Summary of benefits of the integration process: competitiveness alignment with SADC-IA thematic policy areas

Benefits	Botswana	Tanzania	SADC-IA 2015-2063 Thematic Policy Areas
Governance Index	5/54 in 2018	14/54 in 2018	Politics and governance
Human Development Index (HDI)	101/189 in 2017	154/189 in 2017	Social and human development policy
Prosperity Index	76/167 in 2019	120/167 in 2019	Politics and governance
GDP growth (Manufacturing Sector)	1430.90 BWP in 3Q to 1494.90 BWP (million) in 4Q of 2020	2,479,030 TZS in 2Q to 2,888,507 TZS (million) in 3Q of 2020	Industrial development policies
GDP Annual growth rate (%)	3.1 in 2019	7.2 in 2019	Industrial development policies
Corruption Perception Index (CPI)	34/180 score 61 in 2019	96/180 score 37 in 2019	Politics and governance

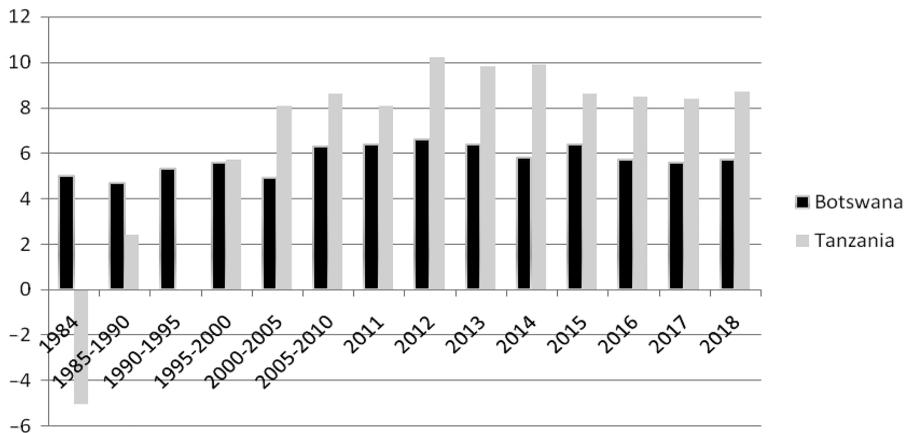
Sources: Adapted from HDI (2017); IIAG (2018); CPI (2019); LPI (2019); Trading Economics (2021); SADC (2020)

policies of “politics and governance”, and “social and human development policy” while for Tanzania it is aligned with the “industrial development policies”.

Regarding Botswana’s manufacturing sector contribution to GDP, Figure 2 showed a decline in the share of Manufacturing Value Added (MVA) to total GDP from 6.4 percent in 2015 to 5.7 percent in 2018; a downward trend since the integration of the SADC-IA. Tanzania’s MVA to total GDP increased from 8.6 percent in 2015 to 8.7 percent in 2018. Therefore, it shows an upward trend since the integration of the SADC-IA. Tanzania’s manufacturing sector growth is attributed to subsectors’ competitiveness, such as food processing, textiles and basic metals (Page, 2016).

Figure 2 showed a spike of 10.2 percent of MVA to total GDP in 2012 for Tanzania. This spike coincides with the policy reform in 2011 whereby SIDP was reformulated to IIDS 2025 to match vision 2025 and acquire productive facilities by the private sector

Figure 2.
Share of Manufacturing Value Added (MVA) to Total GDP (%) for Botswana and Tanzania (1984-2018)



Sources: Adapted from The World Bank (2020); SADC (2020)

(Ministry of Industry and Trade of United Republic of Tanzania [MIT] and UNIDO, 2012). Although studies in Tanzania have shaped research in industrialization (Mkwizu *et al.*, 2019), more literature are needed about challenges in industrialization.

Although there are benefits for each country towards industrialization due to SADC-IA with highlighted impact on the manufacturing sector, there are challenges summarized in Table 4 and related SADC-IA thematic policy areas. These challenges include implementation of policies, governance, energy supply, innovation, informal sector, and skilled labor gap.

Implementation of policies

Implementation of Botswana policies is hindered by duplicated efforts, competing objectives and policy formulation leading to disjointed manner of implementation (Sekwati, 2010; Bothale, 2017). Other challenges for poor implementation of policies include the lack of commitment to government agencies' policy choices, declining levels of public accountability, reluctance to reform, and supply driven policy implementation without adequate assessment of the necessity of the projects (Kaboyakgosi and Marata, 2013).

Kweka (2018) revealed that Tanzania's industrialization process and implementation of policy initiatives is hindered by limited finance, unfavourable regulatory environment, and weak coordination across ministries, departments and agencies.

Governance

Botswana's public sector dominates the marketplace while the private sector remains weak (Sheriff and Muffatto, 2015). There is an unsuccessful promotion of linkages between private companies and local producers by institutions, but also PPPs in Botswana are not yet significant (Mbayi, 2011; African Development Bank, 2018).

In Tanzania there are five major challenges in governance which are: corruption, weak accountability, quality of public services, weak public systems, and sub-optimal public finance management system (MFP, 2016). The conducive trade rules and facilitation policy initiatives are faced with business environment obstacles like access to finance (Kweka, 2018; Kweka, 2019). Other governance challenges in implementing policies for industrialization in Tanzania are sustaining investor confidence, the inclusion of local content, and the role of

Challenges	Botswana	Tanzania	SADC-IA 2015-2063 Thematic Policy Areas
<i>Implementation of Policies</i>	Supply driven, uncoordinated policy implementation	Limited evaluation and monitoring	Politics and Governance
<i>Governance</i>	Low PPPs	Accountability	Politics and Governance
<i>Energy Supply</i>	Inadequate	Inadequate	Infrastructure and services
<i>Innovation</i>	Low innovation	Low innovation	Technology and Innovation Policies
<i>Informal Sector</i>	Efforts are needed to include the Informal Sector	Efforts are needed to include the Informal Sector	Social and human development policy
<i>Labor Market Skills Gap</i>	Mismatch between labor market demand and human capital supply	Low skilled labor	Labor market policies

Table 4. Summary of identified challenges towards industrialization for Botswana and Tanzania and SADC-IA thematic policy areas

State-Owned Enterprises (SOEs) in the industrialization process due to SOEs that were seen as barriers to growth (Kweka, 2018; Kweka, 2019).

Energy supply

Botswana experiences load shedding due to power shortages being a common regional problem. Evidence of this is a 29 percent access to the grid electricity of Sub-Saharan Africa compared to 60 percent of South Asia (Motsholapheko *et al.*, 2018). As a factor that supports industrialization, the inadequate power supply inhibits its progress (Sekantsi and Timuno, 2017).

In Tanzania, Julius Nyerere hydro-electric power project is expected to add 2.1 GW of power (Aly *et al.*, 2019). Mdee *et al.* (2018) noted that Tanzania's small, mini and large hydropower resources are identified to reach 5.3 GW for electricity generation. However, there are barriers to hydropower development in Tanzania and this includes sediment in hydropower reservoirs and policy.

Innovation

Botswana's Research and Development (R&D) expenditure was 0.54 percent of GDP in 2013, and the Global Innovation Index (GII) ranked 93/129 countries, whereas Tanzania's R&D expenditure recorded 0.51 percent of GDP in 2013 and scored 97/129 countries for GII (The World Bank, 2019; GII, 2019). Moalosi *et al.* (2016) found that Botswana's design-driven innovation is hindered by the weak link between creative industries and R&D institutions. Similarly, Tanzania has challenges in synergies between industrial and innovation policy frameworks to leverage growth and transformation in the industrial sector (United Nations Conference on Trade and Development [UNCTAD], 2015). For instance, in Tanzania, the industrial development strategies aim for overall economic targets, while innovation policies focus on institutional infrastructure (UNCTAD, 2015).

Informal sector

The informal sector in Africa accounts for about 42 percent of the gross national income (African Development Bank, 2017). Tanzania's informal sector had an average of 52.20 percent of GDP between 1991 and 2015, respectively, while Botswana's informal sector has had an average of 30.30 percent of GDP between 1991 and 2015 (Medina and Schneider, 2018).

Labor market skills gap

Botswana has challenges in the supply and demand of skilled labor force due to failure in producing flexible and transferable skills that are practical and thus creating a labor market skills gap (Boikhutso and Molosiwa, 2017). Therefore, Botswana needs to match the skills of the labor force to diversify the economy. For Tanzania, Kweka (2018) noted that there are obstacles like the availability of skills in the business environment. MIT and UNIDO (2012) cited that in Tanzania, there is skills misallocation emanating from higher-skilled labor which is not often required for jobs in the manufacturing industry. Hence Tanzania needs to ensure there is proper allocation of higher-skilled labor for economic upgrading and industrialization.

Alternative strategies of integration process

The institutional learning in both countries for other member states to avoid is the weaknesses of policy implementation related to inadequate monitoring and evaluation, and low investment in R&D. On the other hand, the institutional learning for other member states to emulate is the increase in the manufacturing sector performance of Tanzania through its

various subsectors. On industrialization for African Vs Asian economies, Mkwizu and Ngaruko (2019) advocated that Africa's trajectory for industrialization lies on technological spill-over to sustain the manufacturing sector.

Discussion

The findings of the literature review revealed that there is awareness of integration process with industrial policies for Botswana and Tanzania which suggests that existing domestic policies are aligned with SADC-IA thematic policy areas. It also indicated that the overall performance of the manufacturing sector is both positive and negative. Positive performance is evident in the share of MVA growth for Tanzania, while Botswana had negative performance indicating a declining share of MVA. Despite the policy efforts of SADC-IA with international partners like UNIDO, the manufacturing sector growth declined while the target is above 25 percent for the SADC region. This motivated AU to initiate AfCFTA to improve trade for African nations including SADC member states.

The findings further suggest that in view of the benefits of SADC integration through SADC-IA, the success of SADC-IA for Tanzania aligns with "industrial development policies" and thus strengthens its industrial competitiveness of selected sub-sectors like food processing, which is in line with Page (2016). Additional findings imply that the benefits of integration for Botswana are in competitiveness of high ranking in human development plus prosperity index which align better with SADC-IA thematic policies of "politics and governance", and "social and human development policy" and thus lead to GDP growth on manufacturing sector. On the other hand, SADC-IA has had no discernible effect on MVA share to GDP. Hence, Tanzania's manufacturing sector performs better than Botswana.

This paper indicates challenges in crucial areas, namely implementing policies, governance, energy supply, innovation, informal sector and labor market skills gap. Implementation of policies is difficult for both countries due to policy duplication, and a lack of regular monitoring and evaluation. Despite favorable governance records, Botswana's PPPs are weak as noted by African Development Bank (2018) and Tanzania faces challenges on accountability and quality of public services as noted by Kweka (2018; 2019). Transparency can minimize corruption. Increasing innovation through skills development and investment in R&D is vital for the industrialization of both countries. Similarly, the informal sector's exclusion may be a huge hindrance since the informal sector represents a significant portion of GDP. Hence, these challenges suggest weaknesses in the implementation of the SADC-IA policy areas namely "politics and governance", "social and human development policy", "infrastructure and services", "technology and innovation policies" and "labor market policies".

Alternative strategies for institutional learning for Botswana and Tanzania are avoidance of weaknesses in implementing policies and low investment in R&D. The trajectory for industrialization should be based on technological spill-over. Therefore, in examining the impacts and challenges of SADC-IA on Botswana and Tanzania using integration theory, there is awareness of SADC-IA and domestic policies, benefits of policies accompanied with challenges, and the alternative strategies of integration process which are mentioned as investment in R&D and implementation of policies.

Conclusion

This paper concludes that both countries' policies are aligned with the Southern African Development Community's Industrialization Agenda (SADC-IA). Botswana and Tanzania contributed to the manufacturing sector's overall performance whereby in 2020 Botswana received Botswana pula 1494.90 million, and Tanzania earned Tanzanian shillings 2,888,507

million. There is a negative impact of SADC-IA on the manufacturing value added of manufacturing sectors contribution to the total gross domestic product of Botswana, whereas a positive impact on manufacturing value added of the manufacturing sector for Tanzania, thus strengthening Tanzania's industrial competitiveness of sub-sectors. This paper highlighted the benefits and challenges in industrialization in both countries; and further elucidated that the institutional learning for others to avoid is policy implementation with no regular monitoring and evaluation as well as low investment in research and development.

Implications and recommendations

Other SADC member states may use the identified challenges to improve national policies and evaluate industrialization processes regularly. For policy alignment with SADC-IA to contribute to the overall performance of the manufacturing sector in both countries, Botswana and Tanzania should regularly review domestic policies to sustain industrial development in conformity with SADC-IA broader policy context of engagement with AU, particularly the Africa Continental Free Trade Area (AfCFTA) and Agenda 2030. SADC-IA supports the alignment of domestic policies by strengthening thematic policy areas that impact the manufacturing sector and elevate each country's income status.

For SADC integration to impact the manufacturing sector and strengthen the industrial competitiveness of selected sub-sectors based on identified challenges, the following are suggested:

- (1) *Implementation of policies*: SADC should review weak thematic policy areas namely "politics and governance", "social and human development policy", "infrastructure and services", "technology and innovation policies" and "labor market policies". Botswana should avoid policy duplication by adopting a resource-based approach to industrialization and avoid the famed middle-income trap. Tanzania can strengthen evaluation and monitoring processes using systematic evaluation and monitoring. Remedy measures should be implemented immediately once errors are noted.
- (2) *Governance*: Both countries should aim for transparency.
- (3) *Energy supply*: Botswana's government can harness sun rays as solar energy to minimize power shortages. Tanzania should ensure investments such as Julius Nyerere hydropower plant are completed on time to facilitate sufficient energy supply for industrialization growth. Tanzania's internal funding/finance for projects should be sustained to reduce dependency on foreign donors and, thus strengthening its middle-income country status granted on 1 July 2020 ahead of its projection target by 2025.
- (4) *Innovation*: Botswana should include indigenous knowledge systems with scientific knowledge to improve the production of public knowledge, engagement with science by locals, and foster innovation by encouraging creativity from an already familiar knowledge base. Tanzania to ensure that innovation policies tackle issues like human capital advancement. Both countries can increase investment in research and development to assist the manufacturing sector growth in relation to modernization.
- (5) *Informal sector*: Both countries should provide conducive environment for the informal sector and their business growth. For example, viewpoints on their business challenges should be evaluated regularly to ensure inclusiveness towards industrialization.
- (6) *Labor market skills gap*: Investment in education, training, flexible and transferable skills are crucial in the labour market for both countries.

Both countries should review policies regularly and address shortfalls in implementing policies. They should emphasize improvements in monitoring and evaluation activities, increase investment in R&D and human capital. Alternative strategies based on institutional learning in both countries and for other nations to avoid are the weaknesses in policy implementation and low investment in R&D.

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Contents

Editorial

Peter K.W. Fong

Articles

The challenges facing the next Chief Executive of Hong Kong in 2022: managing growth, conflict, change and continuity
Regina Suk-ye Ip Lau

Breaking the cycle of failure in combating corruption in Asian countries
Jon S.T. Quah

Sovereign wealth funds and corporate social responsibility: a comparison of Norway's Government Pension Fund Global and Abu Dhabi Fund for Development
Sivakumar Velayutham and Rashedul Hasan

Changing social burden of Japan's three major diseases including Long-term Care due to aging
Koki Hirata, Kunichika Matsumoto, Ryo Onishi and Tomonori Hasegawa

Impacts of the internet on perceptions of governance at the community level: the case of Jiangqiao Township in Shanghai, China
Yili Yao and Xianghong Zhou

Evaluation of generic competencies among secondary school leavers from the new academic structure for senior secondary education in Hong Kong
Karly O.W. Chan, Maggie K.W. Ng, Joseph C.H. So and Victor C.W. Chan

Achieving Sustainable Development Goals of Agenda 2030 in Bangladesh: the crossroad of the governance and performance
Md Mizanur Rahman

Impacts and challenges of Southern African Development Community's industrialization agenda on Botswana and Tanzania
Kezia H. Mkwizu and Gladness L. Monametsi