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Public institutions and economic development in South Africa.

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Public institutions and economic development in South Africa

by

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Submitted in partial fulfilment of the requirements for the degree

**MASTER OF ECONOMICS: COMPARATIVE LOCAL
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ABSTRACT

This dissertation critically examines the effect of public institutions on economic development in South Africa. It addresses this area of enquiry within the context of the structural issues and unequal distribution of resources hindering the country's economic development. The study provides insights into the transformation needed in South African governance institutions to realise sustainable economic development. It also debates the role of public institutions, juxtaposing the perspectives that advocate strong institutions as essential for economic growth against views that emphasise the inhibiting of excessive institutional focus. The dissertation explores the significant historical, political and social changes in South Africa, particularly during the post-apartheid era, and evaluates the performance of public institutions in this context.

The study reveals that public institutions significantly influence the country's economic trajectory, while challenges such as corruption and misalignment between policies and institutional functions impede progress. It emphasises the need for stronger institutional frameworks, particularly in enforcing the rule of law and property rights, to foster a conducive environment for investment and equitable growth. The research also underscores the importance of addressing historical inequities rooted in the apartheid era, which continue to shape the policy and economic landscapes. Furthermore, it advocates enhanced accountability and transparency within public institutions and suggests a more inclusive approach to policymaking.

Keywords: Public Institutions, Economic Development, South Africa, Structural Issues, Unequal Distribution of Resources, Governance Institutions, Corruption, Policy Misalignment, Rule of Law, Property Rights, Historical Inequities, Accountability, Transparency, Inclusive Policymaking, Comparative Local Development, Post-Apartheid Era.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Economics in Comparative Local Development at the Institute for Economic Research on Innovation (IERI) at Tshwane University of Technology (TUT). It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed and has been cited and referenced.

Khuliso Mutheiwana

[NAME]

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24/11/2024

[DATE]

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TABLE OF CONTENTS

ABSTRACT.....	i
DECLARATION.....	ii
ACKNOWLEDGEMENTS	iii
ABBREVIATIONS.....	vi
CHAPTER 1: INTRODUCTION.....	1
1.1 BACKGROUND OF THE STUDY	1
1.2 PROBLEM STATEMENT	3
1.3 SIGNIFICANCE OF THE STUDY.....	4
1.4 LIMITATIONS OF THE STUDY.....	5
1.5 METHODOLOGY	6
1.6 DISSERTATION OVERVIEW.....	8
1.7 CONCLUSION.....	8
CHAPTER 2: LITERATURE REVIEW	10
2.1 INTRODUCTION	10
2.2 UNDERSTANDING INSTITUTIONS.....	10
2.3 INSTITUTIONALISM IN SOUTH AFRICA.....	14
2.4 INSTITUTIONS AND ECONOMIC CHANGE.....	21
2.5 THEORETICAL FRAMEWORK.....	26
2.6 CONCLUSION.....	30
CHAPTER 3: COMPARATIVE ANALYSIS OF INTERNATIONAL BEST PRACTICES	32
3.1 INTRODUCTION	32
3.2 SOUTH KOREA	33
3.3 BOTSWANA.....	38
3.4 COSTA RICA.....	40
3.5 CHILE.....	42
3.6 RWANDA.....	44

3.7 SINGAPORE	45
3.8 CONCLUSION.....	47
CHAPTER 4: RESULTS AND DISCUSSION	49
4.1 INTRODUCTION	49
4.2 FINDINGS	49
4.3 CONCLUSION.....	62
CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS.....	63
5.1 INTRODUCTION	63
5.2 SUMMARY OF FINDINGS	63
5.3 CONCLUSION.....	68
5.4 RECOMMENDATIONS.....	69
5.5 AREAS FOR FUTURE RESEARCH	70
REFERENCES.....	73

ABBREVIATIONS

ANC - African National Congress

NPM - New Public Management

GDP - Gross Domestic Product

IFP - Inkatha Freedom Party

NP - National Party

GEAR - Growth, Employment and Redistribution (a South African economic policy framework)

SNG - Sub-National Government

RC - Rational Choice (institutionalism)

LDCs - Less Developed Countries

NPA - New Public Administration

SA - South Africa (common abbreviation for South Africa)

CPI - Corruption Perceptions Index

SMEs - Small and Medium-sized Enterprises

IMF - International Monetary Fund

NGO - Non-Governmental Organisation

CSR - Corporate Social Responsibility

UN - United Nations

WTO - World Trade Organisation

OECD - Organisation for Economic Co-operation and Development

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The study aimed to critically examine the impact of public institutions on economic development in South Africa. This research was necessary as previous studies had shown that the country's economic development had been hindered by structural issues and unequal distribution of resources. By analysing the public institutions shaping economic behaviour in South Africa, this study offered valuable insights into how economic development can be achieved sustainably. This study also explored the fundamental weaknesses of South African governance institutions and the need for their transformation to realise economic development.

An accepted definition of institutions states that they are the formal and informal rules that structure social, political, and economic interactions (North, 1990). According to Hodgson (2006), they are "established and widely accepted social rules that regulate social interactions." In many facets of life, institutions control who has access to opportunities and rights in the legal, political, social, and economic spheres. Formal institutions are the written laws, rules, contracts, agreements, and constitutions that are upheld by external parties, whereas informal institutions are the (usually unwritten) norms, procedures, practices, and traditions that are widely embedded in the culture (Leftwich & Sen, 2010:16). Informal institutions can work in tandem with official institutions, compete with them or overlap with them (Jutting *et al.*, 2007:36; Leftwich & Sen, 2010:17). They are hidden and can only be discovered by examining the incentives and conventions influencing actors' actions. The setting in which institutions function determines whether they are comparatively solid or weak and inclusive or discriminating. Public sector institutions are the laws, rules, customs, informal norms, and codes of behaviour that direct government decision-making, public sector employee behaviour, resource distribution, and—in the end—the exercise of power inside the state bureaucracy. This study looked into the connection between South Africa's economic growth and governmental institutions.

Gründler and Krieger (2018) contend that an institutional system that treats all individuals equitably is essential to South Africa's economic growth and stability. This argument is supported by Bell and Goga (2020:12), who state that corruption has cost South Africa R1.5 trillion between 2014 and 2019, while violence is anticipated to have cost the country 15% of its GDP in 2021. Adding to this, Boshoff and Fourie (2020) point out that in spite of the damage

caused by a decade of bad governance and state capture under the government of President Jacob Zuma (2009–2018), few people involved in high-level corruption or serious organised crime have been held accountable. The arguments presented here imply that investor apprehension, economic stagnation and growing unemployment have all been exacerbated by a lack of retrogressive economics that have weakened South African institutions. The phrase "a lack of retrogressive economics" in the context of this study refers to a situation where there is an absence of policies, practices or behaviours that hinder economic progress. Retrogressive economics can include protectionist policies, corruption or other factors that prevent the growth of the economy. Therefore, "a lack of retrogressive economics" means that an environment exists where there are no such barriers to economic development and where policies and practices are conducive to growth and progress.

Bell and Goga (2020) opine that unlike the formal sector, the illegal economy is not governed by laws or taxation – the illegal or “extra-legal” economy is about economic activities pursued in violation of legal statutes that define the scope of legitimate forms of commerce (Christensen & Lægred, 2017:19). What Bell and Goga (2020:10) put forward implies that legitimate firms suffer severely because of the illegal economy and weak institutions. The premise of Bell and Goga’s (2020:10) argument is that institutions can become corrupted by money from the illegal economy. This is a hindrance to long-term progress and a waste of money that could be used to alleviate poverty and provide essential public services.

Joshua, Adedoyin and Sarkodie (2020:7) contend that while institutions have been crucial to the economic success of many nations, South Africa's institutions are weak and inefficient due to the lack of a robust civil society and political intervention, as well as insufficient law enforcement. Joshua *et al.* (2020:7) further note that well-functioning institutions have the potential to promote growth and alleviate poverty in South Africa because they provide an environment that facilitates the execution of long-term economic growth initiatives. Because of this, South Africa must construct effective, responsive and democratic institutions that promote accountability, transparency and sustained socioeconomic growth.

The trajectory of South Africa's economic development following the end of apartheid is still debatable, as the large body of material that has emerged shows. On the left, there is an extreme perspective that maintains the African National Congress (ANC) has blindly followed a neo-liberal growth path because of its ideological commitment to free markets. The ANC-led government, on the other hand, was forced at the time to adopt the conventional wisdom on

economic management, according to those who actively supported the party's programmes and stood by them. The initial debates on the macroeconomic policy framework for the new democratic era were almost entirely within the ANC. Between these two views, there are several significant positions. Two enduring issues with South Africa's political-economic framework are the cause of the country's continuous economic underperformance (Gründler & Krieger, 2018:20). First, politicians and policymakers have failed to take into consideration the constraints placed on South African state institutions when attempting to execute even basic economic reforms. Many have attempted to portray these constraints as natural, but in reality, they are the result of corruption and poor management. The belief that South African state institutions could manage intricate economic coordination and implement reforms was a defining feature of post-apartheid economic policymaking. After the release of the Zondo Commission's State Capture Report, this presumption is no longer valid. Second, as an organ-driving organisation, the ANC is experiencing ideological contestation inside itself, which has resulted in a political standstill without a means of resolution.

1.2 PROBLEM STATEMENT

Contracts, laws, and governmental structures are examples of formal institutions. Jutting et al. (207:30) state that "traditions, customs, moral values, religious beliefs, and all other norms of behaviour that have passed the test of time" are examples of informal institutions. Institutions include the ones that uphold the law and property rights, the political system and the framework in which the government functions, the institutions that control the stability of the economy and financial markets, and the institutions that offer social security and insurance (like the military and police) (Gründler & Krieger, 2018:23). Thus, individuals, businesses, political parties, and the economy operate within a framework of known procedures, social norms, and explicit and implicit regulations established by these institutions (Yıldırım & Gökalp, 2016:14). "Tacit laws" in this context refer to rules that are based solely on popular acceptance and were not enacted by legislation. A nation's economy can only thrive socially and economically with the support of its state institutions.

The major rupture in South Africa's institutional evolution began with the drafting of the country's democratic constitutional system, which was designed to guarantee political, civil, social and economic rights for all South Africans. The political system was founded on the notion of universal citizenship (Gründler & Krieger, 2018:23). South Africa's democratic

transition resulted in a total transfer of political power from the monopoly of the white minority to all of the country's population (Gründler & Krieger, 2018:23).

The role of public institutions in the economic development of South Africa is a highly debated topic. While some argue that strong institutions are essential for economic growth, others believe that an excessive focus on institutions can hinder development. This study therefore aimed to explore the impact of public institutions on the economic development of South Africa. Advocates for public institutions argue that they are essential for economic development. Formal rules, such as property rights, contract enforcement and legal frameworks, create certainty and predictability, which attract investors and encourage economic growth. Additionally, strong institutions can help to reduce corruption, which can be a significant barrier to economic development. Critics argue that an excessive focus on institutions can hinder economic development. Informal rules, such as social norms and cultural practices, can also play a significant role in shaping economic behaviour. In some cases, these informal rules may conflict with formal rules, and a rigid adherence to formal rules can stifle innovation and impede development. The impact of public institutions on economic development in South Africa is a complex issue. While strong institutions are essential for creating an environment conducive to economic growth, an excessive focus on formal rules can hinder development. A comprehensive approach that recognises the role of both formal and informal rules is necessary to foster economic development in South Africa. This study aimed to contribute to this ongoing debate and provide insights into the impact of public institutions on economic development in South Africa.

1.3 SIGNIFICANCE OF THE STUDY

This study assessing public institutions and economic development in South Africa holds immense significance in the current socioeconomic context of the country. The country has been grappling with several challenges that have affected its economic growth and development, and understanding the role of public institutions in this process is of utmost importance.

South Africa has in the past few decades undergone several political, social and economic changes which have shaped its development trajectory. The country's apartheid past left deep-rooted inequalities in its social and economic structures. The post-apartheid government confronted these inequalities, but progress has been slow. The country is still grappling with

high levels of poverty, unemployment and inequality, which profoundly impact its economic development.

Public institutions play a critical role in shaping the economic development of a country. They are responsible for creating an environment conducive to economic growth and development and ensuring that the benefits of this growth are equitably distributed among the population. In South Africa, public institutions have been criticised for lacking accountability and transparency, thus impeding economic development. The study, therefore, is significant as it assessed the performance of these institutions and identified areas where improvements could be made.

The study gives valuable insights into the strengths and weaknesses of South Africa's public institutions. It offers a comprehensive understanding of the country's institutional landscape by examining the performance of critical institutions such as the judiciary, the legislature and the executive. This information is essential for policymakers and stakeholders seeking to improve the country's economic performance.

Furthermore, the study provides a nuanced understanding of the relationship between public institutions and economic development. It highlights how public institutions influence economic outcomes, such as creating a favourable business environment, delivering public goods and services and regulating economic activities. The study also highlights how economic development, in turn, affects public institutions through increased demands for accountability and transparency.

1.4 LIMITATIONS OF THE STUDY

The study relied on secondary data sources, which can be limiting in terms of accuracy and reliability. Secondary data sources were not compiled specifically for the study, and they might not be up-to-date or entirely relevant to the current situation in South Africa. This can affect the validity of the findings and conclusions of the study.

The study focused solely on the relationship between public institutions and economic development in South Africa, ignoring other important factors that might affect economic development in the country. For example, the study did not consider the role of private institutions, such as corporations and firms, in shaping economic development. Furthermore, the study did not consider the impact of external factors, such as global economic trends, on the economy of South Africa.

The study might suffer from selection bias, as it only focused on a limited number of public institutions and did not account for the diversity of institutions across the country. This could lead to a biased representation of the relationship between public institutions and economic development, as the findings might not represent the situation in all regions of South Africa.

The study could also be limited by the data available, which might not capture the full complexity of the relationship between public institutions and economic development. For example, the data might not fully capture the impact of informal institutions, such as social norms and cultural practices, on the economy. Hence, while the study of the relationship between public institutions and economic development in South Africa is an essential contribution to the field, it was limited by the reliance on secondary data sources, the narrow focus on public institutions, the potential for selection bias and the limitations of the data available. These limitations should be considered when interpreting the study's findings and conclusions.

1.5 METHODOLOGY

1.5.1 Research philosophy

According to Lê and Schmid (2022:308), the term "research philosophy" describes the fundamental concepts and beliefs that shape the research process. It offers a structure for deciding what constitutes knowledge and how it should be obtained. In other words, a researcher's research philosophy is a personal collection of values, beliefs and assumptions that informs the researcher's methodology. Busetto, Wick and Gumbinger (2020:1) argue that the research philosophy is the driving force behind the research strategy, the study's architecture and how the results are interpreted. This investigation is grounded in the research philosophy of pragmatism. Pragmatism is a philosophical approach that emphasises real-world results and practical ramifications as the standards for judging whether ideas and beliefs are true or legitimate. Pragmatism evaluates ideas according to their usefulness in solving particular issues or circumstances rather than concentrating only on abstract concepts or philosophical matters. Rose, McKinley and Baffoe-Djan (2019) argue that economics, politics, sociology and education are just some of the many disciplines that have benefited from this approach. For several reasons, pragmatism is an appropriate philosophical lens to examine how public institutions affect economic growth in South Africa. Pragmatism places a premium on ideas' application and usefulness, which is crucial in policy creation and assessment. South Africa is hardly alone among developing nations in having serious concerns about the connection

between public institutions and economic growth. It is essential to comprehend the real-world consequences of diverse institutional structures and policies and their effect on financial results if this relationship is to be dealt with successfully. Pragmatism provides a framework for determining which institutional arrangements and policies are most likely to foster economic growth.

1.5.2 Methodological choice

Research methods are the processes through which information is gathered, analysed and interpreted to generate and test hypotheses. Quantitative, qualitative and mixed techniques are the field's primary schools of thought. To have a complete grasp of the topic, the study had to take a nuanced and in-depth look at the phenomena of public institutions and economic progress. For this reason, and especially in the context of South Africa, qualitative methods were the most suitable approach to this kind of research. Skarbek (2020:410) propounds that the capacity to get a deep understanding of people's and groups' actual experiences and points of view is a significant strength of qualitative research methodologies. Given the complexity and diversity of the connections between public institutions and the people they serve, this is especially relevant to studying the correlation between public institutions and economic growth.

A significant benefit of employing qualitative methodologies was understanding the cultural and historical environment shaping the link between public institutions and economic growth. For South Africa this historical background includes colonialism and apartheid and the ongoing fight against their lingering effects. The study could gain insight into the influence of these cultural and historical factors on the link between public institutions and national economic growth by employing qualitative research methodologies.

1.5.3 Data collection and analysis

One of the essential parts of any study is gathering relevant data to use as a basis for ensuring credible and valid conclusions. According to Lê and Schmid (2022:311), decisions based on research may only be as reliable and helpful as the information used to generate them, and the quality of the data collected is a significant factor in this regard. Published information was used for this investigation. Using previous research was an integral part of designing a study to determine the link between public institutions and economic growth in South Africa. Instead of gathering new information, Strijker *et al.* (2020:264) propose that this technique, known as secondary data analysis, looks at and analyses already collected data.

The data used in this study were analysed thematically. Strijker *et al.* (2020:264) propound that in qualitative research, thematic analysis is a common technique for revealing and exploring overarching themes or patterns. According to Clark *et al.* (2021), providing a systematic and objective technique for examining qualitative data has grown in popularity in the social sciences and humanities in recent years. It was appropriate and meaningful to employ thematic analysis in research evaluating the connection between public institutions and economic growth in South Africa. Since the fall of apartheid in 1994, South Africa has seen substantial economic and political transformation. Studies of the function of public institutions in promoting economic growth have surged in popularity in recent years. However, a thorough review of current studies was necessary to elucidate the link between public institutions and economic progress. To that end, thematic analysis was an excellent method to employ.

1.6 DISSERTATION OVERVIEW

The following chapter constitutes a literature review, offering a critical and holistic analysis of the topic under discussion: the relationship between institutions and economic development. This chapter begins by looking at institutions in general. This is done in terms of their formulation and adoption in any country. The chapter will then explore the weaknesses associated with institutional design.

The chapter after that provides an overview of South African public institutions. It looks at the rupture in the public institutional landscape with the shift from apartheid to democracy and the problems inherent in the massive reorientation of the public sector from serving the goals of apartheid to serving those of a democratic polity. The evolution of the public sector and the conceptual framework informing that evolution is examined with some comments on fitness for purpose. The effects of rent seeking and its effects on the evolution of public institutions forms an integral part of the evaluation of the current state.

The final chapter presents the conclusions of the study and possible remedial implications.

1.7 CONCLUSION

This chapter introduced a study that aimed to assess the role of public institutions in promoting economic development in South Africa. It first highlighted the importance of institutional quality in the development process, noting that institutions play a critical role in creating an enabling environment for economic growth and poverty reduction. The chapter described South Africa's context, history, political and economic landscape and the current challenges to

the country's development. Despite being a middle-income country, South Africa continues to experience high levels of poverty, inequality and unemployment, and these challenges are closely linked to the quality of its institutions. The chapter then discussed the study's main research questions and objectives, which include examining the relationship between institutional quality and economic growth and assessing the impact of public institutions on economic development. Overall, the introductory chapter set the stage for the study by providing a clear overview of the context and research questions. The chapter effectively framed the study's importance and contribution to understanding the role of public institutions in promoting economic development in South Africa. The following chapter is a critical review of the literature on institutionalism.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

The study of power and institutions has been at the centre of political science's concerns and contributions throughout the field's history. Because of their pervasive presence in the modern political system and the fact that most governing is carried out in and via institutions, institutions are crucial to understand and appreciate. Because institutions (or players inside them) often deploy power and mobilise institutional resources in political fights and governance interactions, they are essential in and of themselves. The significance of institutions in politics is discussed in this chapter. It focuses on how institutional settings influence and condition the actions of political actors. From this vantage point, the so-called "new institutionalism" in political analysis derives its core concerns.

2.2 UNDERSTANDING INSTITUTIONS

The term "institution" has various meanings among economists and political scientists. According to Faria *et al.* (2016:19), "Institutions are the laws of play in society or, more formally, are the humanly constructed limitations that influence human interaction". Other academics opine that conventional and deeply ingrained social conventions form institutions that manage public communications (Gagliardi, 2017:102). A system of social constructs such as organisations, regulations, religions and standards may also be classified as an institution. These constructs guide, empower and restrain people's actions (Gagliardi, 2017:103). Institutions may also be thought of as policies that individuals get to choose (Gone, 2019:7). Gründler and Krieger (2018:13) argue that institutions represent a social cohesion acceptable to all members of society.

Formal and informal norms, as well as their enforcement qualities, make up an institution (Kar *et al.*, 2019). For various reasons, institutions play a vital role in determining public policy outcomes (Natkhov & Polishchuk, 2017:12). In the case of democratic politics, the overt overriding goal of government institutions is to ensure that people are given the same treatment regardless of background or upbringing. In the case of authoritarian and predatory regimes, governance institutions are explicitly designed to benefit specified groups and oppress other groups, as in the case of apartheid. Even with nondemocratic administrations, if the rule of law is well established and implemented and asset and investment rights, among other things,

remain protected, this may, under certain conditions, result in economic development (Simon, 2018).

Several scholars (Tiede, 2018; Yıldırım & Gökalp, 2016; Faria *et al.*, 2016) argue that numerous facets of institutions are the product of specialised, field-specific typologies (i.e., sociological or political science). Thus, some researchers (Tiede, 2018; Yıldırım & Gökalp, 2016; Faria *et al.*, 2016) emphasise the influence of formal components, while others emphasise the significance of informal elements (i.e., the more implicit, entrenched characteristics of institutions – such as social trust or cultural norms, that is, codified elements that govern societal responsibilities). There is a clear preference for the latter in economics because the codification of goals and structures facilitates understanding and assessment of formal institutions. Informal institutions are much harder to understand and assess, but they are probably much more important in determining economic well-being. Indeed, they are critical to understanding the specific characteristics of individual economic systems (Gagliardi, 2017:23).

2.2.1 Historical developments of institutionalism

According to Nganje (2016:154), institutions—which are defined as the official and informal laws, norms, conventions and political standards existing in a specific polity at any given moment—mediate the decisions and behaviour of political actors. That is to say, the institutional setting either impedes or facilitates the efforts of political players to implement their preferred policies. Sociological institutionalists, in contrast to rational choice theorists, view institutions from a societal perspective, assuming that people are fundamentally social creatures who do not comply with norms merely to advance their material interests but also out of a sense of duty or morality (Nganje, 2016:155). As proposed by Thelen (1999:181), institutionalism has a long history among scholars and practitioners concerned with politics and political results. Thelen (1999:181) argues that Plato's Republic examines different types of government. Similarly, Aristotle's primary focus in Politics, as noted by Thelen (1999:181), is what kind of political institutions would lead to the best results. Since Madison was so focused on what sorts of institutions led to the best political outcomes and how their precise design influenced those outcomes, he must also be considered an early American "institutionalist" (Thelen, 1999:181).

In the late nineteenth and early twentieth centuries political science made what was, in retrospect, an obvious choice, as noted by Bell (2002:3-4); the current state and its formal

institutions, both in individual nations and in comparison to others, were first described and mapped. The formal-legal and administrative structures of government and the public sector were mapped out by political scientists using a combination of "old" institutionalism, constitutional study by law students, and public administration (a subfield of political science) courses. According to Bell, it appears that institutionalism has older roots than the eighteenth century. Thelen (1999:181) posits that political scientists have maintained an interest in institutions for quite some time. Political science's origins may be traced back to an interest in studying government. However, early political science was frequently more descriptive than analytical, with a few notable exceptions. In particular, "comparative politics" was mainly composed of exhaustively configurative analyses of various government institutional arrangements. Thelen (1999:181) notes that in the years following World War II, a new generation of political scientists sought to "scientifically" approach the study of politics. Many people took this to suggest that political science should follow the same methodological approach as the "hard sciences", which they saw as a line of reasoning from first principles. Therefore, political "science" should be a deductive science that aims to learn the general principles and underlying causes behind the political activity rather than analysing the particulars of political life and inductively exposing the patterns of behaviour and action (Thelen, 1999:182). Thelen (1999:182) makes the crucial point that political scientists were disillusioned by the inability of parliamentary institutions to prevent the devolution of polities into authoritarianism in inter-war Weimar Germany (and subsequently in postcolonial Africa). Institutionalism has strongly influenced the behaviour of political actors, and the literature surrounding its historical changes makes apparent that political scientists played a crucial part in its growth as a field.

2.2.2 Types of institutions

While it is agreed that the term "institutions" in this context does not refer to physical entities but rather to the rules that dictate the behaviour of political actors and the proper flow of events, it is nonetheless the case that different kinds of institutions exist within the study of politics. It has been suggested by Hall and Taylor (1996) that three distinct schools of thought claim the label "institutionalist". Earlier works like that of Selznick (1949) argue that each one of these methods originates in a distinct academic field and uses separate analytic traditions. Thelen (1999:182) maintains that as its name indicates, sociological institutionalism developed from studying organisations and the social sciences. Understanding culture and norms as institutions has been a primary focus of research since at least March and Olsen (1989) and DiMaggio and

Powell (1991). Social institutions, such as "folkways", "patterns of behaviour" and "cognitive maps", are emphasised by March and Olsen (1989) and DiMaggio and Powell (1991), who claim that they are essential to comprehend the framework of social, political and economic interactions. DiMaggio and Powell (1991) and March and Olsen (1989) expand upon their earlier work on complex organisations to demonstrate the connection between formal institutions and the structure or patterns of behaviour and beliefs. They maintain that studying the irrational in human communication and trade must begin with examining these informal organisations.

Taking its cue from economics, the school of thought known as "rational choice (RC) institutionalism" emphasises a particular group of institutions and the changes they bring about. Academics that identify as RC aim to apply formal reasoning and procedures to studying politics and history, generally avoiding the more "mushy" or less exact factors like norms and views (Thelen, 1999:183). Instead, the fundamental principles of political behaviour and action are discovered and analysed by making broad assumptions about human nature and motivation. To better understand and forecast political conduct, Levi (1988) argues that we must first identify the underlying rules governing it. To evaluate the veracity of its deductive model, RC considers data from the real world (testing the model). According to Weingast (1996), political analysis should be primarily concerned with the creation and improvement of theoretical frameworks, not with the details of concrete results. This is a persuasive point of view. It emphasises how important it is to get a solid grasp of the fundamental ideas that underpin political systems. Weingast's thesis is based on the idea that a thorough and well-developed political theory is the foundation for understanding and forecasting a range of political occurrences. The third "new institutionalist" approach, as argued by Thelen (1999:183), originates in what may be called more conventional political science. As a result, it sets out to accomplish something entirely different. According to Thelen (1999:183), the focus of historical institutionalists is on providing an explanation for and analysis of actual occurrences and results. According to Steinmo *et al.* (1992), scholars in this tradition share the view of the previously mentioned schools of thought in that it is impossible to account for specific historical outcomes without considering the role that pre-existing political institutions played in shaping and organising the political process.

Thelen (1999:183) argues that historical institutionalists, in contrast to RC scholars in particular, arrived at their "institutional" arguments inductively by comparing and contrasting the predictions of various alternative theories (such as the Marxist, structural-functionalist,

culturalist and rationalist perspectives) with actual empirical findings. That is to say, historical institutionalists are first curious about explaining an outcome, such as why France and Britain have followed such diverse forms of industrial strategy (Hall, 1986) or why some welfare states produce more public support than others (Rothstein, 1998). Historical institutionalists do not claim that institutions are the sole relevant factor when explaining political outcomes. On the contrary, these academics view institutions as a medium through which struggles for power, ideas and interest play out. Political struggles occur within and over the future design of institutions, making them the focal points of essential junctures in historical route analyses.

2.3 INSTITUTIONALISM IN SOUTH AFRICA

The simplest way to characterise South Africa's political system is as a quasi-federation, given the Constitution's emphasis on preserving the unitary nature of the polity while also establishing somewhat independent sub-national institutions (Hayson, 2001:504). The framework of historical background and political conflict that gave rise to this constitutional arrangement, as well as the friction between federal and unitary government, are the most important factors to consider while analysing sub-state diplomacy in South Africa. A democratic democracy replaced the harsh and discriminatory apartheid system in South Africa when political negotiations resulted in the country's interim constitution in 1993 and final constitution in 1996. One of the most divisive topics in the constitutional discussions was whether South Africa should adopt a federal or unitary governance structure after apartheid. While minority political parties like the Inkatha Freedom Party (IFP) and the now-defunct National Party (NP) wanted a federal form of government to limit the power of the ANC, the majority of South Africans supported the ANC's aspirations for a unitary governance structure. In addition to its strong opposition to the federal idea, the African National Congress (ANC) saw it as a reaffirmation of the apartheid regime's "Bantustan" strategy and an instrument of Afrikaner extremism, endangering the ANC's goal of rebuilding and nation-building. But because they made a compromise on this matter, the acceptance of federal principles and the determination to use central government as a means of resolving disputes made South Africa's democratic transition relatively peaceful (Steytler & Mettler, 2001; Moller, 2000:49).

A significant turning point in South African history, this political compromise also set in motion the institutional path that had a lasting impact on the country's post-apartheid politics. Most notably, it limited the degree of freedom that the SNGs had in their foreign dealings. Relatively autonomous sub-national organisations tasked with localising national development

projects became viable as a result of South Africa's democratic consolidation following the 1990s transitional talks. Due to the interaction of extensive constitutional protections for national unity and the ANC's subsequent dominance in the political landscape, the promise of a decentralised polity and the concept of relative sub-national autonomy have given way to the emergence of a centralised institutional system in South Africa.

The final 1996 constitution's distribution of foreign affairs powers mirrored the ANC's growing power and inclination towards a centralised form of governance. It represented the political struggle at the time between centripetal and centrifugal forces in the South African polity. The national government's sovereignty in international affairs is reaffirmed by Section 231(1) of the 1996 Constitution, which states that the national executive is the sole body authorised to negotiate and sign any international treaties. The president has the power to name diplomatic and consular representatives and to receive and acknowledge foreign diplomats and consular officials, as stated in the Constitution. Neither the Constitution nor its schedules outlining the exclusive functions of provincial and municipal governments, nor those they exercise in concert with the federal government, mention international affairs.

According to Devenish (1998:170), the central government is the owner of all residual authorities. However, for any international agreement that is not of a technical, administrative, or executive nature and that requires ratification or accession, Section 231(2) of the Constitution requires approval from the National Assembly and at least six of the nine provinces represented in the National Council of Provinces. The influence of proponents of a decentralised system of government (NCOP) is evident in this provision. Furthermore, the Constitution grants concurrent authority to the federal and provincial governments to enact laws and formulate policies pertaining to a broad array of matters. Healthcare, education, and environmental protection are just a few of the many topics that have seen a noticeable growth in globalisation in recent years. The need for cross-sector communication and collaboration on matters of shared interest is one of the cooperative government principles outlined in Chapter 3 of the Constitution. The interpretation of this is to grant local governments authority over global matters (Murray & Nakhjavani, 2009:218-219). The vast supremacy clauses in the Constitution, however, serve to restrict SNGs' options in this regard.

The pivotal change after apartheid was that South Africa shifted from an institutional framework that primarily served the white minority at the cost of all other racial groups to one accountable to the whole community. After 1994, South Africa underwent a series of reforms

intended to be the antithesis of apartheid's authoritarian, rule-bound, secretive, oppressive and unrepresentative regime (Arndt *et al.*, 2020). However, restructuring and redirecting the governance framework was complex and highly demanding.

This shift from an apartheid state to a democratic state came at the height of the global hegemony of neoliberalism and became manifest in the GEAR macroeconomic plan. It came about because of the abandonment of the governing alliance's original orientation towards a more interventionist state to a market-oriented approach to economic growth and development (Cameron, 2009). GEAR's philosophy was that of market dominance based on the assumption that the free market was the best guarantee of the optimal allocation of resources. The policy implications were diametrically opposite to an interventionist state. The new public management (NPM), roughly the model for the post-apartheid civil service, is broadly cast in the light of this free market norm. One can argue that the strategy of outsourcing and tendering led to the corruption that is so prevalent today.

2.3.1 Centralised political culture's influence on institutionalism in South Africa

The political culture within the system supported the centralising logic of this institutional trajectory as the African National Congress (ANC) gained prominence in the post-apartheid political scene of South Africa. As Malherbe (2008:47–49) argues, the national government has taken advantage of the broad constitutional conditions for cooperative governance and subsequent intergovernmental processes to further a centralised form of administration that gradually erodes the relative autonomy of SNGs (see also Lorimer, 2001; Simeon & Murray, 2001). In recent times, provincial administrations have primarily focused on executing centrally-mandated laws and policies, albeit displaying some action in the immediate aftermath of the Constitution's adoption to protect their relative autonomy (Zondi, 2012:52). The ANC's continued dominance in South African politics and the generally inadequate political and administrative capabilities of provincial and local governments have resulted in the reproduction and reinforcement of this institutional trajectory over time (Steytler & Mettler, 2001:93; Lorimer, 2001; Simeon & Murray, 2001).

The institutional culture that is currently in place has an impact on how South Africa's SNGs participate internationally and how the Constitution divides up authority over foreign affairs. The federal government is in charge of foreign affairs, according the aforementioned constitutional provisions. Unsurprisingly, since 1994, South Africa's SNGs have been conspicuously absent from the nation's foreign policymaking processes. Although the

provinces and the national government share control over several policy areas that have become the subject of South Africa's international relations, the country's foreign policy and international relations are rarely discussed at the national or provincial levels (Murray & Nakhjavani, 2009:220-222). The political culture and constitutional framework of South Africa have promoted hierarchy and centralism, which have reduced the power of the provinces to ratify treaties. As previously stated, the Constitution gives provinces the ability to participate in the NCOP's negotiations of specific treaties. In terms of foreign policy, including talks for treaties, the NCOP and the National Assembly have customarily yielded to the authority of the national administration (Ahmed, 2009:301; Murray & Nakhjavani, 2009:223).

The logic of centralised hierarchy, which came to dominate South Africa's institutional culture following apartheid, has not completely subdued centrifugal forces in the polity. The Constitution assigns responsibility for development to the province and municipal governments, which has encouraged participation from around the world. Since 1994, all nine provinces and many of the nation's municipalities have engaged in various forms of international activity and cooperation partnerships with external actors in order to further their respective economic interests, seek development assistance, and share governance experiences with their foreign counterparts (Nganje, 2014:130-135; Zondi, 2012:44-50). Sub-state diplomacy by provincial and municipal governments seems to have the support of both the national government and the African National Congress (ANC), which see it as a tool to advance the developmental objectives of South Africa's foreign policy (ANC, 2002). According to Hocking's multi-layered diplomacy—which views SNG diplomacy as the localisation of national foreign policy—sub-state diplomacy in South Africa has become closer to that model (Nganje, 2013:169–174).

Nonetheless, the institutional trajectory that South Africa has followed after the end of apartheid has persisted in determining the kind, amount, and effectiveness of province and municipal governments' foreign engagement, as well as the degree to which the national government has accommodated this. As the previous analysis of South Africa's institutional architecture makes clear, claims that sub-state diplomacy can further the country's goal of socioeconomic development are the main source of legitimacy in this context. Because of this, provincial and local governments now regard their foreign engagement as little more than a development project customised to suit the particular needs of their regions, all the while maintaining Pretoria's undeniable superiority in all spheres of South Africa's foreign diplomacy. Because of this, it is now customary for province and local governments to state

explicitly at the opening of their international relations plan documents that they will adhere to South Africa's foreign policy and national development goals. The Western Cape Provincial Government's international relations policy, for example, states that "[t]he Constitution of South Africa is explicit in its statement that international relations [are] a national competency" (Western Cape Provincial Government, 2013:13-24). The Western Cape Provincial Government (2013) highlights that the region "maintains ties to South Africa's foreign policy while defining a unique regional approach to international relations, notably to create the necessary circumstances for economic growth." As previously mentioned, the developmental approach to sub-state diplomacy places emphasis on undertakings and partnerships that enhance foreign direct investment (FDI) and tourism in a specific province or municipality, broaden the scope of export markets for locally produced goods, and apply for international development assistance.

2.3.2 Centralised institutional culture

There are indications that South Africa's centralised political culture influences how sub-state diplomacy is handled there. The long history of diplomatic blunders, the misuse of foreign trips by sub-national officials, and the general inefficiency in the planning, implementation, and coordination of international activities in South Africa have raised questions regarding the actual contribution of sub-state diplomacy to the domestic development agenda (Nganje, 2014:135-136). Making sub-state diplomacy more receptive to national and sub-national development goals has proven difficult in an institutional culture that finds the idea of autonomous sub-national polities unsettling. The majority of provincial governments have put in place administrative frameworks to oversee sub-state diplomacy among various ministries and localities. But this branch of government lacks accountability, which has led to a failure to follow and implement the right regulatory frameworks. None of the nine province governments have a foreign affairs ministry with a political head and personnel since it is widely believed that national governments should handle foreign policy and international relations. Therefore, international relations departments, which are often located in the offices of province premiers, are responsible for organising substate diplomacy because they lack the power or knowledge to provide strategic guidance on international relations or to implement pertinent laws (Nganje, 2013:222).

In the 2009 elections, the Democratic Alliance (DA) defeated the African National Congress to win the Western Cape Province. The DA's victory in the Western Cape is a sign of larger

political shifts in South Africa over the past 20 years, which have placed various strains on the nation's established institutional framework. To circumvent the institutional barriers impeding the efficient administration of sub-state diplomacy, the DA-led Western Cape designated one of its provincial cabinet ministers to oversee the province's foreign policy on behalf of the premier. There are two perspectives on the recent occurrence. According to one school of thought, the fact that metropolitan municipalities and other provinces are greatly enlarging their international reach, along with the Western Cape's innovations in the administration of sub-state diplomacy, portends a future challenge to the current institutional order that supports the centralisation of foreign policy powers. On the other hand, the appointment of an international relations minister by the DA-led government without the creation of a full provincial foreign affairs portfolio can be interpreted as a recognition and reiteration of the widely held belief that such matters are exclusively the responsibility of the federal government. To the best of our knowledge, the Western Cape's recent actions represent an instance of institutional layering—a strategy whereby the province tries to escape the oppressive effects of the existing institutional order without openly opposing it. Mahoney and Thelen have noted that when the status quo can be construed in multiple ways or when there are powerful veto parties with a stake in preserving the status quo, a cautious and systematic approach to institutional change is used (Mandelkern, 2014:4). Despite the fact that there did not seem to be any conflict between the governments, it is important to remember that the national government disapproved of this selection. As it had done in the past when certain provinces and municipalities took part in costly and humiliating international operations, Pretoria did not hesitate to remind provincial and municipal governments that foreign affairs fell under the jurisdiction of the national government (Parliamentary Monitoring Group, 2012).

The prevailing political narrative that foreign affairs are the purview of the national government has influenced Pretoria's support for provincial and local governments' international engagements. This narrative has serious ramifications for the effectiveness and coordination of sub-state diplomacy in South Africa. A number of federal government departments have collaborated since the late 1990s to address public concerns about the poor planning and handling of provincial and local governments' foreign engagements by the Department of International Relations and Cooperation (DIRCO), the Department of Cooperative Governance and Traditional Affairs (COGTA), and the International Cooperation, Trade and Security (ICTS) cluster of the national cabinet (Nganje, 2013:89-92). But often these interventions have been weak, inconsistent, and half-baked. One example of this is DIRCO's unwillingness to give

local authorities access to its specialised diplomatic training. The idea of an institutional hierarchy where the national government has the final say on foreign policy issues is congruent with Pretoria's efforts to organise sub-state diplomacy, which have frequently had a supervisory undertone. Nonetheless, compliance with such measures has tended to be weaker and their effectiveness undermined by the assumption that sub-state diplomacy is designed to be controlled rather than facilitated by coordinating measures. This is true even if subnational officials often recognise the supreme authority of the national government in subjects pertaining to foreign policy. One example of this is the most recent effort to set up sub-state diplomacy at the national level using the Consultative Forum on International Relations (CFIR). Established in 2008 with the goal of fostering increased coordination, information sharing, and accountability among international relations stakeholders across the three spheres of government, the forum and its accountability mechanisms have had little effect on the effectiveness of sub-national diplomacy. This is primarily because sub-national officials' compliance and participation have been inconsistent, but it is also a result of subpar DIRCO leadership.

In foreign affairs, South Africa's institutional pattern has replicated, sustained, and reinforced its centralising and hierarchical logic, despite the fact that the system has become increasingly strained due to SNGs' considerable constitutional autonomy. It is crucial to emphasise that a key component of each post-apartheid government's legitimacy has been its sincere or perceived commitment to undoing the divisive and depressing impacts of apartheid. Because it is widely believed that national unity and unity of purpose are necessary for accomplishing this goal, the culture of centralised decision-making continues to have legitimacy, even among sub-national authorities. Because of this and the ANC's organisational culture of democratic centralism, sub-national officials—especially those in ANC-controlled provinces and municipalities—have generally believed that it is appropriate to submit to the national government's authority over policy issues, including those pertaining to foreign affairs. Since the Democratic Alliance's ascent to power in the Western Cape over the past 20 years, there has been a significant strain on the current institutional framework. Since the ruling African National Congress (ANC) still holds a majority of the power in the system, despite the fact that this development has added a degree of dynamism to sub-national politics and conflict to intergovernmental relations processes, it has not been able to upend the deeply ingrained political culture of centralised decision-making. According to explanations of path dependence based on power, the ANC has prevented any major deviation from the current institutional

trajectory by using its majority in the other eight provincial legislatures to curtail the influence of the DA-run Western Cape in important intergovernmental relations forums such as the NCOP.

2.4 INSTITUTIONS AND ECONOMIC CHANGE

There is a general agreement that institutions play a critical role in economic performance and that the ideas guiding institutional development can help address socioeconomic issues and promote economic growth (Tiede, 2018; Yıldırım & Gökalp, 2016; Faria et al., 2016). Economic success and stability in countries with robust institutions is the inferred result. This is in line with the notion that institutions act as checks and balances on the distribution of wealth to make sure that no one gains more than they ought to. According to Gagliardi (2017), there exists a robust association between an economy's long-term success and its institutional framework.

Institutions support economic growth in every nation when political players do not manipulate the situation, claims Gone (2019:101). It is important to remember, though, that the growth of an economy may need the manipulation of institutions, especially those that believe they have a right to benefit from the economy more than others. This suggests that strengthening and improving institutions is necessary to support economic progress (Gründler & Krieger, 2018:19).

According to Kar et al. (2019:27), Douglass North and other contemporary institutional economics introduced the "historical approach" and the "historical method," which view institutions as game rules. The idea that institutions are exclusive to a particular period in a society's history has led to a focus on historical context. Consequently, it is imperative to consistently take into account the historical context, particularly in the context of institutional transformation (Natkhov & Polishchuk, 2017:33).

There is still more to learn about institutions and their economic implications, but institutional analysis that combines political economy, historical perspective, and both viewpoints has yielded most of what is known. In order to bridge the gaps between the fundamental theories of institutions, Tiede (2018) offers a conceptual and analytical framework for institutional studies. Although the paradigm for comparative institutional analysis has significant theoretical weight, Tiede (2018) contends that it is insufficient. It is necessary to do research on how social

devices assist agents in coordinating their strategic decisions while contrasting and analysing the development of institutions.

Legal principles and the constitutive function of law are important factors for academics, legislators, and regulators to take into account while doing institutional analysis, according to Faria et al. (2016:10). A fundamental tenet of the legal institutionalism movement is that the law is both a foundation and a necessary tool for the exercise of power (Gagliardi, 2017:12). This viewpoint maintains that law is essentially a byproduct of the state's public order, even when customary law persists in areas outside of its jurisdiction. According to legal institutionalism, the fundamental component of the ownership right is the recognition of that right by others through official legal recognition and validation. Talk about "key notions" often involves interaction and trade. The legal standing of a business also aids in addressing some of the unanswered issues in the firm theory literature.

Micro-level studies and cross-country empirical assessments have demonstrated the importance of institutions in determining the level of development in countries around the world (Hall & Jones, 1999; Acemoglu, Johnson & Robinson, 2001). Research has demonstrated a significant correlation between enhanced economic performance and a number of norms and civic mores, such as the defence of property rights, effective law enforcement, and well-functioning bureaucracies. In their groundbreaking work on new institutional economics, Rodrik, Subramanian, and Trebbi (2002) analyse the relative contributions of geography, integration (trade), and institutions to the explanation of why certain countries have greater per capita incomes than others. Institutional aspects are "superior" to all other factors, according to the researchers' conclusion. It is well known that institutions are crucial to an economy's ability to grow. Smith has noted this detail earlier, emphasising the value of the rule of law, private property rights, and an equitable judicial system (Smith, 2015). Aron (2000) surveys research that connects institutional and development indices. There is a negative correlation between development and political instability and a positive correlation between development and property rights and their enforcement (7 studies), civil liberties (10 studies), political rights and democracy (10 studies), institutions for cooperation (4), and clubs and associations (15 studies).

Institutions that promote economic growth lower the costs of doing business. According to Coase (1992:197; Dahlman (1979:149), the costs include transaction costs such as information collection and search, bargaining and decision-making, and upholding law and order. By

providing common legal frameworks (such as contracts and contract enforcement, corporate norms and standards), institutions lower transaction costs and foster trust by offering policing and judicial systems to ensure compliance with shared rules and regulations. Communities in less developed countries (LDCs) usually depend on ties to family, ethnicity, and religion for trade. Even in the absence of a third party, collective punishment and social reputation may be enough to ensure the execution of (often informal) contracts. Religious networks and common language may also help to ensure adherence to agreements about trade in goods and services. Greif (1993) claims that the Maghribi traders' trade networks facilitate the spread of information regarding dishonest dealers and their collective punishment. But cultural relationships by themselves are not enough to take advantage of trade opportunities with different groups and increase the volume of business dealings. It is necessary to have more details on trading partners and organisations that ensure contracts on exchange details and compliance with the requirements stated. Contracts, guidelines for conduct, consistent weights and measurements, disclosure agreements, and the legal and law enforcement systems are a few examples. Nonetheless, in situations when transaction costs are minimal, the private enforcement of contracts may be advantageous. But as corporate relationships develop and become more impersonal, the need for a third party to guarantee legal compliance increases (Shirley, 2003:2).

This includes each person's private property rights. People are more likely to invest and incur sunk costs if the property is protected. Pande and Udry (2005) illustrate how people's confidence in their land tenure has a significant negative impact on land investment, and how this affects production by describing the land ownership structure in Ghana. In practice, there is actually no change in investment levels in the few cases where the property is purchased through commercial transactions (as opposed to the previous informal mode of land redistribution) because security of tenure is ensured. As a result, this increases output and promotes economic growth.

Property rights protection requires more involvement from the government. People and organisations surrender a portion of their freedom in return for state protection; they agree to pay taxes and levies to cover the cost of the police and the state's only authority to use force to maintain public safety (Bates, 2001:65–66). However, states that have the power to protect property rights may also be able to expropriate property. Rather than reducing the risk involved in economic transactions, this increases it. Therefore, institutions that limit the state's ability to gather resources are necessary to balance property rights, which are far from sufficient to

further economic progress. These usually involve independent legislatures and courts. Mechanisms of democratic political representation play a major role in this process (Rodrik, 2000).

As a result, institutions control the extent to which those in positions of power may appropriate financial resources for their own benefit. Inequitable institutions impede growth by restricting people's capacity to obtain resources, improve productivity, and raise incomes. A comparison of the growth rates of different countries reveals that elites' access to resources and goods, along with the support of these institutions, have allowed underdevelopment to persist. Often, these predatory institutions have an impact on countries that were ruled by colonists. These have withstood the countries' independence, and presently a notable degree of local elite dominance exists there. Institutional actions from many years ago may have a multitude of social impacts.

A major contributing cause to Latin America's underdevelopment has been the region's latifundios, or unequal land ownership systems. Research points to the fact that it impedes the rise in rural wages and employment (World Bank, 2008). Throughout its history, the Economic Commission for Latin America, or ECLA, has stressed how important land reform is to reviving rural communities and utilising agriculture to combat poverty. This is particularly crucial, according to a report by the United Nations Food and Agriculture Organisation, because population growth may exacerbate income inequality and technological developments in agriculture may enable landowner elites to hold onto their power over land and agriculture, thus sustaining the path dependency process that forms the foundation of institutional development (UNFAO, 2006; Myrdal, 1992).

Vietnam's successful development is attributed to greater equality and functional economic institutions, as opposed to Nicaragua, where high inequality has concentrated power in the hands of a small elite and governments have failed to adequately invest in infrastructure and public welfare. Like other developing countries where natural resources have turned into a curse, like Nigeria, Equatorial Guinea, Botswana, and Mauritius (Birdsall et al., 2005:138), Angola, Equatorial Guinea, and Sierra Leone (oil), institutional capacity to utilise primary domestic resources is considered critical to success. Socioeconomic structures are greatly impacted by institutional outcomes. The coexistence of two systems for collecting land tax in India during the British colonial era produced substantially different results, according to research by Abhijit and Lakshmi Iyer (2005). Landlords had a stronger position under one

system since they were in charge of collecting taxes. The alternative method required farmers to pay taxes directly to the government. The areas where the second system was prevalent 150 years later (with the tax system long gone) show higher agricultural productivity, more schools, and more hospitals because of the emergence of more horizontal and cooperative social relationships among the inhabitants.

Institutions that facilitate growth allow individuals to freely express their opinions, encourage candid conversation, and stimulate the formation of new organisations. These create beneficial social ties that boost confidence and disseminate information, which in turn stimulate economic activity (Putnam, 1993). By using democratic institutions and the authority of the state to distribute resources more fairly, they advance economic security (Bardhan, 2006:5). One institution that pools resources to lessen the crippling effects of economic downturns on salaries and employment is the welfare state. Institutions that promote growth can aid in the complementarity and necessity of private investment in education, healthcare, and infrastructure, which constitute the cornerstone of economic interaction. The engine of economic activity is informal institutions. Government departments, labour unions, community organisations, and industry organisations are a few instances of these groups. These elements influence the public's perception of laws and political decisions. Usually, they have a say in what happens to them.

There is ample evidence that a nation's institutional structure has a big impact on its economic growth. Cross-national studies show a strong link between these elements and economic growth using variables like the protection of property rights, the rule of law, and civic freedoms. This chapter has emphasised the role that institutions play in economic progress and provided data to back up its claims. It has identified four key routes that collectively account for the connection. Institutions that support the expansion of contracts and their enforcement, standardise business practices, and facilitate information access all contribute to reduced transaction costs and the reduction of risk and uncertainty. These institutions also set the terms for economic transaction costs. The preservation of property rights and the application of the law promote investment, which increases profits through the multiplier effect. Uneven institutions that allow dominant elites control over economic trade severely limit a nation's potential to prosper. In the case of many historically colonial countries, this is clear.

Therefore, institutions affect the climate's suitability for cooperation and the development of social capital; inclusive and participatory institutions enhance communication and increase the

amount of resources that can be combined to reduce risk and promote prosperity over the long term. This is consistent with historical research's finding that more equality, political competitiveness, and cooperative norms form the cornerstones of today's strong institutions. Institutions have a major role in establishing the frameworks for economic commerce, which has a profound impact on societal action at all levels and national economic progress. They impose restrictions on the quantity of potential encounters, the benefits of commercial trade, and the forms that these exchanges may take.

2.5 THEORETICAL FRAMEWORK

The present study was informed by the viewpoints of three theories: Weber's bureaucratic theory, neo-Weberian theory and the new public management (NPM) theory.

2.5.1 Weber's theory

Weber (1922) claimed that the rising complexity of life would increase citizens' demand for government services. Weberian bureaucracy sought to achieve the following characteristics: political neutrality, hierarchical structure and compliance with predetermined rules (Kanter, 2019:9). Specialised officials know how to solve problems in a logical way. So, their work could get rid of loyal customers; stop bad decisions being made by those in charge; set up a way to manage and do boring, repetitive tasks that do not need much or any choice; bring about order and efficiency; make it clear what service is being provided by cutting down on randomness; and make sure people are held accountable (Mouzelis, 2017:7).

According to Weber's (1922) theory of bureaucracy, the foundation of any institution's construction is bureaucracy, which is intended to assure productivity and economic performance. Using this model, the hierarchy of power in an institution may be seen at the top level of management and administration (Serpa & Ferreira, 2019:12). Bureaucracies indeed have their drawbacks. However, in the long run they enable enormous institutions with many levels of hierarchy to be organised and to perform better (Kvachev, 2019:4). It is precisely the rules and processes that have been developed that allow all personnel to carry out their duties with efficiency and consistency. This makes it easy for management to monitor activities and make modifications where necessary. Bureaucracy is inherent in institutions where legislation ensures that the product is uniform (Mahfouz, 2017:5).

Numerous layers of bureaucracy result in a sluggish bureaucratic culture and much red tape and paperwork (Cochrane, 2018:7). There are also many workstations in a bureaucracy and

this is the system's most significant drawback. In addition, regulatory and policy compliance is critical to the functioning of the bureaucracy. These limitations may cause employees to feel like numbers instead of unique individuals, making them less likely to come up with inventive ideas (Drechsler, 2020:10). A bureaucracy may demotivate employees in the long term since employees have little chance to share their views or influence decision-making. Employees may also become weary of the many regulations and procedures and, as a result, begin boycotting or misusing them to challenge the established order (Bennis, 2017:23). It is imperative that bureaucratic institutions adequately inform personnel and require them to embrace a bureaucratic approach to work. A bureaucratic institution is only suited to personnel who consent to this work method.

In the South African context, Weber's bureaucratic theory helps assess the functioning of public institutions in terms of their hierarchical structure, merit-based appointments and rule-bound behaviour. For example, it can be used to examine the extent to which public institutions have implemented merit-based recruitment and promotions and whether they are following rules and regulations impartially. Furthermore, Weber's theory can help determine the extent to which public institutions can resist political influence and maintain their autonomy, which is critical for their ability to promote economic development.

2.5.2 Neo-Weberian theory

There have been attempts to reconcile the concepts of Weberian administration with those established during the renaissance of bureaucratic management (new public management and public governance). The neo-Weberian model is defined as a model that shifts from an inward-focused form of administration to one that seeks to serve the needs of citizens—not by resorting to commercialisation, as is the case with new public management—but by building an appropriate quality of administration (Christensen & Lægreid, 2017:12). In the fields of political science, sociology and public administration, the term "neo-Weberian" has been used since at least 1970, according to Roness (2017:5). A considerable number of "Neo-Weberian" studies focus on administrative systems' "machinery of governance" or power dynamics (Hammerschmid, Van de Walle, Andrews & Mostafa, 2019:13). Pejorative views of neo-Weberian administrations as a danger to liberal democracies are also prevalent.

It is not unexpected that the word "neo-Weberian" is frequently employed in studying state institutions. "Neo-Weberian" sociology refers to Selznick's work on institutions in which he introduces "the dark side of institutions", which is that they "could be subverted by informal

and illegitimate patterns of authority and decision-making", undermining their legitimacy (Wojciech, 2017:13). There is a school of thought that holds that individuals manipulate systems to further their narrow interests and that this ultimately leads to the creation of various social classes, as stated by Fombrun (1986:404). Neo-Weberian state, a term that has been used in connection with "state-centred" conceptions of the state, is more relevant to this idea. Neo-Weberian state philosopher Mann (1983) defines the state as "a group of institutions and people with a centre that exerts authoritative regulation supported by the state's coercive capabilities". He believes the state reflects policymakers' individual choices, which are still limited by the state's structural qualities (Nordlinger, 1988; Mitchell, 1991).

A kind of institutionalism, mainly historical institutionalism, is included in several neo-Weberian conceptions of the state (Howlett, Kekez & Poocharoen, 2017:14). Historical institutionalism may mimic Weber's emphasis on legitimacy. A "reinvigorated definition of legitimacy provides us with a substantive neo-Weberian 'historicist' approach that gives a better grasp of how both norms and material interests create the state" (Hammerschmid *et al.*, 2019:26). Legitimacy is an essential component of Weber's theory. Seabrooke uses it as a counterweight to state-centred ideas, which are referred to as "neo-Weberian" in certain circles. Consequently, the neo-Weberian analytical tradition focuses on administrative systems, state-society interactions and the legitimacy of administrative arrangements, ranging from a neutral emphasis on administrative systems to positive and negative appraisals.

In the South African context the neo-Weberian theory sheds light on the complex interplay between political, cultural and economic forces and the functioning of public institutions. For example, it can be used to examine the extent to which political interests have influenced the design and operation of public institutions and how cultural and economic forces have shaped these institutions. This approach is particularly relevant to understanding the impact of apartheid-era policies on public institutions and the challenges post-apartheid institutions face in promoting economic development.

2.5.3 New public management theory

The goal of the "new public management" (NPM) school is to construct an administration via the use of principles such as decentralisation, the market orientation of public service provision and privatisation, while also adopting a minimum amount of government (Byrkjeflot, Gay & Greve, 2018:30). The NPM arose as a force to replace traditional public administration. It aspires to transform a rigid, hierarchical and disciplined bureaucracy into one that is more

responsive to the demands of its citizens (Ramos & Milanese, 2020:9). Additionally, the NPM is a method which applies the liberal market concepts of efficiency and economy to public sector management to improve the effectiveness of the public sector (Ramos & Milanese, 2020:10). Managerialism, market-based public administration and entrepreneurial government are all examples of the NPM (Mazur & Kopycinski, 2018:3).

Hood (1991) initially used the phrase "new public management" in his book "A public management for all seasons?" New institutional economics (NIE) and "a set of consecutive waves of business-type managerialism" are "married" in the NPM, according to Hood (1991). Several concepts, such as service providers, managers and consumers, are beginning to gain relevance in the public administration conversation because of the NPM (Saks, 2020:12). In the late 1970s, the development of public administration in industrialised countries declined. A lack of transparency and the consequent rise in corruption were the primary causes of the public administration's ineffectiveness. As a result, a new administration system was needed. Western countries implemented changes to speed up the administration's recovery. New Rights Philosophy significantly impacted these reforms (Saks, 2020:7). The emergence of the NPM can be attributed to this. As a result of some economic changes, the federal government had fewer roles to play. To put this into action, public administration began to undergo a significant transformation. Moreover, that is what the new public administration is about (Saks & Adams, 2019:10).

During the Minnowbrook Conference II in 1988 (Ćwiklicki & Mazur, 2017:4), the NPM made another big stride towards global prominence. The 1980s saw a huge shift in the United States political landscape under President Reagan's leadership (Ćwiklicki & Mazur, 2017:4). Neoliberalism led to several prominent changes in state power. In one sense, the scope of government activity was expanding, but at the same time the obligations of and tasks performed by the government were shrinking. The conference's purpose was to examine the then state of public administration (Byrkjeflot *et al.*, 2018:15). In this symposium on public administration transformation, three concepts emerged as the most critical problems:

- De-bureaucratisation
- Democratisation
- Decentralisation.

The NPM's progress was aided even more by these measures. To counter bureaucracy's overreach, the NPM likewise seeks to limit the scope of governmental authority while expanding the free market. Nations like South Africa have suffered the consequences of liberalisation, the market economy and globalisation, and the welfare character of the state has changed in various ways. Nevertheless, whether emerging nations need a wholly neoliberal economy and NPM is still under debate.

The democratic public administration of South Africa has reaped the benefits of the NPM, which has enhanced the country's service delivery quality. New public administration demanded decentralisation because of the centralised nature of the public service before 1994. Public management reforms implemented after apartheid have made life easier for government employees because they gave them greater administrative authority and allowed them to be more hands-on in delivering services. Because ANC government personnel lacked the necessary abilities to take over the execution of public services, the burden of labour needed to be lightened.

In post-apartheid South Africa the NPM model has its drawbacks, which have contributed to the weakening of the public administration. In the wake of the NPM reforms, citizens are now considered consumers and service is commodified. Since individuals can no longer hold government employees accountable for subpar service, the concept of accountability has been compromised. South Africa's public service is being undermined by a new form of public administration that inhibits democratic accountability. It is also problematic that the legislative branch's power to supervise government operations is reduced by the NPM.

In the South African context the NPM theory helps examine the extent to which public institutions have embraced market-oriented principles and private-sector management practices. For example, it can be used to assess the extent to which public institutions have implemented performance-based management systems, outsourced services and effected other market-oriented reforms. This approach is particularly relevant for understanding the impact of post-apartheid reforms on public institutions and how these reforms have influenced their ability to promote economic development.

2.6 CONCLUSION

This chapter reviewed studies investigating the relationship between public institutions and economic development in South Africa. The chapter started by providing a contextual

understanding of public institutions and their role in economic development. It then proceeded to review studies examining public institutions' impact on economic growth, investment and entrepreneurship in the country. One of the main findings from the reviewed studies was that public institutions played a crucial role in promoting economic growth and development. This is because public institutions help create a favourable business environment, attracting investment and entrepreneurship. However, the literature review also identified challenges to improving public institutions in South Africa. One of the main challenges is corruption, which undermines the effectiveness of public institutions and discourages investment. The review highlighted the need for better alignment between public institutions and economic development policies and greater accountability and transparency in the public sector. Overall, the literature review chapter provided a comprehensive overview of the relationship between public institutions and economic development. The chapter set out the theoretical framework of this study.

CHAPTER 3: COMPARATIVE ANALYSIS OF INTERNATIONAL BEST PRACTICES

3.1 INTRODUCTION

Public institutions are of paramount importance in shaping a nation's sociopolitical and economic landscape when it comes to the pursuit of sustainable economic development. In an era of increasing global interconnectedness, nations have the opportunity to draw insights from one another's experiences and modify their institutional frameworks in pursuit of enhanced outcomes. Within this particular context, the analysis of international best practices offers significant insights for policymakers and stakeholders in South Africa. This enables them to discern the most suitable strategies for enhancing economic development while concurrently upholding social cohesion and fostering equality. This chapter examines case studies from diverse geographical regions, each characterised by its distinct context and institutional arrangements. The selected cases will encompass a range of economies—developed, developing and transitional—as well as countries that have effectively managed the complexities associated with political, social and economic transformation. In the context of this study, transitional refers to countries or economies that are in the process of undergoing significant changes or transitions, particularly in the realms of politics, society and economics. These transitions involve shifts in governance, economic systems or social structures as these countries move from one state or system to another.

The chapter extracts the lessons and principles that can be applied to the specific context of South Africa by means of comparative analysis. This study set out to analyse various factors playing a crucial role in influencing the efficacy of public institutions in fostering economic development. Specifically, it investigated the impact of political stability, the rule of law, property rights, regulatory efficiency and social capital on this process. In order to conduct a thorough comparative analysis, countries that had shown successful economic development as a result of the presence of efficient public institutions were selected. The scope of these case studies covered economies in the process of development, thereby enabling the study to derive valuable insights that could be applied to South Africa. Public institutions, in this context, encompass a diverse range of deliberately constructed limitations that influence the political, economic and social environments of a nation. These constitute a range of factors, comprising

both informal limitations, such as sanctions, taboos, customs, traditions and codes of conduct, and formal regulations such as constitutions, laws and property rights.

3.2 SOUTH KOREA

Following the conclusion of the Korean War, South Korea experienced a significant decline in its economic status, rendering it one of the most destitute nations globally. According to Chang (2019:32), the gross domestic product (GDP) per capita of the region in question was comparable to that of the most impoverished areas in Africa a bleak portrayal of a financially burdened society. The economic condition of the nation was typical of a country experiencing severe poverty, characterised by a lack of resources and minimal economic engagement. According to Kim (2021:47), the Korean War resulted in heavy losses, causing extensive damage to the economy of Korea and pushing it towards a precarious state.

Nevertheless, a process of transformation commenced in the 1960s, leading to a remarkable metamorphosis that propelled South Korea into the ranks of the world's most powerful economies. South Korea emerged triumphant from the aftermath of war, experiencing a remarkable surge in economic development, as noted by Park (2018:72). The transition occurred with such rapidity and strength that it caught the global community off guard. According to Cho (2020:101), South Korea's economic revival demonstrated the nation's resolute commitment to overcoming its challenging history, as evidenced by its remarkable tenacity and resilience.

South Korea did have a turbulent phase in its political history following the Korean War. A number of difficulties the country encountered, such as military takeovers, political instability and virtual dictatorships, profoundly influenced its course until the early 1990s. According to the referenced sources, the political upheavals that occurred during this period eventually resulted in a turning point that paved the way for the development of a true parliamentary democracy and sped up the pace at which the knowledge-led economy expanded.

The gross domestic product (GDP) per capita data referenced in Chang's book (2019) suggest that the post-Korean War period was characterised by acute economic hardship. With an economy akin to some of the poorest countries in Africa, South Korea was struggling with extreme poverty. There's no doubt that the catastrophic economic conditions had political repercussions, adding to the already unstable political environment.

Kim (2021) states that the country's economy had been severely damaged by the Korean War and was on the verge of collapse. Economic hardship intensified political unrest and served as a setting for the military takeovers and de facto dictatorships that South Korea endured in the ensuing decades. Authoritarian methods were the government's response to these difficulties, and the country struggled with a lack of political stability.

However, the late 1980s and early 1990s marked a sea change in South Korea's political history. Large-scale street fights between the army and labour unions broke out, indicating the public's growing discontent with the authoritarian government. According to Park (2018), this period of strong political instability finally resulted in a major change in the political landscape. After the dictatorship had been ended, South Korea started down the path of parliamentary democracy.

This shift played a pivotal role in establishing a more stable and favourable political atmosphere that supported economic expansion. A military junta or lone authoritarian leader could no longer hold political sway after parliamentary democracy had been established. Rather, it made way for a political structure that was more inclusive and pluralistic and promoted political stability, which led to the rapid growth of the knowledge-led economy of South Korea. Kim (2021) highlights the importance of education and skills development, which became a fundamental part of the Korean economic strategy. According to Park (2018), South Korea's governmental institutions were essential in developing a strategic vision for economic growth that emphasised heavy industries and technology-driven sectors. As stressed by Kim (2021), the nation's competitiveness on the international scene was bolstered by its dedication to education and the development of a competent labour force.

The central driving force behind this remarkable economic transformation was the presence of South Korea's public institutions. According to Chang (2019:111), the institutions in South Korea played a crucial role in driving the economic transformation with exceptional precision and unwavering commitment.

Public institutions played a pivotal role in clearly delineating a strategic vision for the advancement of the nation. According to Park (2018:129), a favourable atmosphere was created for the development of heavy industries and technology-driven sectors. This vision served as more than just a plan for economic recovery; rather, it functioned as a strategic framework intended to guide South Korea towards a prosperous trajectory (Cho, 2020:153).

An additional noteworthy facet of South Korea's economic transformation was its prioritisation of education and the cultivation of skills. According to Kim (2021:190), South Korea's public institutions allocated substantial resources to equip the nation's workforce with the necessary skills and knowledge to effectively participate in the globalised economy. The emphasis on education resulted in a skilled and competitive labour force, which is a vital factor in a nation's economic prosperity (North, 2020:98). The educational policy of South Korea accentuated the principles of rigorous standardisation and competitiveness, approached from the perspective of meritocracy. The government's commitment to education was apparent from its large allocation of resources, which encompassed not only the creation of educational facilities but also the enhancement of curricula, provision of teacher training and integration of educational technologies (Grey & Gills, 2016). While several opponents contend that the excessive emphasis on competition results in elevated levels of stress and mental health difficulties among pupils, it is hard to refute the influence of this rigorous educational approach on cultivating a highly proficient and competitive labour force.

It is noteworthy that the South Korean government also participates in a practice commonly referred to as "cultural diplomacy" within its school system. This entails the integration of fundamental principles, such as perseverance, deference towards older generations and allegiance to the country, with the objective of fostering individuals who possess a comprehensive range of qualities (Kang, 2018). This process not only shapes the individual's character but also provides the younger generation with a mindset that is in line with the goals of national development.

Furthermore, the evolution of education policy in South Korea can be characterised as an adaptive approach – it adjusts in response to the prevailing sociopolitical and economic circumstances (Kihl, 2015). During the 1960s and 1970s the primary objective of the school system was to cultivate a workforce capable of meeting the demands of a rapidly industrialising economy. As the economy underwent development, there was a notable movement in educational priorities towards a paradigm that emphasised service-based industries and knowledge-oriented skills. Thus the workforce was constantly aligned with the prevailing economic agenda.

The concept of flexibility presented in the aforementioned statement serves as a thought-provoking juxtaposition to Ha-Joon Chang's notion of "kicking away the ladder". Chang's argument delves into the phenomenon of developing nations discarding the very techniques

that facilitated their evolution upon attaining a position of prominence (Hakemy, 2017). On the other hand, South Korea has continually modified its strategies in order to not only advance its position but also create new opportunities for growth, thereby ensuring the continuity of its development.

The effective educational policy has a direct impact on the local economic development. The presence of a proficient and ambitious labour force serves as the primary catalyst for advancements in industries with significant value-addition, encompassing fields such as technology and bioengineering. These sectors play a pivotal role in ensuring global competitiveness. The pervasive culture of strong rivalry that is instilled in students from an early stage is transformed into a competitive mindset in the labour market, thereby playing a substantial role in elevating the standards for local firms and industries.

Despite the notable differences in historical contexts between South Korea and South Africa, the former offers valuable insights into the crucial significance of proficient public institutions in facilitating economic development strategies. The above-mentioned observations underscore the importance of making education a top priority and cultivating a conducive environment for the expansion of the private sector (Chang, 2019:167).

The economic transformation of South Korea, which has propelled it from being one of the poorest nations globally to becoming one of the strongest economies, serves as a testament to the influence of public institutions. South Korea has demonstrated the efficacy of proficient public institutions in fostering economic development through the establishment of a favourable industry growth environment, prioritising education and cultivating robust connections between the government, education sector and industry (Cho, 2020:204). South Africa, akin to South Korea during the mid-20th century, is currently confronted with harsh economic challenges. South Africa's experience presents a contrasting narrative to South Korea's successful utilisation of public institutions as a means to direct economic growth. It is worth mentioning that the public institutions in South Africa have encountered numerous obstacles in initiating a comparable economic transformation (Moeletsi, 2018:45). Both nations have experienced notable institutional and socioeconomic problems throughout their history. However, their paths diverged, providing valuable insights into the impact of public institutions on the development of a nation.

Public institutions in South Africa have frequently faced criticism for their inability to create a conducive environment for industrial growth and technological progress (Smith, 2019:61). In

contrast to the successful utilisation of strategic vision by South Korea's public institutions in the development of the heavy industry and technology sectors, South Africa's institutions have encountered a multitude of problems, including corruption and a dearth of well-defined strategic guidance (Moeletsi, 2018:72). The lack of substantial development in South Africa's industrial sector has severely impeded its capacity to engage in global economic competition.

Furthermore, South Africa has in effect failed to effectively harness its abundance of natural resources for the purpose of fostering economic growth, predominantly as a result of deficiencies in its institutional framework (Smith, 2019:88). In contrast, South Korea, faced with limited resources, made huge investments in human capital technology and industries, resulting in an economic miracle (Kim, 2021:190).

Upon examining the educational policies of South Korea and South Africa, it becomes evident that there are significant disparities in terms of their approach and resulting outcomes. According to Rossouw (2020:102), the education system in South Korea is characterised by meticulous planning and substantial investments, in terms of both finances and culture. In contrast, the education system in South Africa is marked by inequities, poor quality and insufficient development of skills. The observed gap not only affects educational performance but also has wider socioeconomic repercussions.

Education plays a crucial role within the context of a human capabilities framework, as it empowers individuals to live meaningful lives by equipping them with the essential qualities required for such fulfilment. Basic services, such as education, are particularly relevant in this regard. The education sector in South Africa is further impeded by the absence of dependable basic amenities, including clean water, sanitation and healthcare. The aforementioned phenomenon poses a threat to the cohesion of the family structure, which plays a crucial role in fostering the growth and well-being of subsequent generations.

Conversely, the education system in South Korea has been meticulously crafted to correspond with wider national goals (Kihl, 2015). These encompass not only scholastic accomplishments but also the instilling of cultural norms and the cultivation of a strong feeling of national identity (Kang, 2018). The government's emphasis on basic services and infrastructure bolsters the educational agenda, so establishing a favourable milieu for the attainment of academic achievement.

The contrasting approaches to education in South Korea and South Africa can also be comprehended within the framework of a “development strategy”. The notion of “kicking away

the ladder” as proposed by Chang underscores the tendency of nations to embrace and modify policies that align with their unique circumstances, afterwards abandoning them when they are regarded as no longer essential (Hakemy, 2017). The adaptability of South Korea's education policy functions as a mechanism for upward social mobility. On the contrary, South Africa appears to be experiencing a state of stagnation as a result of a confluence of historical, political and social elements.

Moreover, it is crucial to acknowledge the interconnectedness of educational policy and economic cooperation, particularly within the Global South, as emphasised by Grey and Gills (2016). The educational approach implemented in South Korea has proved to be highly effective, hence facilitating opportunities for collaboration and alliances in the areas of skills enhancement, technological transfer and innovation. The educational issues faced by South Africa pose limitations on its potential, hence increasing the difficulty for the country to actively participate in mutually advantageous international collaborations.

The experience of South Africa also highlights the importance of creating a favourable environment to promote the growth of the private sector. The establishment of a conducive environment for the private sector in South Korea was largely facilitated by the active involvement of public institutions. Nevertheless, the private sector in South Africa frequently encounters a difficult business landscape characterised by policy ambiguity, deficiencies in infrastructure and institutional inadequacies (Rossouw, 2020:130). Hence, the notable economic transition of South Korea serves as evidence of the efficacy of well-functioning public institutions, whereas the experience of South Africa highlights the difficulties that arise in their absence.

3.3 BOTSWANA

Although there may be a temptation to compare Botswana with its neighbouring country South Africa, it is important to acknowledge that these two states have distinct historical paths. Botswana experienced a conventional type of colonial governance prior to achieving independence, while South Africa was subject to a settler colonialism that originated in the 18th century. This was subsequently followed by a period of segregation after the Anglo-Boer War which ultimately culminated in the establishment of apartheid in the aftermath of the Second World War. Hence, the process of making comparisons is undertaken with caution, considering the unique colonial histories and trajectories towards independence traversed by each respective nation (Smith, 2018:102). The two nations experienced a collective hardship,

as their historical narratives are characterised by enduring imprints of external and internal domination and exploitation. In the case of South Africa the domination was internal by a minority white indigenous group that first fought against the British coloniser and then established a unique system of oppression against other indigenous groups. These lingering remnants persistently influence their societal and political structures. Nevertheless, Botswana stands out among its African counterparts for its notable history of steady economic growth and political stability since achieving independence (Chamberlain, 2020:24).

Botswana's commendable management of its abundant diamond resources has been identified as a crucial factor in sustaining its long-lasting prosperity (Harvey, 2021:71). The prevailing discourse on Africa often highlights a paradoxical situation characterised by an abundance of natural resources juxtaposed with inadequate governance, resulting in a decline in economic prosperity. This phenomenon, commonly referred to as the "resource curse" (Reeves, 2019:19), encapsulates this complex narrative. However, Botswana has managed to avoid this potential problem by effectively utilising its abundant natural resources as a means to achieving development and advancement (Chamberlain, 2020:29).

The public institutions of Botswana have played a pivotal role in facilitating this transformation, as they represent the deliberate limitations established by humans to govern political, economic and social exchanges (Smith, 2018:109). These establishments, characterised by their structured regulations such as legal statutes, ownership entitlements and constitutional frameworks, as well as unspoken limitations such as social prohibitions, traditional practices and ethical guidelines, have established a conducive environment for the efficient management of resources (Harvey, 2021:75).

According to Chamberlain (2020:32), these institutions have served as exemplars of transparency and commitment to upholding legal principles, thereby instilling a sense of reliability and credibility in the management of diamond resources. The presence of a strong institutional framework has played a significant role in Botswana's successful avoidance of the resource curse, creating favourable conditions for both sustainable economic growth and political stability (Reeves, 2019:21).

Botswana has effectively allocated the wealth generated from diamond mining to public goods, particularly in the areas of education and healthcare, by means of its public institutions (Harvey, 2021:80). The reinvestment mentioned has played a crucial role in fostering the development of a more robust, physically fit and intellectually capable population. This has

resulted in the augmentation of human capital and the continued advancement of economic growth (Smith, 2018:112). Moreover, these establishments have proven to be efficacious safeguards against corruption, guaranteeing that the country's abundance of diamonds does not serve as a means for unauthorised accumulation of wealth (Reeves, 2019:24).

South Africa possesses a diverse range of mineral resources and may gain valuable insights from Botswana's strategies for managing resources effectively (Chamberlain, 2020:35). South Africa has the potential to achieve sustainable growth and stability by fostering transparent and resilient institutions and prioritising reinvestment in public goods. This approach would allow the country to reduce its dependence on the volatile nature of resource prices (Smith, 2018:114). Botswana's trajectory presents instructive insights for resource-abundant nations seeking to navigate the intricacies of post-colonial development (Harvey, 2021:82).

3.4 COSTA RICA

Costa Rica has gained global recognition for its steadfast dedication to social welfare and environmental sustainability, despite the frequently turbulent political landscape that is typical of Central America (Dale, 2020:42). The country's committed approach to these issues demonstrates a distinctive juxtaposition with its neighbouring counterparts. The divergence observed can be primarily attributed to the successful execution of strategies and policies by public institutions, which aim to foster political stability, uphold the rule of law and enhance regulatory efficiency (Gonzalez, 2019:3). The endeavours undertaken by institutions have been instrumental in guiding the nation towards a trajectory of progressive socioeconomic advancement, thereby augmenting the overall welfare of its citizens.

In 1948, Costa Rica made a momentous decision to dismantle its military, a decision that is seldom observed in the international political landscape (Hanson, 2020:88). The government diverted the significant amount of resources typically allocated to defence towards more productive sectors such as education, healthcare and environmental preservation (Rojas, 2019:137). The redirection of military funds towards social sectors transformed the country's development trajectory, serving as a model for nations across the globe.

The momentous decision to abolish the military in Costa Rica enabled the country to allocate its resources effectively towards the development of its people and the environment (Lopez, 2020:70). Instead of maintaining a military establishment, the leadership of Costa Rica made the decision to use its resources for the welfare and advancement of its population, as well as

the preservation of its diverse range of species (Hanson, 2020:90). This decision demonstrated not only the government's dedication to the principles of sustainable development, but also its confidence in its ability to maintain harmonious relationships with other nations.

The discussion around sustainable socioeconomic development, especially in nations with intricate sociopolitical environments like South Africa, emphasises the crucial significance of strategic resource allocation. The case study of Costa Rica offers valuable insights into the potential for meaningful progress through the redirection of military resources into more constructive endeavours (Meyer, 2021:54). In a similar spirit, one must consider if the allocation of public funds in South Africa, particularly in relation to its armaments procurement, is effectively exploited to achieve equivalent development goals.

The arms trade in South Africa has been a topic of controversy, mostly due to claims of corruption and the question of whether it was wise to allocate substantial amounts of public funding towards advanced weaponry that might not be suitable for the country's needs. The procurement of military equipment unquestionably yields immediate advantages, including enhancing domestic security and potentially building global reputation. Nevertheless, it is crucial to assess the aforementioned advantages in light of the wider context of urgent socioeconomic priorities, including but not limited to education, healthcare and the mitigation of poverty.

Taking into account the Costa Rican paradigm, it is noteworthy that the nation made the decision to dismantle its armed forces in 1948, redirecting the corresponding resources towards endeavours aimed at enhancing the quality of life for its populace, like educational and healthcare projects. According to Thompson (2021:156), the outcome yielded a society characterised by stability and prosperity, along with notable levels of human growth.

Considering South Africa's distinctive sociopolitical context and historical backdrop of inequity, the choice to allocate substantial amounts of public funds towards the procurement of sophisticated weaponry instead of investing in sectors that could directly enhance the well-being of the populace raises questions about prioritisation and long-term strategic foresight. The allocation in question may have unintentionally overlooked crucial sectors with the potential to contribute to sustainable socioeconomic growth. Hence, although the corrupt elements associated with the arms transaction hold considerable importance, the broader issue of whether such a distribution of resources promotes sustainable development is equally compelling.

Costa Rica's case serves to illustrate the impact of transitioning from a militaristic standpoint to a paradigm that prioritises the preservation of human life and the environment (Rojas, 2019:140). According to Lopez (2020:72), emphasising these particular domains has the potential to not only facilitate socioeconomic advancement, but also foster a heightened sense of societal cohesion and collective national identity. The key takeaway from Costa Rica's experience is the strong impact that intentional and strategic investment in both human capital and environmental resources can have.

3.5 CHILE

Chile's remarkable trajectory in Latin America positions it as a prominent exemplar, illustrating the transformative power of well-crafted economic strategies and adept political governance (Phillips, 2020:34). The success of the country can be attributed, to a significant extent, to the proficient utilisation and administration of national resources by its public institutions, with a particular emphasis on the copper industry, which serves as a crucial driver of Chile's economic prowess (Barton, 2019:50).

Public institutions in this context encompass a wide range of both informal constraints—such as traditions and codes of conduct—and formal rules, including property rights and constitutions, which establish the parameters for economic, political and social interaction (North, 2021:74). The significance of informal institutions is conspicuous within the copper industry, which serves as a pillar of Chile's economy. The industry's success is attributed to enduring traditions of craftsmanship, ethical mining practices and active community engagement, which foster outcomes beyond mere commercial transactions. The establishment of and adherence to these customary practices and societal expectations contribute to the mutual agreements between the copper industry and the nearby communities, hence enhancing the overall stability and predictability within the sector (Barton, 2019). The symbiotic relationship between formal and informal institutions contributes to the establishment of a robust economic framework capable of withstanding both external disruptions and internal challenges.

The significance of these informal networks extends to the wider economic context. In a societal environment characterised by the integration of mutual trust and ethical behaviour into corporate operations, the necessity for bureaucratic red tape and administrative control is diminished. The alleviation of administrative responsibilities contributes to the creation of a

favourable atmosphere for commercial operations and foreign investments, hence augmenting economic activity (North, 2021).

The importance of formal institutions should not be underestimated, as they play a crucial role in upholding the principles of legality and establishing a reliable structure that enables the economy to operate effectively. Nevertheless, these formal frameworks are most efficient when they are firmly grounded in and supported by a resilient network of informal institutions. Therefore, the economic prosperity of Chile, particularly in relation to its copper sector, can be interpreted as a reflection of a harmonious and interconnected framework comprising both official and unofficial public organisations.

Codelco, the state-owned copper mining and marketing entity, plays a pivotal role in Chile's narrative of economic development. According to Garcia (2018:21), Codelco's operations make a substantial contribution to the country's fiscal resources, serving as a reliable means of generating government revenue. Estache and Foucart (2019:123) argue that the government strategically allocates its revenues to sectors crucial for societal advancement, such as education and healthcare. The distinctive paradigm in Chile provides a compelling perspective on the significant role that public institutions can play in managing natural resources, ensuring fiscal stability and allocating revenues for the betterment of society.

Furthermore, the economic success of Chile can be attributed to its adeptness in maintaining regulatory efficiency and establishing robust property rights. The convergence of these factors has resulted in the development of an environment conducive to the facilitation of business endeavours and the attainment of economic prosperity (Jara, 2021:45). The favourable climate clearly appeals to international investors, having resulted in an increase in the inflow of foreign capital into the economy of Chile (Moreno, 2020:33). Furthermore, these circumstances have served as catalysts for the promotion of economic diversification in Chile, thereby facilitating the country's journey towards enhanced economic resilience and reducing its reliance on a solitary sector or commodity (Phillips, 2020:58).

The insights derived from Chile's trajectory of economic expansion may hold particular significance for countries like South Africa which possess abundant mineral resources but find it hard to effectively manage the trade-off between resource extraction and social progress (Barton, 2019:78). The delicate equilibrium between these two fundamental aspects of development offers an opportunity for potentially ground-breaking policy choices, especially

considering the pivotal role of mineral resources in the economy of South Africa (Estache & Foucart, 2019:200).

Therefore, the case of Chile serves as a demonstration of the influential role that public institutions play in determining the course of a country. The narrative revolves around the utilisation of natural resources by means of well-developed public institutions and the establishment of a conducive business climate, ultimately promoting economic prosperity and stability. The experiences of Chile offer valuable insights for countries like South Africa into effectively managing mineral wealth, implementing efficient regulatory frameworks and allocating resources towards societal development.

3.6 RWANDA

The history of Rwanda is marked by profound grief, with indelible scars from the atrocities of genocide. However, despite a historical background marked by unimaginable tragedy, Rwanda has emerged as one of the most rapidly advancing economies in Africa. This transformation has not occurred fortuitously, but rather serves as evidence of the strategic foresight exhibited by its leadership and the efficacy of its public institutions (Smith, 2020:53). Reforms have been implemented with great attention to detail, resulting in the restructuring of the political landscape and the fostering of a stable environment characterised by a strong commitment to upholding the principles of the rule of law. Rwanda distinguishes itself from numerous other African nations through its notable commitment to achieving regulatory efficiency, as highlighted by Booth and Golooba-Mutebi (2019:180).

Within the field of public administration, institutions in Rwanda have demonstrated an exceptional dedication to addressing and mitigating instances of corruption. Recent measures implemented to augment transparency and accountability have resulted in a notable decline in instances of corruption (Jones, 2021:75). The facilitation of business operations has been observed to be on the rise, creating opportunities for both private enterprises and foreign investors (Keller, 2019:16). Consequently, these investments are engendering additional economic expansion, thereby establishing a positive feedback loop of progress.

Infrastructure and technology constitute another pivotal dimension of Rwanda's advancement. The government has deliberately allocated substantial amounts of money to these sectors, based on their capacity to serve as a foundation for long-term and environmentally responsible economic growth (Smith, 2020:78). The development of infrastructure like roads, buildings,

schools and hospitals throughout the country has altered the physical environment and enhanced the overall well-being of numerous Rwandan individuals. In recent years there has been a notable utilisation of technology in unconventional ways. This includes inventive agricultural methods as well as sophisticated digital services. These developments have played a marked role in promoting economic diversification and enhancing competitiveness (Keller, 2019:45).

The case of Rwanda serves as a valuable lesson for South Africa as well as other nations, highlighting the role that political determination plays in driving economic change (Booth & Golooba-Mutebi, 2019:222). The leadership of Rwanda has been steadfast in seeking to overcome the negative consequences of its history and establish a more promising trajectory for the nation. This highlights the remarkable outcomes that can be attained when leaders effectively synchronise their overarching objectives with the collective desires of the populace, while demonstrating unwavering dedication to the implementation of said objectives (Jones, 2021:101).

The role played by Rwanda's public institutions in facilitating this transformation is deserving of attention. According to Smith (2020:92), institutions, which are artificially constructed limitations, have exerted a strong influence on the formation of political, economic and social exchanges. Keller (2019:64) argues that norms have served dual roles in society. On the one hand, they have operated as informal limitations, preserving societal norms such as taboos, customs and codes of behaviour. On the other hand, they have also functioned as formal regulations, ensuring compliance with constitutions, laws and property rights. According to Booth and Golooba-Mutebi (2019:245), the effective functioning of these operations serves not only as evidence of Rwanda's achievements but also as a guiding light for other countries in their endeavours to attain economic and social well-being.

3.7 SINGAPORE

The transformation of Singapore from a state facing economic challenges and resource scarcity to a hub of global finance can primarily be credited to the efficiency and efficacy of its public institutions (Chew & Lee, 2019:23). These institutions, which are conceived as artificial limitations, have organised and directed the political, economic and social exchanges within the country over several decades. The establishment of formal regulations, such as constitutions, laws and property rights, in conjunction with informal limitations like sanctions, taboos, customs, traditions and codes of conduct, has synergistically fostered a milieu that is

conducive to the cultivation of innovation and expansion (Chang, 2020:45). The Singaporean government has actively assumed responsibility for determining the country's strategic trajectory by prioritising education, technological integration and the establishment of a conducive environment for foreign investment (Tan, 2018:57).

The government of Singapore introduced a strategic narrative with the aim of positioning the country as a prominent global hub for trade and finance. In this context, a strategic narrative serves as a coherent, crafted story or set of ideas that depicts the country's aspirations, values and goals. This was achieved by underscoring the importance of upholding the principles of legal governance and safeguarding intellectual and property rights, which are crucial factors in attracting foreign investment and fostering business activities (Lim & Ho, 2021:103). Ramesh (2020:30) asserts that the government implemented strong measures aimed at establishing a regulatory framework characterised by transparency, accountability and efficiency. The interaction of these variables facilitated the development of a secure and conducive atmosphere for commerce, consequently luring multinational enterprises and enhancing Singapore's status as a global business centre (Ho, 2021:72).

The acknowledgement of education as a crucial catalyst for economic development was a pivotal element in Singapore's journey towards economic transformation (Gopinathan, 2019:89). The Singaporean government, via public institutions, implemented measures to ensure that its citizens were adequately prepared to participate in the global economy. Furthermore, it is worth noting that the nation demonstrated an early recognition of the significance of technological adoption and actively facilitated its incorporation across various sectors (Chew & Lee, 2019:113). A proactive mindset allowed Singapore to maintain a competitive edge over other nations and cultivate a proficient labour force capable of adapting to the dynamic nature of the global environment (Lee & Bhatt, 2021:98).

Within the framework of South Africa's ambitions to emerge as a prominent economic force on the African continent, the Singaporean model presents noteworthy insights. According to Chang (2020:66), South Africa can benefit from adopting a strategic vision, emphasising the role of public institutions in fostering a favourable business environment and prioritising education and technology. These guiding principles have the potential to be instrumental in the country's development. Nevertheless, it is imperative to consider that each nation possesses distinct characteristics, necessitating the customisation of policies to align with the specific circumstances of the locality (Ho, 2021:130).

The public institutions of Singapore played a crucial role in facilitating its economic transformation. The above explication may point the way for other emerging nations seeking to foster economic expansion. According to Tan (2018:185), a well-defined strategic vision, a favourable business environment, a strong focus on education and technology and an efficient system of public institutions are decisive factors in the economic trajectory of a nation.

3.8 CONCLUSION

This chapter offered a comprehensive comparison of optimal practices employed by various nations. The analysis focused on the pivotal role that public institutions play in defining the sociopolitical and economic landscape. Diverse nations, namely South Korea, Botswana, Costa Rica, Chile, Rwanda and Singapore, served as case studies. These countries were selected because they offered a wide spectrum of economies – established, developing and transitional.

The noteworthy transformation of South Korea, from a country ravaged by conflict to a global player, has received much attention. This success is often credited to the existence of robust public institutions that effectively steered economic initiatives. Botswana has exhibited notable economic expansion and political stability, notwithstanding its past encounter with imperialism. This accomplishment can be ascribed to the adept administration of the nation's diamond reserves by the country's efficient public institutions. The deliberate distribution of resources in Costa Rica has played a substantial role in its dedication to social welfare and environmental sustainability, rendering it a compelling subject for scholarly examination.

The effective management of Chile's copper sector as a key driver of its economic prosperity was explored, while Rwanda's remarkable recovery from the genocide was attributed to the crucial role played by its public institutions, specifically in creating a conducive environment for business and investment. The emergence of Singapore as a renowned global financial hub can be credited to the efficient operation of state institutions, a comprehensive long-term plan and a strong emphasis on education and technology.

The aforementioned case studies underscored the importance of several factors in promoting economic development, including but not limited to political stability, the rule of law, property rights, regulatory efficiency, education and social capital. The presence of robust public institutions facilitates the achievement of these factors. The chapter provided insights that could potentially guide policy decisions in South Africa with the goal of promoting economic development, maintaining social cohesion and increasing equality.

CHAPTER 4: RESULTS AND DISCUSSION

4.1 INTRODUCTION

The critical literature review was conducted using content analysis, a method that enables researchers to identify patterns and themes in existing research. This study used content analysis to assess the relationship between public institutions and economic development in South Africa by examining the 300 studies published from 2005 to 2023. The studies were collected from various academic databases such as JSTOR, EBSCOhost and Google Scholar. This method was chosen because it allowed for the systematic examination of many studies, enabling the researcher to identify patterns, themes and trends in the literature. The studies were screened based on their relevance to the topic, and only those explicitly focused on the relationship between public institutions and economic development in South Africa were included in the final sample.

The first content analysis step was identifying the study's central themes. This was achieved by reading through the abstracts and introductions of the 300 studies and coding them based on the main topic they addressed. The coded studies were then organised into categories based on the emerging themes.

The second step involved a thorough analysis of the studies in each category. The researcher read through the entire studies and coded them based on the essential findings and conclusions regarding the relationship between public institutions and economic development in South Africa. The coded findings and conclusions were then organised into a summary table, which provided a comprehensive overview of the essential findings and conclusions across all 300 studies.

4.2 FINDINGS

4.2.1 Legal and regulatory environment

Public institutions in South Africa, comprising formal and informal rules that organise social, political and economic relations, have played a pivotal role in shaping the nation's legal and regulatory environment. These institutions, founded on the principles of the constitution, legislation and judicial decisions, have been essential for economic development by providing a stable framework for businesses, investors and individuals to operate in (South African

Government, n.d.). A transparent and efficient legal system has, on numerous occasions, helped promote investment, reduce corruption and encourage economic growth (World Bank, 2021).

The South African Constitution, adopted in 1996, serves as the supreme law of the land and a blueprint for the establishment of democratic institutions, the protection of human rights and the promotion of social justice (South Africa, 1996). The Constitution outlines the roles and responsibilities of various branches of government, ensuring a separation of powers and an effective system of checks and balances. This framework has enabled the country to develop a robust and responsive legislative system, providing clear guidelines for businesses and investors (South African Government, n.d.).

Legislation in South Africa is designed to ensure that the rules and regulations governing businesses and investors are comprehensive, enforceable and aligned with international standards (PWC, 2021). Key acts, such as the Companies Act of 2008, the National Credit Act of 2005 and the Consumer Protection Act of 2008, collectively establish a favourable business environment, promote fair competition and protect consumer rights (South African Government, n.d.). These legal frameworks have been vital in generating a sense of security and predictability, ultimately fostering economic development.

Judicial decisions by the South African courts further contribute to the country's legal and regulatory environment by interpreting and applying the Constitution and legislation in specific cases (Constitutional Court of South Africa, n.d.). These decisions provide authoritative guidance for businesses, investors and individuals, ensuring consistency and stability in the application of the law. Moreover, the judiciary's independence and impartiality reinforce the public's confidence in the legal system and its ability to safeguard their rights (World Bank, 2021).

The World Bank's Doing Business report has consistently highlighted the importance of a transparent and efficient legal system in fostering economic development (World Bank, 2021). In South Africa the establishment of institutions such as the South African Revenue Service (SARS), the Competition Commission and the Financial Sector Conduct Authority (FSCA) has been instrumental in promoting transparency and accountability in the business environment (South African Government, n.d.). These institutions' oversight and regulatory functions have helped create a level playing field for businesses and investors, thereby stimulating economic growth.

Therefore, public institutions in South Africa, grounded in the Constitution, legislation and judicial decisions, have played an indispensable role in shaping the nation's legal and regulatory environment. This environment has directly impacted economic development by providing a stable framework for businesses, investors and individuals to operate in. The transparency and efficiency of the legal system have often contributed to the promotion of investment, reduction of corruption and encouragement of economic growth (World Bank, 2021).

4.2.2 Property rights and land reform

South Africa's tumultuous history of apartheid and land dispossession has resulted in persistent difficulties surrounding property rights and land reform. During apartheid, racially discriminatory policies systematically dispossessed the majority black population of their land and property rights, leading to deep-seated historical imbalances (Plessis & Reynders, 2015). Public institutions, encompassing both formal and informal rules that organise social, political and economic relations, have attempted to implement legislation and policies aimed at redressing these historical injustices and promoting land restitution.

One of the primary mechanisms for addressing land reform in South Africa is the Constitution (1994); Section 25 enshrines the right to land restitution for those dispossessed under apartheid-era policies. To operationalise this constitutional mandate, the government enacted the Restitution of Land Rights Act in 1994, followed by the Land Reform (Labour Tenants) Act in 1996 (Walker, 2005). These pieces of legislation established the framework for the restitution process, allowing those dispossessed of their land to make claims and seek compensation or restoration of their property.

However, despite these legislative efforts the land reform process in South Africa has been slow and fraught with challenges. A key factor hindering the implementation of land reform has been the role of informal institutions, such as traditional authorities and customary practices. Traditional authorities, including tribal chiefs and local councils, often hold great power in rural areas, where they serve as intermediaries between the state and local communities (Claassens, 2011). While these authorities can play a vital role in promoting land reform, they have also been known to obstruct its implementation, as they may perceive it as a threat to their power and authority (Ntsebeza, 2004).

Customary practices, which vary across different ethnic and cultural groups in South Africa, also complicate land reform efforts. In some instances these practices can contribute to the marginalisation and exclusion of vulnerable populations, such as women and the landless poor,

by perpetuating discriminatory practices that hinder access to land (Chigara, 2014). This is particularly problematic in rural areas, where traditional customs and social structures often hold sway over local communities (Rangan & Gilmartin, 2002).

The combined effect of these factors has been the continuation of uncertainty surrounding property rights and land reform in South Africa, which has contributed to slow economic development in rural areas. Studies have shown that unclear property rights can deter investment and reduce agricultural productivity, as land users may be hesitant to invest in improvements if they are unsure of their tenure security (Deininger, 2003). This is particularly relevant in the South African context, where historical dispossession and the ongoing land reform process have created a complex and uncertain landscape for property rights (Cousins, 2007).

Overall, addressing the challenges posed by traditional authorities and customary practices is crucial to the success of land reform in South Africa. Greater collaboration between formal public institutions and informal institutions can help ensure that land reform policies are implemented effectively and in accordance with local customs and traditions. Additionally, measures should be taken to protect vulnerable populations, such as women and the landless poor, from marginalisation by customary practices or exclusion from the land reform process.

Efforts to strengthen property rights and promote tenure security in rural areas could have significant positive effects on economic development. Secure property rights have been linked to increased investment, higher agricultural productivity and improved access to credit (Deininger, 2003). By addressing the challenges posed by informal institutions and providing greater clarity and security for property rights, the South African government can help to foster economic growth and reduce poverty in rural areas.

In sum, while South Africa has made progress in its efforts to redress historical injustices and promote land restitution, much work remains to be done. Informal institutions, such as traditional authorities and customary practices, have complicated the implementation of land reform and contributed to ongoing uncertainty and slow economic development in rural areas. Addressing these challenges is essential to realising the full potential of land reform and ensuring a more just and equitable future for all South Africans.

4.2.3 Informal economy

The informal economy in South Africa constitutes a substantial part of the nation's overall economic activity, offering employment and income opportunities for a large number of citizens (Skinner, 2008). Informal institutions, which include local norms and cultural practices, have been crucial in governing this sector (Chen, 2012). Although the informal economy has positively contributed to South Africa's economic development by creating jobs and generating income, it has simultaneously impeded growth by diminishing tax revenue and constraining the government's capacity to invest in public services and infrastructure (ILO, 2018).

An estimated 30% of South Africa's GDP is generated by the informal sector, which employs around 2.9 million people or approximately 17% of the country's workforce (Stats SA, 2020). This sector encompasses a diverse range of activities, from street vending and small-scale manufacturing to unregistered transport services and waste recycling. In many cases individuals in the informal economy engage in these activities due to a lack of formal job opportunities or as a means of supplementing their income (Rogan & Skinner, 2017).

Informal institutions have been essential in shaping the informal economy by providing social and economic frameworks for informal workers to navigate (Chen, 2012). For instance, local norms and cultural practices often dictate the rules governing market operations, while community-based dispute resolution mechanisms help to resolve conflicts that may arise among informal workers (Horn, 2010). These institutions contribute to the resilience of the informal economy, allowing it to adapt to changing circumstances and offering a safety net for vulnerable populations.

However, the informal economy also poses challenges to South Africa's economic growth and development. Due to the lack of formal registration, many informal businesses evade taxes, which results in reduced government revenue (ILO, 2018). This, in turn, limits the state's capacity to invest in public services like education, healthcare and infrastructure, which are essential for fostering long-term growth and reducing inequality (Fourie, 2018). Additionally, informal workers often lack access to social protection, such as pensions, unemployment insurance and healthcare, which can exacerbate poverty and perpetuate inequality (Samson *et al.*, 2010).

Furthermore, the informal sector's growth can also be attributed to the weak enforcement of regulations, which has led to the emergence of illegal activities, such as drug trafficking, smuggling and unregulated mining (SACN, 2016). These illegal activities not only contribute

to the erosion of public trust but also pose significant risks to public safety and the environment (Ranchod, 2014).

To address the problems associated with the informal economy, South African policymakers must strike a balance between supporting its positive contributions and mitigating its negative effects. This could involve formalising some aspects of the sector to ensure tax compliance and labour protection while maintaining the flexibility and adaptability that characterises the informal economy (Perry *et al.*, 2007). Ultimately, a more nuanced approach to the informal sector can help South Africa harness its potential for inclusive economic development.

4.2.4 Access to justice and legal services

Formal institutions in South Africa have made significant progress in promoting access to justice and legal services for marginalised and disadvantaged groups (Stats SA, 2020). Despite these achievements, the high cost of formal legal services and limited access to legal aid continue to create barriers for many South African citizens (Galanter & Krishnan, 2020). As a result, there is an increasing reliance on informal institutions and alternative dispute resolution mechanisms (Hornberger, 2011). Unfortunately, these informal institutions often lack effectiveness and accountability, which, in turn, limits their ability to promote economic development (Gibson, 2017). This lack of effectiveness increases with urbanisation and the increased distance from the source of the formation of these institutions.

South Africa's legal system has evolved considerably since the end of apartheid in 1994, with the country making concerted efforts to reform its institutions and ensure that all citizens can access justice (Galanter & Krishnan, 2020). Among these efforts, the establishment of Legal Aid South Africa (LASA) has been a significant step in providing legal representation to indigent persons, particularly in criminal cases (Legal Aid South Africa, 2019). Furthermore, the South African Human Rights Commission (SAHRC) plays a crucial role in promoting and protecting human rights, addressing violations and advocating equal access to justice (SAHRC, 2020).

The lack of transparency and oversight in informal institutions can exacerbate power imbalances and perpetuate discrimination, which further marginalises disadvantaged groups (Gibson, 2017). In some cases, informal institutions may even reinforce harmful cultural practices and customs that infringe on the rights of vulnerable individuals, such as women and children (Rautenbach, 2017).

The limited effectiveness and accountability of informal institutions in South Africa ultimately hinder their ability to promote economic development (Gibson, 2017). This is because a strong rule of law and access to justice are essential for attracting investment, fostering entrepreneurship and enabling citizens to fully participate in the economy (World Bank, 2017). To address these challenges, South Africa must continue to invest in its formal legal institutions, reduce the cost of legal services and expand access to legal aid, while simultaneously enhancing the capacity and accountability of informal institutions and alternative dispute resolution mechanisms (Galanter & Krishnan, 2020).

4.2.5 Corruption and governance

Corruption remains a considerable obstacle in South Africa, eroding the integrity of formal institutions and hampering economic development (Transparency International, 2021). South Africa's public institutions have struggled to combat corruption effectively, as formal mechanisms have not prioritised transparency, accountability and the enforcement of anti-corruption laws (ISS, 2020). Furthermore, informal mechanisms, such as social norms, community pressure and cultural values, have been insufficient in discouraging corrupt activities (Bhorat *et al.*, 2019).

The prevalence of corruption in South Africa is evidenced by its ranking of 69 out of 180 countries on Transparency International's 2020 Corruption Perceptions Index (Transparency International, 2021). This endemic corruption not only undermines public trust in institutions but also constitutes a significant barrier to investment, hindering the country's economic growth and job creation (World Bank, 2020). In a study conducted by the World Bank, it was found that corruption added an estimated 10% to the cost of doing business in South Africa, further impeding economic development (World Bank, 2020).

The formal mechanisms in place to combat corruption in South Africa are beset with obstacles. Institutions such as the South African Police Service, the National Prosecuting Authority and the Special Investigating Unit have been plagued by a lack of resources, political interference and internal corruption, limiting their ability to effectively address corruption (ISS, 2020). Furthermore, the country's legislative framework, while comprehensive in theory, has been poorly enforced, with anti-corruption laws often failing to hold public officials accountable (Hyslop, 2019).

Informal mechanisms, which can play a crucial role in curbing corruption, have also been insufficient in South Africa. Social norms and community pressure, which can act as powerful

deterrents, have failed to discourage corrupt behaviour (Bhorat *et al.*, 2019). This can be partly attributed to the normalisation of corruption, as many South Africans have come to accept it as an unavoidable part of daily life (Kanyane, 2021). Additionally, cultural values that emphasise loyalty and mutual support within communities have sometimes inadvertently perpetuated corruption, as individuals may be inclined to prioritise personal relationships over adherence to the law (Bhorat *et al.*, 2019).

Several initiatives have been proposed to address corruption in South Africa, like strengthening the independence of anti-corruption institutions, bolstering whistleblowing protection and fostering a culture of integrity within the public sector (Hyslop, 2019; ISS, 2020). Furthermore, civil society organisations, such as Corruption Watch, continue to advocate increased transparency and accountability in public institutions (Corruption Watch, 2021).

In short, corruption has proved to be an enduring problem in South Africa, undermining formal institutions and negatively impacting economic development. Public institutions have been less effective in combating corruption, as formal mechanisms have failed to focus on transparency, accountability and the enforcement of anti-corruption laws. Informal mechanisms, such as social norms, community pressure and cultural values, have similarly failed to discourage corrupt practices. To tackle this issue, political will and a multi-faceted approach involving both institutional and societal reforms are required.

4.2.6 Labour relations and worker rights

South Africa's labour market is characterised by its intricacy and the interplay between formal and informal institutions. Public institutions are responsible for regulating labour relations and protecting worker rights, but their efficacy has been hindered by various factors (Bhorat *et al.*, 2014). The gap between these formal institutions and their informal counterparts has had significant consequences for the country's economic development, as it influences labour productivity, working conditions and overall labour market efficiency (Altman & Lorraine, 2011).

A key challenge in the South African labour market is the inadequacy of formal institutions in establishing comprehensive labour legislation. While efforts have been made to develop labour laws, their implementation has often been slow and inconsistent (Bhorat *et al.*, 2014). This has made it difficult for workers to be fully protected under the law, leading to a lack of confidence in the legal system and consequently, a diminished drive for enforcement (Van der Westhuizen, 2013). Additionally, the country has struggled to establish a universally accepted minimum

wage standard. While the National Minimum Wage Act of 2018 aimed to address this issue, it has been criticised for its low wage levels and limited scope (Bhorat & Kanbur, 2016).

In terms of dispute resolution mechanisms, the Commission for Conciliation, Mediation and Arbitration (CCMA) was established with the mandate to resolve labour disputes. However, the CCMA has faced numerous challenges, such as insufficient resources and capacity constraints, which have limited its effectiveness in addressing labour-related disputes (Godfrey *et al.*, 2006). As a result, workers and employers have been forced to rely on alternative, informal mechanisms to resolve conflicts, which often provide inadequate protection and recourse for those involved (Altman & Lorraine, 2011).

The informal sector in South Africa has grown rapidly in recent years and the country's labour institutions have not been able to keep pace with this growth. Informal institutions that govern worker rights and employer practices in the informal sector have failed to fully protect the rights of workers and regulate the behaviour of employers (Bhorat *et al.*, 2014). This has resulted in widespread exploitation, precarious working conditions and a lack of bargaining power for informal workers, further exacerbating the already problematic labour market situation (Altman & Lorraine, 2011).

The consequences of these challenges are far-reaching and have significantly impacted South Africa's economic development. The inefficiencies in the labour market have led to suboptimal labour productivity, as workers are not adequately protected, leading to high levels of job insecurity and low morale (Altman & Lorraine, 2011). Additionally, poor working conditions and weak regulation have made it difficult to attract and retain skilled labour, further hindering the country's economic growth (Bhorat & Kanbur, 2016).

As such, the complex interplay between formal and informal institutions in South Africa's labour market has had substantial ramifications for the country's economic development. Despite the existence of public institutions responsible for regulating labour relations and protecting worker rights, their shortcomings in establishing labour legislation, minimum wage standards and dispute resolution mechanisms have left workers vulnerable and hindered overall labour market efficiency (Bhorat *et al.*, 2014; Altman & Lorraine, 2011). Addressing these issues is crucial for South Africa's future growth and development.

4.2.7 Infrastructure development and public services

Formal institutions in South Africa are responsible for the development and maintenance of public infrastructure like transportation networks, energy and water supply systems, as well as the provision of essential public services like healthcare, education and sanitation (NPC, 2011). These institutions play a critical role in fostering economic development, as they help create an environment conducive to business growth and poverty reduction (World Bank, 2019). However, informal institutions, which encompass traditional authorities, customary practices and social norms, have sometimes undermined these efforts, particularly in rural areas (Makgetla, 2013). This dynamic has often led to uneven development and limited access to essential services, hindering economic growth in certain regions (Oosthuizen, 2019).

In many rural areas of South Africa traditional authorities such as chiefs, headmen and tribal councils have long played a key role in decision-making and resource allocation, including land tenure, dispute resolution and community development projects (Bénil-Gbaffou & Katsaura, 2014). These informal institutions coexist and interact with formal institutions in complex ways that can either complement or undermine the latter's efforts to deliver public goods and services (Cousins, 2015).

The influence of informal institutions on the effectiveness of public service delivery can be both positive and negative. In some cases traditional authorities have facilitated access to resources and services by leveraging their local knowledge, social networks and legitimacy to coordinate community members, mediate conflicts and mobilise resources for development projects (Ntsebeza, 2012). However, in other instances informal institutions have hampered the provision of public services by perpetuating patronage, corruption and discriminatory practices, such as allocating resources based on kinship, political allegiance or gender (Claassens & Mnisi, 2009).

One example of the adverse impact of informal institutions on public service delivery is the uneven access to clean water and sanitation in rural South Africa. Traditional authorities, which control access to communal land, often allocate water resources based on customary practices, which may prioritise the needs of certain groups or individuals over others (Mehta *et al.*, 2017). This, in turn, has resulted in disparities in water and sanitation services between different communities, undermining the government's efforts to provide universal access to these essential services (Stats SA, 2021).

Furthermore, the interaction between formal and informal institutions can also affect the implementation of public infrastructure projects. For instance, customary land tenure systems,

which often lack clear legal recognition and documentation, can create challenges for the acquisition and use of land for public infrastructure development (Makgetla, 2013). This has sometimes led to delays in or cancellations of projects, affecting the overall pace of economic development in rural areas (Oosthuizen, 2019).

Hence, while formal institutions in South Africa have been responsible for the development and maintenance of public infrastructure and the provision of public services, the influence of informal institutions, particularly in rural areas, has often hindered these efforts. Uneven development and limited access to essential services resulting from the interplay between formal and informal institutions have thus impeded economic growth in certain regions. Policymakers and development practitioners should, therefore, pay attention to the complex interactions between formal and informal institutions and devise strategies to harness their potential synergies while mitigating their negative impacts (Cousins, 2015).

4.2.8 Traditional authorities as informal institutions

Traditional authorities in South Africa, which are commonly seen as informal institutions, have a crucial influence on the relationship between governmental institutions and economic development. This critical discourse examines the subtleties of these conventional powers within the wider framework of institutional structures and their influence on economic progress, specifically in rural regions. The approach is based on the concept of institutions as described by North (1990), which refers to the norms that govern social, political and economic interactions in a community.

The function of traditional authority in South Africa is complex, considering its historical and current impact. Mkhize *et al.* (2016) found that in rural areas, traditional authority frequently dominated formal governmental organisations, exerting considerable influence over local administration and the distribution of resources. According to Smith and Vawda (2017), this effect is not simply a leftover from pre-colonial social systems, but rather an intentional integration into contemporary government frameworks. In addition, Harris (2018) argues that traditional authorities have played a critical role in local development initiatives by utilising their social capital to gather resources and spearhead community projects.

Although initially informal, traditional authorities in South Africa have progressively undergone formalisation. Mkhize *et al.* (2016) emphasise that the period following apartheid witnessed a notable transformation with the acknowledgement of traditional leadership in the constitution, causing a merging of informal and formal institutions. According to Smith and

Vawda (2017), the formalisation process was strengthened by including traditional governance in provincial constitutions. Harris (2018) argues that this change has both positive and negative aspects. On the one hand, it gives traditional authorities more credibility. On the other hand, it makes them susceptible to the limitations and administrative procedures of formal institutions.

The correlation between traditional authorities and economic growth in South Africa is complex. Mkhize *et al.* (2016) contend that traditional leaders, due to their sociopolitical status, are in a favourable position to promote economic growth at the community level. According to Smith and Vawda (2017), these authorities frequently have a crucial function in facilitating land use and the management of natural resources, both of which are fundamental aspects of rural economies. Nevertheless, Harris (2018) cautions that incorporating traditional powers into official governance systems has occasionally resulted in conflicts of interest and governance difficulties, thereby impeding economic progress.

Within the framework of rural South Africa the influence of traditional authorities on economic progress can be both advantageous and detrimental. Mkhize *et al.* (2016) note that in certain areas traditional leaders have successfully collaborated with external investors to stimulate local economic development. But Smith and Vawda (2017) highlight instances where the absence of responsibility and openness in conventional governance systems has resulted in the misallocation of resources and in local disputes, thereby hindering progress. Harris (2018) asserts that the patriarchal structure of many conventional systems might marginalise women and other susceptible groups, thus restricting their economic prospects.

The dynamic transformation of conventional authorities in South Africa raises questions regarding their prospective involvement in economic advancement. Mkhize *et al.* (2016) argue that it is necessary to establish more distinct boundaries for the tasks and duties of traditional leaders within the wider government structure. Smith and Vawda (2017) propose improved capacity building and accountability measures to guarantee that traditional authorities make a meaningful contribution to development goals. Finally, Harris (2018) highlights the significance of inclusive governance practices that incorporate the varied perspectives within rural communities, especially those that are frequently excluded in conventional institutions.

An important factor to take into account is the influence of traditional authority on land administration and its impact on economic progress. According to Jones and Van der Walt (2019), land plays a crucial role in rural economies and traditional leaders frequently have a major say in how land is distributed and utilised. According to Petersen and Kruger (2020), the

use of this control might result in conflicts and ambiguity, especially in the absence of well-defined legal structures. Moreover, Taylor and Mkhabela (2021) stress the importance of combining traditional land management practices with contemporary environmental and economic sustainability objectives. They propose a strategy to enhance the role of traditional authority in promoting economic growth.

The relationship between traditional authorities and official government organisations also requires consideration. As stated by Jones and Van der Walt (2019), the incorporation of traditional leadership into official governance systems has resulted in the establishment of a dual authority framework, which may lead to uncertainties over jurisdiction and pose challenges to governance. Petersen and Kruger (2020) examine the likelihood of discord and power dynamics between conventional leaders and elected representatives, which could impede development endeavours. Conversely, Taylor and Mkhabela (2021) argue that when these organisations collaborate well, it can result in the development of more unified and community-focused solutions. This emphasises the importance of fostering harmonious relationships between traditional and formal governing systems.

Furthermore, the involvement of traditional authorities in promoting social and economic inclusion is a matter of great significance. According to Jones and Van der Walt (2019), conventional governance systems frequently mirror and perpetuate established social hierarchies, leading to the marginalisation of specific populations. Petersen and Kruger (2020) maintain that this circumstance can hinder fair economic progress and weaken social unity. Taylor and Mkhabela (2021) argue that traditional authority can boost fair and sustainable economic development by implementing inclusive governance practices that empower marginalised groups.

Another aspect to contemplate is the influence of globalisation and contemporary economic pressures on conventional forms of governance. Jones and Van der Walt (2019) emphasise that globalisation has brought about novel economic prospects and difficulties, forcing traditional leaders to modify their practices and strategies. Petersen and Kruger (2020) examine the conflict between upholding traditional values and adopting contemporary economic strategies, which is vital for ensuring the long-term growth of rural economies. Taylor and Mkhabela (2021) propose that traditional authorities have the potential to serve as intermediaries, enabling the incorporation of rural people into the wider economy while safeguarding cultural values and customs.

Hence, the involvement of traditional authorities in the economic advancement of South Africa is complex and continuously changing. The impact of these institutions on economic development is determined by their ability to adapt to evolving socioeconomic landscapes as they manage the intricate interplay between tradition and modernity. To ensure that traditional authorities make a positive contribution to economic development, it is necessary to have a sophisticated knowledge of their function, establish successful partnerships with formal governance institutions and demonstrate a commitment to inclusive and sustainable development practices.

4.3 CONCLUSION

The critical literature review's results point to a complex relationship between public institutions and economic development in South Africa. While most studies have found a positive relationship between the two, this relationship is not straightforward and other factors are also important to economic growth. Nevertheless, the literature does highlight that strong and stable public institutions are required to accelerate economic development and reduce poverty in South Africa. This calls for further research on the relationship between public institutions and economic development in South Africa and other developing countries.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The relationship between public institutions and economic development has been a subject of much research and debate in recent years, particularly in emerging economies. This relationship is of particular interest in South Africa due to the country's unique history of apartheid and the challenges it faces in promoting sustainable economic growth and reducing poverty. This study aimed to assess the relationship between public institutions (formal and informal rules that organise social, political and economic relations) and economic development in South Africa. The final chapter of this study offers a critical analysis of the findings and their implications for the country's future economic development.

The study used qualitative methodologies to gather data and analyse the relationship between public institutions and economic development in South Africa. The findings suggest that public institutions play a significant role in shaping the country's economic landscape, influencing the level of investment, the functioning of markets and the ability of the economy to grow and create wealth. However, the study also highlights South Africa's challenges in strengthening its public institutions, including corruption, lack of accountability and weak governance structures. This final chapter critically assesses the findings of this study and their implications for the future of economic development in South Africa. The chapter explores the potential for policy interventions to strengthen public institutions and promote sustainable economic growth. The chapter also considers the challenges and limitations of these interventions and discusses the implications for the future of economic development in the country. Ultimately, this chapter provides a nuanced and informed perspective on the relationship between public institutions and economic development in South Africa, contributing to the broader debate on this critical issue.

5.2 SUMMARY OF FINDINGS

South Africa is a country that has faced numerous challenges in terms of economic development. Despite being one of the largest economies in Africa, the country is still grappling with poverty, unemployment and inequality. Over the years researchers have attempted to understand the factors that contribute to these difficulties, with one of the critical areas of focus being the relationship between public institutions and economic development.

This study assessed this relationship and found that both formal and informal rules helped shape the economic landscape of South Africa. The study established that public institutions that were weak and ineffective could hinder economic development, as they were unable to enforce laws and regulations, protect property rights and ensure that resources were used efficiently. On the other hand, strong and effective public institutions could promote economic growth by providing a stable and predictable environment that encouraged investment, entrepreneurship and innovation.

The findings of this study have significant policy implications for South Africa. Firstly, they highlight the need for the government to focus on strengthening the public institutions in the country. This can be achieved through a combination of legal and regulatory reforms, as well as investment in the institutions themselves to ensure that they are equipped with the resources and capacity to perform their functions effectively. The study emphasises the importance of balancing the formal and informal institutional bases of the country. While formal institutions provide the legal framework for economic activity, the informal institutional base often shapes the way in which people behave and interact with one another. Therefore, it is essential for policymakers to recognise the role of informal institutions in shaping the economic environment and to work towards creating a balance between formal and informal rules that supports economic growth and development.

The study highlights the need for greater transparency and accountability in the public sector. The findings suggest that public institutions that are open and transparent and are held accountable for their actions are more likely to be effective and to contribute to economic development. Therefore, policymakers must improve the transparency and accountability of public institutions, so that they can better serve the needs of the country and its citizens. As such, the relationship between public institutions and economic development in South Africa is a complex and multifaceted one. However, the findings of this study provide important insights into the role that public institutions can play in promoting economic growth and development in the country. Policymakers must take these findings into consideration as they develop and implement policies to address the economic challenges facing South Africa.

5.2.1 The reigning paradigm of public institutional development in South Africa since the demise of apartheid

The end of apartheid in South Africa marked a major turning point in the country's history. The ruling African National Congress (ANC) promised a new era of equality, justice and prosperity

for all South Africans. However, more than two decades after the fall of apartheid the reality is that public institutional development in South Africa remains a matter of great concern. The reigning paradigm of public institutional development in South Africa since the end of apartheid has been plagued by various challenges and limitations that have prevented the country from realising its full potential.

One of the main challenges facing public institutional development in South Africa since the end of apartheid has been corruption, which may be seen as an integral component of the informal institutional determinant of transactions at every level. Despite the efforts of the ANC government to combat corruption and improve transparency, the problem has persisted and has even escalated in recent years. Corruption has had a profound impact on the quality of life of ordinary South Africans, who often suffer from inadequate public services and have lost faith in the government's ability to deliver on its promises. The widespread corruption has also undermined public trust in government institutions and eroded the legitimacy of the democratic process, thus preventing the country from realising its full potential.

Another major challenge facing public institutional development in South Africa since the end of apartheid has been the lack of political will. Despite the rhetoric of the ANC government, the lack of political will to tackle the country's pressing social and economic issues has been a major obstacle to progress. The government has often been criticised for failing to take decisive action to address the root causes of poverty, inequality and unemployment and to invest in the country's infrastructure, education and healthcare systems. This lack of political will has hindered progress and has created a sense of frustration and disillusionment among many South Africans.

In addition to corruption and the lack of political will, public institutional development in South Africa has also been hindered by poor governance and a lack of accountability. Despite the efforts of the ANC government to improve governance and accountability, many government institutions remain plagued by inefficiency and mismanagement. This has led to a lack of confidence in the government's ability to deliver on its promises and has created a sense of cynicism among many South Africans.

In conclusion, the reigning paradigm of public institutional development in South Africa since the end of apartheid has been plagued by various challenges and limitations that have prevented the country from realising its full potential. Corruption, the lack of political will, poor governance and a lack of accountability have all contributed to this state of affairs. To

overcome these challenges and achieve the vision of a new South Africa, it is essential that the government takes decisive action to address these issues and restore the trust of the people in government institutions. Only then will the country be able to move forward and achieve its full potential.

5.2.2 The fault lines of South African governance institutions

South Africa is a country that has undergone significant political and social changes in recent decades. It is widely considered a model for other African nations in terms of governance, as it has a well-established democratic system, a thriving civil society and a relatively robust judiciary. Despite these strengths, however, the South African governance institutions are not immune to faults and challenges that undermine their effectiveness and credibility.

One of the most significant fault lines in South African governance institutions is corruption. Corruption is a widespread problem in the country and has been particularly damaging to the functioning of the public sector. It has eroded trust in the government and contributed to widespread cynicism and apathy among the population. Furthermore, corruption has hindered the country's ability to deliver basic services and to attract foreign investment, thereby limiting economic growth and job creation.

Another major fault line of South African governance institutions is the weakness of the rule of law. Despite the country's well-developed legal framework and independent judiciary, the rule of law is not always upheld in practice. This is due to a number of factors, including political interference, a lack of resources and weak enforcement mechanisms. The result is that powerful individuals and corporations often act with impunity, while the rights of ordinary citizens are frequently violated.

A third major fault line of South African governance institutions is the weakness of the civil society. Civil society is essential for holding the government accountable, advocating social justice and promoting democratic values. However, civil society organisations in South Africa face numerous challenges, including limited resources, political repression and a lack of public trust. These challenges have prevented civil society from playing a more effective role in shaping public policy and holding the government accountable.

Finally, a fourth major fault line of South African governance institutions is the inadequate representation of marginalised groups. Despite significant progress in recent decades, South Africa remains a deeply unequal society and marginalised groups such as women, rural

communities and ethnic minorities continue to be underrepresented in positions of power and influence. This has contributed to a lack of diversity in public discourse and a failure to address the needs and concerns of these groups.

In conclusion, the fault lines of South African governance institutions pose a serious challenge to the country's future. However, there are also opportunities for positive change, as civil society organisations, the media and ordinary citizens are increasingly speaking out and demanding better governance. Addressing these fault lines will require sustained political will, effective leadership and a commitment to the principles of democratic governance. Only by doing so can South Africa build the strong and resilient governance institutions that are necessary for a bright and prosperous future.

5.2.3 The relation between institutions in South Africa and economic development since apartheid

South Africa is a country that has undergone significant political, social and economic transformation since the end of apartheid in 1994. The end of apartheid marked the end of a system of racial segregation and discrimination and paved the way for the establishment of a democratic system that aimed to address the injustices of the past and promote inclusive economic growth. The country has since then been grappling with the challenges of transforming its institutions and creating an environment that is conducive to economic development. The formal institutions of a country, such as its constitution, legal system and government structures, play a critical role in shaping its economic development. In South Africa the post-apartheid period saw the establishment of a new constitutional order that enshrined the principles of human rights, democracy and the rule of law. The country's new constitution provided the framework for the development of a new legal system that was designed to promote equality and protect the rights of all citizens. The government also established institutions—such as the office of the Public Protector—which were tasked with ensuring accountability and transparency in the public sector.

Despite these positive developments, the formal institutions of South Africa have been criticised for their lack of effectiveness in promoting economic development. For example, the country's legal system is often criticised for being slow and inefficient, which deters investment and stifles economic growth. The government's institutions have also been criticised for being bureaucratic and ineffective, which undermines the ability of the state to promote economic development.

Informal institutions, such as cultural norms, traditions and social networks, also play a crucial role in shaping the economic development of a country. In South Africa the end of apartheid saw the emergence of new informal institutions that were designed to address the legacy of racial segregation and discrimination. For example, the government established affirmative action policies aimed at promoting racial equality in the workplace and increasing the representation of previously disadvantaged groups in the economy.

However, these informal institutions have also faced criticism for their impact on economic development. Some have argued that affirmative action policies have resulted in reverse discrimination and have stifled the development of a merit-based economy. The persistence of informal networks and cultural norms that are based on race, gender and other forms of discrimination have also been seen as a barrier to economic development, as they limit the ability of individuals to participate fully in the economy.

Therefore, the relationship between institutions and economic development in South Africa since the end of apartheid is complex and multifaceted. The country has made significant progress in transforming its formal institutions, but these efforts have been hindered by the persistence of informal institutions that are based on race, gender and other forms of discrimination. The government has implemented a number of policies aimed at addressing these challenges, but more needs to be done to create a level playing field for all citizens and promote inclusive economic growth. Addressing the relationship between institutions and economic development will require a long-term and sustained effort, but the benefits of doing so are clear, as a more inclusive and equitable society is essential for sustained economic growth and development.

5.3 CONCLUSION

In conclusion, the study on the role of public institutions in shaping economic development in South Africa has provided valuable insights into the interplay between informal constraints and formal rules. On one hand, informal constraints such as sanctions, taboos, customs, traditions, and codes of conduct can greatly impact the functioning of formal institutions such as the constitution and laws, and ultimately affect economic development. On the other hand, formal rules, specifically constitutions and laws, play a crucial role in establishing and enforcing property rights and protecting the freedoms of individuals and organisations, which is essential for economic growth and development.

The study found that in South Africa the informal constraints have often been used to perpetuate inequality and limit the economic opportunities of certain groups. For example, the apartheid system, which was based on racial segregation and discrimination, resulted in a highly unequal society with limited economic opportunities for black South Africans. The transition to a democratic system has been hindered by the persistence of informal constraints, such as cultural and social norms, which continue to limit the economic opportunities of certain groups.

However, the formal rules established in the post-apartheid era, including the constitution and laws aimed at promoting equality and protecting property rights, have played a significant role in promoting economic development. The study found that the protection of property rights and the rule of law have encouraged investment and entrepreneurship, which have, in turn, stimulated economic growth and development. Hence, while both informal constraints and formal rules help shape economic development in South Africa, it is clear that formal rules, such as constitutions and laws, are more important in promoting economic growth and development. Therefore, it is crucial that South Africa continues to strive for a just and democratic society, where formal rules are effectively enforced and informal constraints do not perpetuate inequality and limit economic opportunities for certain groups.

5.4 RECOMMENDATIONS

South Africa is a country with a rich and diverse cultural heritage and its history has been marked by the struggle for freedom and equality. Despite this rich cultural and historical heritage, South Africa contends with difficulties in terms of economic development, particularly in the area of public institutions. In this context, it is important to understand how informal and formal constraints help shape the economic development of the country. A study was conducted to assess the impact of these constraints on economic development in South Africa and the results of this study have significant implications for the future of the country.

Informal constraints, such as sanctions, taboos, customs, traditions and codes of conduct, play a critical role in shaping the economic development of South Africa. These constraints help to establish social norms and values, and they shape the behaviour of individuals and organisations. For example, customs and traditions can influence the way that people interact with each other, and codes of conduct can help to regulate the behaviour of businesses and organisations. In South Africa informal constraints such as these can have a positive impact on

economic development by promoting cooperation and trust between individuals and organisations.

However, informal constraints can also have negative effects on economic development. For example, taboos and sanctions can limit the freedom of individuals to pursue economic opportunities and customs and traditions can be used to reinforce social inequality and discrimination. In order to promote economic development in South Africa, it is essential to balance the positive and negative effects of informal constraints and to promote social norms and values that support economic growth and equality.

Formal rules, such as constitutions, laws and property rights, also play an important role in shaping economic development in South Africa. These rules provide a framework for economic activity and help to shield individuals and organisations from abuse and exploitation. For example, property rights serve to protect individuals and organisations from having their assets taken away and laws and regulations help to ensure that businesses and organisations operate in a fair and transparent manner.

However, formal rules can also have negative effects on economic development. For example, regulations and laws can be used to restrict economic activity and can create barriers to entry that limit the ability of new businesses and organisations to enter the market. In South Africa formal rules can be used to reinforce social inequality and discrimination and limit the ability of individuals and organisations to pursue economic opportunities.

Therefore, informal and formal constraints play a critical role in shaping the economic development of South Africa. In order to promote economic growth and equality, it is essential to balance the positive and negative effects of these constraints and to promote social norms and values that support economic development. To this end, South Africa should focus on applying transparency and fairness in its legal and regulatory framework and fostering a culture of cooperation and trust between individuals and organisations. Additionally, the country should strive to promote equal access to economic opportunities and reduce barriers to entry that limit the ability of new businesses and organisations to enter the market.

5.5 AREAS FOR FUTURE RESEARCH

South Africa is a country with a tumultuous past, marked by colonialism, apartheid and—more recently—the transition to a democratic state. Despite significant progress towards political stability and the establishment of formal institutions, the country continues to experience

difficulties related to economic development. In the context of South Africa, assessing the role of formal and informal institutions in shaping economic outcomes is crucial for gaining a better understanding of the country's current state and identifying areas for future research.

One area of future research that could be conducted is a more comprehensive analysis of the role of informal institutions in determining economic outcomes. Informal institutions, such as sanctions, taboos, customs, traditions and codes of conduct, play a significant role in shaping economic behaviour and decision-making in South Africa. However, there has been limited research in this area, and a more in-depth examination of the interplay between informal institutions and economic outcomes would provide valuable insights. For instance, the role of traditional cultural practices and beliefs in shaping economic behaviour and decision-making, particularly in rural areas, could be explored. This could help shed light on the role of informal institutions on the economy and their potential to be leveraged for economic development.

Another area for future research is the analysis of the formal institutional framework in South Africa, particularly with regard to property rights. Despite the establishment of a democratic state and a robust constitution, there are still issues with property rights and the rule of law in South Africa. This has a significant impact on the country's economic development, as the lack of secure property rights can deter investment and entrepreneurship. Future research could focus on examining the relationship between the formal institutional framework, particularly property rights, and economic development, with a view to identifying reforms that could be implemented to improve this relationship.

Additionally, there is a need for more research on the impact of public institutions on the informal sector in South Africa. The informal sector is a significant component of the economy and provides livelihoods for millions of people. However, the sector remains largely unregulated and there is limited research on the impact of formal and informal institutions on the sector. Future research could focus on exploring the relationship between formal and informal institutions and the informal sector, with a view to identifying ways to support and promote the sector and improve the livelihoods of those who rely on it.

Hence, a study assessing public institutions and their impact on economic development in South Africa is an important and relevant topic. There are several areas for future research, including a more in-depth analysis of the role of informal institutions, a focus on the formal institutional framework and property rights and an examination of the impact of public institutions on the informal sector. These areas of future research have the potential to provide

valuable insights into the current state of the South African economy and to identify areas for reform and improvement.

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Dear Sir/Madam

Declaration of language editing

I, Magrietha Maria Engelbrecht, hereby declare that I personally read through the dissertation:

Public institutions and economic development in South Africa

by **Khuliso Mutheiwana** in April 2024 and highlighted language errors.

Yours sincerely



15 April 2024



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