CHAPTER 6

NEW PUBLIC MANAGEMENT AS A REFORM FOCUS

1. INTRODUCTION

In the past two decades, most industrialised countries around the world re-examined and reshaped their governments. The countries, which embarked upon voluntary administrative reform from the 1980's, had outcomes, which showed remarkable consistencies. Most outcomes resulted in transformed public services which were indicative of having a smaller stake in the economy, a downsized welfare state, decentralised, reduced bureaucracies and smaller central government administrations, with public managers becoming more output conscious and goal orientated.

The reform programs from the early 1980's have two vital elements of public service reform strategies. Firstly an unambiguous focus on results in terms of efficiency, effectiveness, and quality of service, and secondly, the replacement of highly centralised hierarchical structures with decentralised management environments.

Large public services and expanding annual budgets marked public administration up to the 1980's. Although governments were all pursuing cost efficiency, it could not be realised to the extent to which the principal reform countries managed to enhance their service delivery through reform measures after the early 1980's.

This chapter focuses on the nature and contents of administrative reform in the past two decades. Since the United Kingdom started with reform measures in 1979, various countries initiated reform with similar characteristics, known as new public management (NPM).

The new public management and administration of public services, departed from the traditional public administration with its focus on policy-making and

implementation. New public management effected a paradigm shift, redefining the role of government in relation to the nature and scope of its services and its role in the economy. This chapter will analyse the theoretical concept known as NPM.

The chapter would first describe and explain the meaning of NPM. Thereafter the principal reform countries' view of NPM in a generalised context will be explained. In order to relate the generalisations of administrative reform as described by Commonwealth countries, specific NPM type reform interventions in the United Kingdom, New Zealand and Australia will be investigated to determine their nature and scope.

2. REFORM FRAMEWORK AND CLASSIFICATION

Central to the investigation of administrative reform, is the character of reform, or how it is activated and given coherence through plans, programs and frameworks. In order to change an undesirable state of affairs, politicians choose particular interventions to realise projected outcomes. A series of interventions could retrospectively viewed as a reform framework, which consist of a set of interventions stemming from perceptions of politicians, designed to influence existing policies, programs and processes.
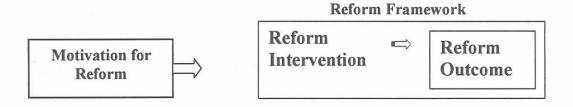
When the aggregate of interventions over a specified time during a comprehensive reform process in a country is analysed, *ex post facto*, a logical framework can be identified. Such "new public management" frameworks could be identified in most of the industrial countries that embarked upon administrative reform since the 1980's. Halligan (1997: 1-3) refers to a framework as a "coherent set of ideas for influencing and establishing action". Although the literary meaning of the word "framework" means a structure upon, or into which something can be put, the word "frame" means constitution, established order, plan or a system (Concise Oxford Dictionary, 1969). It could therefore be argued that Halligan's description of a framework could be extrapolated to mean the *administrative system* within a country, which is created by reformers to influence and change an undesirable state of affairs.

Halligan (1997) observes that a framework "does not necessarily emerge fully developed", but evolves over time. A framework is mostly equated with the "new public management", a concept which will be described in more detail in this chapter.

During administrative reform, interventions are consciously introduced and directed to change the machinery of government (Leemans, 1976:8). Since the early 1980's, some consciously introduced and directed change manifested itself as "new public management" interventions. It could therefore be argued that administrative reform interventions form the link between the motive for reform and the desired reform outcomes, and could be illustrated as follows:

Table 1.

The relationship between administrative reform interventions, the motivation for reform and reform outcomes

Reform Framework

| Motivation for Reform | ⇒ | Reform Intervention | ⇒ | Reform Outcome |

When commencing with reform, goal relevance is particularly important for developing countries, since the needs of the citizens are different from those of developed countries (Hahn-Been Lee, 1976: 117-118). Hahn-Been Lee, (1976:118) relates reform objectives to particular reform classifications. He states that there are three administrative reform classifications corresponding with three basic objectives of reform (see Table 2).

Firstly, *procedural reform*, (Hahn-Been Lee, 1976:115) which is aimed at improved order by emphasising the legal and procedural rationale. Hahn Been Lee (1976:115) writes that order is an intrinsic virtue of government and is most needed in a transitional society undergoing rapid change. In countries which are

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experiencing transition from a system of limited democracy to full democracy, such as in South Africa, officials who are loyal to the previous political dispensation would seek to uphold patterns inherited from the previous dispensation. It can therefore be argued that the urge for improved order by politicians is a product of chaos, and in a transition, administration is synonymous with order. However, few reform ideologists who want to change an undesirable and unstable political situation would be interested in constitutional and legal procedural matters alone, but would also focus on a reform framework to ensure that the " new" constitution is implemented. Where politicians are content with the *status quo* and the tenets of administration reflect law and order, political parties will be engaged in general party political issues and the officials would concern themselves with procedural detail.

Secondly, *technical reform*, (Hahn-Been Lee, 1976:116) which satisfies the rationale of method and is often stimulated by external influence. Improved method concerns technique, which is not a value. In the absence of well-formulated government goals, mere improvement of administrative methods and techniques could lead to autocratic control.

Thirdly, *programmatic reform* (Hahn-Been Lee, 1976:117) which follows the rationale of development and is geared to the welfare of the clientele. Improved performance has its rationale in work programs rather than in procedures and technical methods. Its focus is on economy and efficiency, merit and the welfare of the population of a state. Programmatic reform is evidenced when the government of a country "begins to move towards serious economic and social development" (Hahn Been Lee, 1976: 117).

Table 2. Hahn-Been Lee's Reform objectives and reform classification

Reform objectives	*Reform Classifications*
Improved order	Procedural reform
Improved method	Technical reform
Improved performance	Programmatic reform

2.1 External service delivery and internal organisational capacity for good governance

Scholars such as Cloete (1999 (b): 87 – 101) and Corkery (1997: 5) indicate that, paradoxically, developing countries which are in need of administrative reform, do not have the administrative capacity to deliver services or to successfully design and implement administrative reform. Cloete (1999 (b): 87) is however, of the opinion that it is possible for developing countries to improve the quality and quantity of public services, and at the same time comply with criteria for good governance, which include, *inter alia*, the following:

- representivity and equity in resource control and allocation;
- developmental growth focus;
- political and financial accountability;
- flexible, effective, efficient and affordable processes;
- co-ordination, integration and holism of services;
- creative competitive and entrepreneurial practices, and
- sustainability.

A reform framework as described by Cloete (1999 (b) 87 - 88), known as *network analysis,* could make it possible to improve service delivery and to improve the functioning of the machinery of government. Cloete (1999 (b) 87) writes that network analysis changes the structure and operations of the public service. He states that the network approach to service delivery integrates some principles of NPM with self-organising networks of voluntary agencies and private markets.

Cloete draws some of his conclusions for the effectiveness of the network model for reform from Börzel (1998: 262), who writes that networks are able to intentionally produce collective outcomes despite diverging interests of their members through voluntary bargaining. She maintains that networks can also provide additional informal linkages between inter-and intra-organisational decision-making arenas, thus linking different organisations independently from the formal relationships between them.

2.1.1 External service delivery

According to Cloete (1999(b): 88) the network approach to service delivery *firstly* accepts that government has a limited capacity and reduces and redesigns its programs to match its existing delivery capacity. It recognises that the government need not produce all functions and services, and concentrates on promoting, facilitating and regulating services, but may participate in the production thereof, depending on circumstances. In terms of the network approach, government avoids a general minimalist or maximalist policy for its stake in delivering public services.

Secondly, networking promotes a smaller more flexible public service, where specialised public enterprises deliver services, which may compete with private companies. *Thirdly,* it requires integrated and co-ordinated management practices, but a separation between the policy-making function and the operational implementation thereof. *Fourthly,* it promotes the measurement of policy outputs and performance contracts to obtain the best human resources. *Fifthly,* empowered customers control service quality vis-à-vis public officials and *sixthly,* accrual budgeting and multi-year financial planning cycles are part of the network approach.

According to Cloete (1999(b): 90) the network model *"proposes the establishment of collective partnerships with private sector enterprises and the voluntary sector in civil society"*. He does not however, provide solutions for developing countries, which do not have adequate capacity in the private sector and civil society. As was indicated in chapter 3 (4.1), South Africa is a developing country. The appropriateness of the network model, as a reform framework which relies to a large extent on the private sector and civil society, has therefore to be questioned.

2.1.2 Internal organisational capacity for good governance

Cloete (1999(b): 91) is of the opinion that it is possible for a public service, which does not have the capacity to either *deliver* services, or to *manage* the

delivery thereof, could be empowered to achieve sustainable service delivery. Based on research of the experiences of Malaysia, Thailand, the Philippines and Indonesia, he motivates the requirements for sustainable service delivery as (Cloete 1999 (b) 91) follows:

- strong competent, committed and honest political and administrative leadership and direction;
- existence of and consensus on a clear national vision and attainable action plans in strategic policy sectors;
- the availability of and the optimal creative, pragmatic, co-ordinated use of resources (people, money, supplies and information) in the public, private and voluntary sectors of society;
- effective strategic and operational management (design, implementation, monitoring, evaluation and policy review);
- a developmental social and organisational culture with a strong work ethic;
- amenable democratic and economic environments, and
- a substantial measure of good luck!

Cloete (1999 (b): 91 - 101) is of the opinion that the commitment and ability of government to implement the requirements stand in relation to its capacity to govern. He concludes however, that the South Africa public service does not have the capacity to be empowered to *deliver* services, and to *manage* the delivery thereof in a sustainable manner, because South Africa *"still has a long will to go before it has developed sufficient capacity for sustainable governance"*.

Since the ANC and other political organisations were unbanned in 1990, they were engaged in multi-party negotiations to produce a constitution of the Republic of South Africa and to lay the foundations for a new political, social and economic order. This occurred during a transition from limited democracy to an inclusive democracy, which lead to and *interim* Constitution, (Constitution of the Republic of South Africa Act, 1993 (Act 200 of 1993)) and the *final* Constitution (Constitution of the Republic of South Africa Act, 1996, (Act 108 of 1996)).

The previous system of homeland administrations had to be undone and the previous administrations had to be rationalised into a unified public service. This process could be classified as procedural reform, of which the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996), is the foundation of a new democratic political dispensation. Although it also forms the basis to unify the public services of the previous political dispensation into one public service, there is no proof that it resulted in an efficient and effective organisation structure for the enhanced delivery of public services[1].

Most of the NPM interventions since the 1980's fall within a procedural and programmatic reform classification, however, no blue print framework exists for a country. It could therefore be argued that that if a country relies on a particular framework as the basis of its long-term reform program, it requires blue print planning as a reference point. Blue print planning based on NPM interventions of other countries could indicate insensitivity for local conditions, because no two countries have the same social culture or stage of development.

If South Africa should commence with programmatic reform, it would have to design its own reform framework. Although it is essential to consider how countries have developed since the early 1980's South Africa has to take cognisance of its internal socio-economic situation to design a program which could make government policies and delivery systems efficient and effective and the country thus internationally competitive.

3. NEW PUBLIC MANAGEMENT

This section describes and explains "new public management" (NPM). It provides a brief description of the origins of the term and describes how different scholars understand NPM. It will reflect how ten Commonwealth countries define NPM, and argue that NPM has departed form the principles of traditional public

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This statement is substantiated in this chapter under 3.6.3, where an overview of the reports of the Auditor-General reflects the management and administration in some national and provincial government departments.

administration, which is still retained by some scholars as the paradigm for public management and administration.

3.1 Origins of new public management

In the early 1980's, an overarching term, "new public management" (NPM), was coined in the United Kingdom for the reform which was implemented by the Conservative Government under the leadership of Margaret Thatcher (Doern, 1992:14). Kickert (1997: 31) writes that administrative reform in Britain is almost a "prototypical example" of the main characteristics of NPM and that it is a British invention. Hood (1991:3-7) is of the opinion that NPM is *not* a uniquely British development and that its rise "seems to be *linked with four administrative "megatrends"*, namely (own emphasis):

- opposition parties stressing lower taxes and attempts to minimise the growth of the state sector, in particular in staffing and spending;
- a shift to privatise non-core government functions and softening of the divide between public and private sector work;
- growth in the use of technology and automation giving political party strategists greater clout in policy-making relative to the comments from public officials, and
- the development of a more international agenda which focuses on general issues of public management, policy design, decision styles and intergovernmental co-operation, in addition to the traditional country specialisation of public administration.

Hood's choice of words that NPM "*seems to be linked* with four administrative "megatrends" implies that further research to substantiate it is required (own emphasis). It is postulated however, that the first *administrative megatrend*, which he identifies, is a political motivation for reform[2]. The second, third and fourth *megatrends* are manifestations or examples of NPM and reform

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[2] The economic rationale as a motivation for reform has been argued in chapter 4.

frameworks[3] designed by political reformers to correct imperfections in public administration and management and govern themselves out of an undesirable *status quo*.

Hood summarises seven overlapping precepts which he observes to appear in most discussions of the *"doctrine" of* NPM (own emphasis) (Hood:1991:5-5):

Hood's description of the doctrinal components of new public management

No	Doctrine	Meaning	Typical Justification
1	Hands-on professional management in the public sector	Active, visible, discretionary control of organisations from named persons at the top, "free to manage".	Accountability requires clear assignment of responsibility for action, not diffusion of power.
2	Explicit standards of measures of performance	Definition of goals, targets, indicators of success, preferably expressed in qualitative terms, especially for professional services.	Accountability requires clear statement of goals; efficiency requires "hard look" at objectives.
3	Greater emphasis on output controls	Resource allocation and rewards linked to performance; break-up of centralised bureaucracy-wide personnel management.	Need to stress results rather than procedures.
4	Shift to desegregation of units in the public sector	Break up of formerly "monolithic" units, unbundling of uniform management systems into corporatised units around products operating on decentralised on-line budgets and dealing with one another on arms-length basis.	Need to create "manageable" units, separate provision and production interests, gain efficiency advantages of use of contract or franchise arrangements inside as well as outside the public sector.
5	Shift to greater competition in the public sector	Move to term contracts and public tendering procedures.	Competitions as the key to lower cost and better standards.
6	Stress on private sector styles of management	Move away from military-style public service ethic, greater flexibility in hiring and rewards; public relations techniques.	Need to use "proven" private sector management tools in the public sector.
7	Stress on greater discipline and economy in resource use	Cutting direct costs, raising labour discipline, resisting union demands, limiting "compliance costs" to business.	Need to check resource demands of public sector and to "do more with less".

Source: Hood, C. Public Administration. Vol. 69 Spring 1991

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[3] The concept is described earlier in this chapter under 2. REFORM FRAMEWORK AND CLASSIFICATION

Hood's description of the typical justification of NPM is meaningful. Unfortunately, he does not describe the undesirable circumstances, which prevailed in particularly the principal reform countries, at the time when the reformers in those countries had to revert to drastic measures to govern their countries out of an undesirable situation. Had he done so, it would have been obvious that NPM is not *new*, but rather that it is emergency and extreme governance interventions that were instituted by reformers to salvage a situation, which required courageous leadership.

The drastic measures, which were instituted by Margaret Thatcher in the United Kingdom in the early 1980's,[4] were to a large extent followed by New Zealand, Australia and Canada. The measures, which she instituted, were carried forward by her successors (OECD, UK Country Report, 1999: 1). The reform focus as summarised and presented to Parliament by the Prime Minister of Britain in July 1994, falls within the scope of NPM as observed by Hood in 1991 (United Kingdom 1994:9- 19):

- control over operational costs;
- privatisation of government services and contracting out;
- discretion for managers to attain objectives;
- performance appraisal and efficiency;
- the desegregation of public bureaucracies into agencies which deal with one another on a user charge basis;
- employment of senior officials through employment contracts, with freedom to manage monetary incentives and output targets.

According to Minogue (1998:23) the NPM paradigm is well known for cutting costs, improving efficiency, promoting managerial autonomy, and fostering performance appraisal and measurement. He writes that "improving the civil service" is overwhelmingly translated into "making civil servants into enterprising modern managers".

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[4] The motivation for Ms Thatcher to embark on reform has been described in chapter 4..

Kickert's (1997:18) research of administrative reform in the OECD countries indicated that the new public management paradigm is characterised by the following eight main trends, which have a bearing on administration and management:

Organisation: Devolving authority, providing flexibility	*Policy-making*: Strengthening steering functions at the centre
Control: Ensuring performance, control and accountability	*Management*: Optimising information technology
Control: Improving the quality of regulation	*Management*: Developing competition and choice
Personnel: Improving the management of human resources	*Management*: Providing responsive service

Source: Kickert, 1997:18

Several authors have examined the phenomenon of managerial reform in Western public services, and various different typologies have been published (Kickert 1997:18). They all have at least the following three characteristics in common:

- business management techniques,
- service and client orientation,
- market-type mechanisms such as competition.

Metcalfe (1994: 273-274) who juxtaposed reform of international institutions with domestic reform, emphasises that the main thrust of domestic reform throughout the world is greater delegation of operational responsibilities and clearer divisions of governmental functions among different institutions and agencies. He also indicates (Metcalfe, 1994: 273-274) the increased efficiency and reduction of costs, which led to reform strategies such as decentralisation, privatisation, contracting- out and the creation of executive agencies.

According to Temmes (1998: 441) NPM is a doctrine which directs the development of a society. He writes that NPM does not describe reform projects, but is a combination of interconnected reform policies and approaches, which as a whole, forms an administrative/political doctrine. He relates NPM to the

political change of the developed countries in the 1980's and ascribes the scientific basis of the doctrine partly to economics, because in the 1980's, the inefficiency, or failure, of the welfare state to enhance national economic development, necessitated governments to intervene through managerial approaches. From what Temmes has observed, namely that NPM is a combination of interconnected *reform* policies and approaches, it has to be deduced that during the 1980's, in the principal reform countries, politicians applied NPM measures in a situation, where the reform rationale required interventions beyond the traditional public administration approach. The traditional public administration approach could therefore not bring about the outcomes as described by Temmes (Temmes, 1998: 442):

Underlying rationale for NPM to achieve particular outcomes

Main elements of NPM	Reform rationale	Outcome
1. Creation of competitive market-type service delivery mechanisms 2. Corporatisation of public organisations 3. Privatisation of public services	To transfer the performance of services which could be performed by either of the two sectors, to the private sector. Reduction of the size of the public sector.	Government is responsible for policy-making and performs core public service functions
1. Emphasise management of public institutions 2. Personnel management decentralised to sphere of managerial influence 3. Decentralisation of service rendering institutions, commercialisation of services and emphasising quality services	Managerial know-how would enhance the production and service delivery processes of government. Managers must be given more freedom to manage in order to ensure positive outcomes	Political control over public service rendering has been reduced. Private sector organisation culture for public services. A "client" and service supplier relationship for public services exist.

From the classification of Temmes, it is obvious that NPM is a means to attain particular outcomes. Where a rationale exists to bring about particular outcomes,

such as to reduce political control over public service rendering institutions, to introduce a new organisation culture to render public services in accordance with a predetermined standard and establish a "client" and service supplier relationship, NPM as a technique is appropriate. Conversely, where routine functions need to be maintained traditional public administration and management following prescribed workmethods and complying with particular rules will suffice.

3.2 Commonwealth interpretation of new public management

During February 1992, ten Commonwealth countries met in Sydney, Australia to reflect on the reform in their countries. They made a significant contribution to describe and explain the concept "new public management" by agreeing on its main characteristics, through interpreting the essence of the reform in their countries since the early 1980's (Commonwealth Secretariat, 1992: 11-13):

- NPM focuses on outcomes rather than processes. It recognises that a focus on outputs would enhance efficiency of the administration of public institutions. The emphasis is on measuring whenever possible, and on assessing outcomes and comparing them with the original policy goals. In this way the focus is on results rather than on procedural consistency. The approach requires explicit, and where possible, quantifiable objectives and performance indicators.

- NPM often involves contracting with managers for their services. Their payment is related to their production results.

- NPM distinguishes between the "customer" who decides on what is needed, the performance norms to be achieved and the "contractor" who has a contractual relationship and obligation contract to provide the service. It implies a spectrum of models for achieving this conceptual obligation, with objectives given to operational units within a public sector department or organisation, as one end of a continuum. An intermediate solution lies in the creation of agencies within the public sector. At the other end of the continuum, moves towards a much smaller public sector

which purchases all services and remains responsible only for policy-making, could be identified.

- NPM promotes public sector services being privatised or to be done by non-governmental entities. It is, however, not a pure *laissez-faire* doctrine left to market forces to determine the supply of entities to render services. In almost all cases where major sectors of the public sector with a service monopoly are privatised, or opened up to meaningful competition, outcomes are not simply left to market principles. To attain policy outcomes, it could be required by government to subsidise services where non-governmental agencies render public services.

- NPM recognises individuals and their particular need. An example is the United Kingdom's Citizens Charter involving targets for e.g. hospital waiting times and train delays.

- Whether an explicit government objective or otherwise, the NPM introduces an obligation to reduce the size of the public sector. It also fragments the public service into units under strong line management with variable terms and conditions of employment. Unionised public servants and public utility workers with secure employment, national pay rates, and indexed pensions, are replaced in part by the employees of private firms. Accountable public sector units with their own budget and tight lines of accountability to chief executives operating with a brief defined primarily by outcomes are increasingly similar to private sector organisations.

- NPM reduces the size of the public sector, retaining public administration, but requiring different skills from public servants. The skills required in the core public service change, with policy advice remaining crucial, but new skills are required to define assessable outcomes, manage contracts, assess the outcomes and take any necessary corrective action.

The Commonwealth Roundtable (1992,19-20) concluded that new public management replaces the traditional ethos of public service with the pursuit of

highly explicit objectives, always including financial objectives. Managerial accountability for financial management and outcomes become criteria to measure success. Australia, New Zealand and the United Kingdom have gone furthest in the direction of a customer/contractor structure, with fewer core ministries and increased privatisation, creation of executive units and contracting with the private sector (Commonwealth Roundtable (1992: 20). Malaysia and Singapore have retained many of the features of the traditional public service, but with a fundamental emphasis on efficiency, outcomes and above all on nation-building. Bangladesh, India, Pakistan and Sri Lanka are seeking to increase the efficiency and effectiveness of their public services within a traditional organisational structure (Commonwealth, 1992: 20).

3.3 New public management characteristics of reform in OECD countries

The OECD group of countries is a diverse group, which includes the principal reform countries in the Southern and the Northern hemisphere, which had gone through reform to improve the performance of the public service and the economy. The diversity of the group is reflected in an OECD report (OECD, 1997: 86-87) which states that there is no single best model of public sector management. After a survey of the reform in the OECD countries, the following main trends are identified:

- a continuation of the trend towards **devolving managerial authority** to provide greater flexibility in achieving public policy goals, supported by improved resource management, such as incentive structures for improving financial management, for example, allowing a limited carryover of funds into the next fiscal year ;

- a closer **focus on results** to complement requirements of the devolved responsibility by improving performance and enhancing accountability;

- a stronger **service quality orientation,** which involves public consultation and leads to public services that are more relevant to needs and more responsive to demands;

- a focus on **adapting organisational structures**, to improve service, performance, accountability and efficiency;

- a heightened focus on the importance of an effective **public sector work force and leadership**, to facilitate the stronger performance orientation and service-oriented public service culture;

- **regulatory reform** as a tool to improve the capacity of governments to achieve policy objectives efficiently and cost-effectively, and

- a **strengthening of steering functions** at the centre to drive reform strategically and promote policy coherence on cross-cutting issues, in the face of complex policy issues.

The OECD countries view improved **financial management systems** as a necessary basis for supporting a more devolved management environment. *France* is piloting service contracts, which aim to provide local administrators with greater budgetary responsibility. Where increased devolution has been in place for some years, accountability is strengthened through fine-tuning incentive structures, improving measures of performance and strengthening requirements for performance reporting (discussed further below). *Denmark*, among other countries, has a very decentralised budget system since reform in the 1980s, and has recently introduced a requirement for state institutions to prepare annual reports. *Sweden* and *New Zealand* have probably gone furthest in this regard, with devolution of varying degrees found in many other countries, among them *Australia, Canada, Finland*, the *Netherlands*, and *Portugal*. Recently, countries such as *France, Ireland, Mexico* and *Switzerland* report managerial devolution as a reform priority (OECD, 1997: 88).

From the above characteristics of reform in the OECD countries it is observed that the most consistent thread running through the reform of individual countries, is greater freedom in operational decisions for managers to improve

public sector performance. In South Africa public managers have not as yet been granted greater freedom in operational decisions to improve public sector performance. The political authority still rests with the minister within a government department. The head of a department and the senior managers must adhere to legislation and regulations. Whereas in the OECD countries' traditional input controls for the management of financial and human resources is being replaced by a framework of incentives and indirect controls, South Africa is adhering to the approach of compliance audits.

3.4 New public management as a administrative–political doctrine

One of the most salient features of administrative reform in the Commonwealth and OECD countries is the drive to improve the quality of services to citizens. A characteristic of NPM is the rendering of more efficient services to citizens through market related mechanisms or by reducing government activity to a set of core functions. In order to create market related mechanisms, some countries are adapting their organisational structures. New organisation structures aim at improving the performance of managers; strengthening accountability (whether through devolution, or through a clarification of roles); and creating efficient operations.

Organisational changes in some countries such as the government agencies in the United Kingdom and special operating agencies in Canada have separated the provision of policy advice from operational functions. These countries rely on having a wide range of government services provided through agencies. Most countries adopt different models, to institutions that are designed to meet the needs of the citizens they serve. In *Canada*, the federal government transferred the obligation to provide public transport to municipal authorities and the private sector. Revenue collection services, which are currently undertaken by federal and provincial governments, may be integrated into a new partnership body: the National Revenue Collection Agency (OECD 1997).

Australia, Austria, Hungary, Japan, Mexico, and the USA have rationalised governmental organisational structures into organisational units with greater

autonomy, or have devolved functions to lower tier institutions or agencies of the federal government. Denmark, Finland, Sweden, Iceland, the UK and New Zealand are increasingly pursuing corporatisation and/or privatisation and make use of a variety of market related mechanisms such as contracting out.

The question, which arises, is whether the grand scale NPM type decentralisation, creation of government agencies and privatisation of state owned functions could be applied in South Africa? Fundamental to answering the question will be the point of departure that practices of the Commonwealth countries and the OECD can not be exported to South Africa without adapting them to local circumstances.

Since the new democratic political dispensation which commenced in South Africa with the acceptance of the interim Constitution in 1993, South Africa has been reintegrated into the international community, which in the past, has distanced itself from South Africa and punished the country with isolation and sanctions. NPM is well entrenched in the OECD countries, since reform programs were carried out from the 1980's. South African scholars have since started to debate, while international experts use their knowledge of NPM to advise the South African government on public management and administration.

Temmes (1998: 444-445) argues that political systems determine the extent of the application of interventions, such as privatisation and the creation of market related mechanisms to improve service delivery. He writes that: "The extent and intensity of privatisation is dependent not only on the political will to privatise, but also on the extent of national public ownership and national attitudes towards privatisation". He concludes that the influence of NPM on national administrative policy depends on two socio-politico eventualities:

- firstly, the administrative political thinking, and
- secondly, the way in which the political administrative system of a country is intended to develop on the basis of NPM-type reform.

There is no scientific basis to argue that South Africa's political views on issues of privatisation is different from the countries in the rest of the world, which have

embraced NPM type reform. In various countries the role of government is changing to reflect businesslike management of public services, client orientation and market related mechanisms such as competition for the delivery of public services (Kickert 1997).

3.5 The South African public management focus vis-à-vis NPM

Considering the nature and scope of how the Commonwealth countries view NPM (Commonwealth, 1992) and the OECD report (OECD, 1997) it could be argued that the reform interventions in the industrialised countries mark a progressive shift in governance. Like generic business management principles, which determine profit and loss, NPM is becoming an acceptable practice in the industrialised world. It is to be noted though, that the initial rationale of NPM was introduced in the principal reform countries to increase the performance of their public service and the economy.

In the 1980's when NPM was developing in especially the United Kingdom, New Zealand and Australia, and was converging internationally to have the same characteristics, South Africa was developing its own paradigm. Scholars such as Cloete (1988: 8-34) and Botes (1988: 63), contributed towards a generic approach to public administration and identified *normative factors* to guide the practice of public administration in South Africa. Support for the generic approach and the normative factors was evident in the early 1990's, while some scholars argued against the managerial approach which became synonymous with the NPM (Van der Westhuizen, 1990:11) (Christianson: 1990:57) (Hattingh,1991:48), others argued that public management must develop though innovation, without copying the private sector management practices. (Brynard, 1992: 183- 93).

During the Mount Grace conference (26 November 1991) a group of South African scholars and practitioners expressed their dissatisfaction with the state of the discipline. Of particular concern was the fact that public administration in South Africa was "outdated in a rapidly transforming society" and ignored "other dimensions and approaches to government" The conference participants agreed

that a new approach to the study, teaching and practice of public administration should entail (Mount Grace Resolution, 1991: 23):

- promoting more democratic and participatory government and public services;
- a just equitable and non-racial society with equal access for all people to societal services;
- providing better public services;
- maintaining sustainable economic social and political growth and development, and
- *promoting values such as efficiency, effectiveness, productivity, accountability, responsibility and responsiveness* (own emphasis).

NPM as an administrative-political approach departs to some extent from the normative principles of public administration, or normative factors, which were part of the public administration teaching curricula in South Africa during the 1980's and early 1990's. In the following section, the South African view of normative factors would be juxtaposed to the NPM administrative-political approach in order to establish the extent of the departure.

3.5.1 Normative factors of South African public administration vis-à-vis new public management administrative-political doctrine

South African scholars such as Cloete (1988: 8-34), (Botes (1988:63) and Fourie (1989: 130) write that particular normative factors support the functions of departmental heads. Their operational freedom to design strategies, and their behaviour, are guided by normative factors e.g. respect for political authority; efficiency; respect for social and community values; practising of ethical norms and standards and the citizen's recourse to administrative law.

3.5.1.1 Respect for political authority

In terms of the norm of respect for political authority, political power is exercised to direct the activities of government departments through legislation, proclamations and official circulars and the approval of annual

budgets. Parliament determines executive policy, organisational structures, direct state functions and approves expenditure. A central personnel authority determines employment conditions, senior appointments and promotions. In most cases legislation provides the basis for work procedures and functions are assigned to government departments to implement. Departmental heads have an establishment and must utilise the personnel effectively and efficiently to achieve objectives. Public accountability takes place through reports by the Auditor-General, parliamentary debates, portfolio committees, administrative law cases, media comments and investigations

- New Public Management perspective

The separation of politics and administration is pursued under the NPM approach to ensure that public managers have operational discretion to manage public institutions like businesses (Common, 1998: 59-70): Government departments are granted greater autonomy to manage their own affairs, but ministers determine the goals which public managers of departments or government agencies must achieve. In the United Kingdom the basis of ministerial accountability is unchanged by agency status. Employees in agencies are public servants, but agencies report to ministers who are accountable to Parliament. The *Next Steps* initiative has clarified responsibilities within departments and made them much more transparent. The publication of framework documents, key annual performance targets, annual reports and accounts provide greater transparency to Parliament and the public. In the United Kingdom there are 140 agencies and 4 departments running on *Next Steps* principles, which affect 76% of the public service, or almost 390,000 public servants (OECD, United Kingdom Country Report, 1999:3)

In terms of the NPM approach, ministers no longer concern themselves with the day to day affairs of the departments and agencies. Reporting is done as per agreement with a minister, who must adhere to the contract between the minister and the implementing institution. Execution of operations is left to the discretion of chief executive officers (Finer1991:23-30).

3.5.1.2 Efficiency and effectiveness

Efficiency and effectiveness in public service rendering means the least use of resources to attain objectives and goals, and the provision of quality services. This implies that the actions of public servants must be guided by the most appropriate means towards attaining goals and objectives. Fourie (1989:133-134) writes that government officials may argue that a lack of funds, or the cutting of program expenditure, will reduce effectiveness. The budgets of the South African government under the present government has not as yet been subjected to a comprehensive program review to eliminate programs which are not adding value to the socio- economic development of the nation.

Prior to the term of office of the present government, performance measurement was not an integral part of the traditional approach to enhance efficiency and effectiveness in the public service in South Africa. There is however, evidence that the current government is intent on introducing performance management in the public service.

In terms of the Local Government Systems Bill, which is being drafted by the Department of Provincial and Local Government (DPLG), provinces will monitor the performance of local authorities in terms of performance criteria. The Department is also spearheading an initiative to introduce general performance measures for the public service (Sizani, 2000). DPLG also awarded a tender during April 2000 to the SA Foundation for Public Management and Development to determine performance indicators for all the provincial departments (Du Plessis, 2000). It could therefore be deduced that the present government has the intention to introduce measures in the public service to ensure enhanced efficiency and effectiveness in the rendering of public services.

- New Public Management perspective

A hallmark of NPM is measurable standards and performance (Polidano, Hulme and Minogue, 1998:279). NPM relies on a market-based mechanism

for service delivery. In the absence of competition, contracting out, market testing and other techniques are introduced to assist the public sector in rendering more cost effective services. Government agencies which are utilised to implement programs, share some of the following workmethods and characteristics:

- defined responsibilities and clear aims and objectives set out in a published framework document;
- key performance targets covering quality of service, financial performance and efficiency set by ministers and announced to Parliament;
- greater openness where performance against these targets is reported each year and published in the agency's annual reports and accounts (OECD United Kingdom Country Report,1999:3).

In terms of NPM, expenditure is reduced through a reduction of operational expenditure of government departments. Efficiency is attained through public service commitments (charters) towards the general public and by treating them as clients with the right to efficient and effective services (Common, 1998: 60).

3.5.1.3 Respect for social and community values

The principle of respect for social and community values was emphasised in the political dispensation on the acceptance of the 1993 Constitution. Human rights were entrenched in the interim Constitution, for the first time in 1993. Before 1993, government predetermined values applicable to racial groups and governed them separately. Racial groups were believed to have different material, spiritual, cultural, social, political and institutional values. By the early 1980's no other country in the world had racial policies similar to legalised "apartheid". Some scholars in South Africa were oblivious to the discriminatory moral values and actions of the government. Hanekom and Bain (SAIPA: 1991: 36-45) argue that the point of departure for the *moral foundation of the South African public service* was contained in the Republic of South Africa Constitution Act, 1983 (Act 110 of 1983) (own emphasis).

However, it could be questioned whether these moral foundations applied to all sections of the South African society.

In 1984, the United Nations Security Council declared the Republic of South Africa Constitution Act, 1983 (Act 110 of 1983) in conflict with international standards. It was of the opinion that only the total eradication of apartheid, in a united and unfragmented South Africa, could lead to a just and lasting solution (Asmal 1996:178). Asmal (1996: 126) writes that the systematic denial to South Africans blacks of equality before the law has a history longer than apartheid. Blacks were objects in the eyes of the political system and the law alike: "rather than being viewed as citizens with rational and legitimate aspirations of their own, worthy of equal respect".

- New Public Management perspective

The Commonwealth Heads of Government (Commonwealth Secretariat: 1996: vi) is of the opinion that the drive towards management culture and quality services, are aspects of a new value system. Community values are mostly reflected in *customer service charters*, which serve a particular clientele, e.g. the Metropolitan Transport Trust of Tasmania, Australian Taxation Office, The departments of Social Security and Immigration and Multicultural Affairs. (Macpherson:1997 1-3) (Skinner: 1997: 2-4). The charters are directed at public servants to be more responsive and customer focused, and to solve problems, without creating barriers for the public to access government service agencies, irrespective of social standing.

NPM regards all citizens as equal customers with a right to efficient and effective services. In the United Kingdom (United Kingdom, 1994) service charters contain principles to ensure that community values are respected. The "principles" to which public services must comply are: set standards which individual users can reasonably expect; availability of information and openness of transactions; service choice and consultation; courtesy and helpfulness; a prompt response to a public complaint and value for money.

South Africa has progressed from a limited democracy to a democracy where a bill of rights is included in the Constitution of the Republic of South Africa, Act 1996 (Act 108 of 1996). It provides for, *inter alia*, equality before the law and the right to privileges of citizenship, *access* to adequate housing, health care, emergency medical treatment (own emphasis). Human dignity (section 10), freedom of religion, belief and opinion (section 15) are entrenched in the Constitution, but no guarantee of the standards of services form part of a social contract between government and the consumers of public goods and services.

3.5.1.4 Practising ethical norms and standards

Botes (Botes 1989, quoted in Fourie, 1989:136) writes that ethical norms and standards which public servants have to adhere to are friendliness, being helpful, respect for other people, caring, patience, and expeditious. He (Botes, 1987:42-43) (1988:61-62) is of the opinion that behavioural guidelines demarcate the day-to-day generic administrative functions of policy-making, financing, personnel provisioning and utilisation, procedures and methods and control. It applies to the functional activities, which are peculiar to individual departments such as education and correctional services. It also applies to management functions, such as planning, motivating, co-ordination and controlling.

- New Public Management perspective

NPM does not distinguish between social and community values and the practising of ethical norms and standards. The ethical conduct of public servants is a prerequisite to manage agencies. Charters provide for "putting things right", which means that government agencies must provide an apology, full explanation and a swift remedy to a justified complaint. Simple complaint procedures are publicised and an independent review of an appeal is provided (United Kingdom, 1992: 19). Market testing in the United Kingdom demand ethical and productive behaviour of officials, otherwise they could lose their service to the private sector (United Kingdom, 1994 (Commonwealth Secretariat, 1996).

3.5.1.5 Citizens recourse to administrative law

In South Africa, public officials may only perform operational activities, which have been mandated by legislation. If citizens are unhappy about the actions of officials or feel that they were treated unfairly they have recourse to administrative justice, in terms of Section 33 of the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996). All administrative actions must be *bona fide,* and citizens must in all instances be heard and treated fairly by officials. Where citizens are withheld any privilege where the government has a discretionary power, e.g. the granting of a firearm licence, they have a right to an appeal to a court, or where appropriate, a tribunal, in terms of section 33 (3) (a) of the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996).

- New Public Management perspective

Where a service is privatised, or implemented by an agency, NPM does not grant the private sector the right to legislate. Where the issuing of, for example, passports is done by an agency, it has to do it in accordance with legislation. The focus is on service, for instance, reducing waiting times for immigration controls (United Kingdom, 1994: 58), public satisfaction with police services (United Kingdom 1994: 59) and issuing drivers licenses 8-9 days after having passed a test (United Kingdom 1994: 20).

The above examples of NPM stands in stark contrast with traditional concepts of public administration, based on the Weberian bureaucracy and responsible administration. Fox and Miller (quoted in Common,1998: 60) argue that the "traditional public administration paradigm, based on the Wilsonion dichotomy, Taylorist scientific management and Weberian hierarchical control, is dead." Since the early 1980, the so-called "managerial reform" or "new public management" became an international phenomenon, (Kickert, 1997:17) (OECD, 1990,1993). Metcalfe (quoted in Common, 1998: 59) refers to the NPM characteristics as "the internationalisation of public management reform". It appears therefore that the NPM service delivery trend is departing from the

traditional service delivery mode, which is controlled by the service delivery pace and values of public officials. It could thus be argued that NPM indeed reflects a new approach to management and that the public sector can be managed, however, administrative guidelines still have to be honoured.

3.6 General critique of new public management

Cloete (1999:9) is of the opinion that the "likelihood of successful implementation of the NPM model diminishes":

- the more heterogeneous the social value systems are;
- the more ideological the political system;
- the more sophisticated the democratic political culture;
- the more centralised the political culture
- the more direct state intervention there is in the economy;
- the stronger the economy;
- the less government is under threat;
- the more inequitable/ skewed the allocation of resources in the society;
- the weaker the private sector capacity;
- the weaker the human resources capacities;
- the weaker the support systems capacity
- the weaker the strategic management capacity in the policy system, and
- the more fragmented and the less committed to the implementation of reform the dominant governing elite in the system.

The World Bank (1997:87) and scholars such as Corkery (1997:5) Common (1998: 69) and Nunberg (quoted in Minogue, 1998: 25) concur with Cloete's opinion (1999:10) that the potential application of the NPM model in less developed states is restricted as a result of the conditions quoted by Cloete (1999: 9). Minogue (1998:25) is of the opinion that there are no clear examples of the establishment of government agencies in developing countries. He writes that it is not possible to apply "a decentralising fragmenting model of reform if you do not have a traditional unified public service to begin with".

The deficiencies of the NPM approach motivated scholars such as Cloete (1999: 8-12), Rhodes (1997: 53) and Toonen (1998: 249) to emphasise the value of concepts such as *networking* and *strategic management* as interventions to enhance public service delivery. *Networking* proposes the establishment of collective partnerships with private sector enterprises and voluntary organisations in civil society, to augment service delivery mechanisms outside the traditional public service. Strategic management encapsulates, *inter alia*, leadership, the creative use of recourses, a strong work ethic and effective strategic and operational management (Cloete, 1999 (b): 91). However, as has been argued earlier in this chapter under 2.1.1 and as was indicated in chapter 3 (4.1), South Africa is a developing country with an emerging world economy. The appropriateness of the reform frameworks and interventions, which rely on the private sector and civil society organisations for service delivery, cannot be applied in South Africa without adaptations to suit our domestic circumstances.

3.7 Possible limitations of new public management: Lessons for South Africa

The reform programs in the principal reform countries, which were initiated in the early 1980's, have to large extent settled down. It is therefore now possible to raise the question: To what extent can reform, typified by NPM interventions be successfully implemented, and what can South Africa learn from it? Two reform frameworks are of immediate relevance to South Africa, because they depart to an extent from the traditional practices of public administration and management as it is practised in South Africa, namely: the organisational separation of *single-mission departments* with implementing divisions *and* the applicability of *contracting-out and market testing.*

3.7.1 Organisational divisioning

In Britain and New Zealand, reform programs have led to the proliferation of public institutions, with policy-making remaining with government departments and implementation with public agencies. The distinction between policy-making and operations are not always clear, and although it is causing a measure of irritation in especially the United Kingdom, the agencies are reported to be functioning more efficiently and effectively in some respects than was the case in

the previous government departments (United Kingdom,1994) (Jary,1996) (Minogue, 1998: 28-30) (OECD, United Kingdom Country report, 1999).

The agencies in the UK are increasingly carrying out public services, which were formerly delivered by large departments. Minogue (1998:24) writes that in the United Kingdom in 1997, there were 130 such agencies, employing a total number of 386 000 civil servants, or 75% per cent of the total. Of the 133 chief executives appointed, 90 per cent of the appointments were from outside the civil service. In terms of an OECD report (1999:2-3) there are currently 140 agencies and 4 departments which are managed in terms of running of *Next Steps* principles, which employ some 76% of the public service employees (390,000 civil servants). It could therefore be deduced that government departments could be organised in smaller units to render services for a particular clientele. Specialised managers could thus be recruited to manage the smaller organisation units more efficient and effectively.

The equivalent of agencies in New Zealand is known as state-owned enterprises (SOEs). Unlike British agencies, they are no longer considered part of the public service. But in addition to creating SOEs, New Zealand reorganised its remaining public service departments into smaller, more focused institutions. This was done on the assumption that fewer organisational objectives promote improved accountability and more efficient performance (Duncan & Bollard, 1992: 3-36).

The relevance of the fragmentation of departments into service institutions for South Africa should be considered from the perspective of the possible loss of coherence versus intensified service delivery. A loss of coherence is possible when ministers agree on performance contracts with implementing agencies, and Cabinet ministers decide to co-operate on particular projects to deal with a socio-economic problem, which set new goals for the agencies. The question is therefore, whether at this stage of South Africa's development, the government should focus the operations of all the departments on specific socio-economic development issues, or allow ministers to divide their departments into high impact service delivery agencies? The answer would probably not be found on

either end of the continuum, but consideration needs to be given to grant more organisational autonomy to departments that serve a particular clientele.

Some departments, which provide services such as the issuing of passports, the deeds office, patents office, registrar of companies and departments which render a recording, control and regulatory type service for a defined clientele, could benefit from more autonomy to operate on business principles. A case in point is the former Department of Inland Revenue which was converted to the South African Revenue Services (SARS), in terms of the South African Revenue Service Act, 1997 (Act 34 of 1997). SARS became an organ of state within the public sector, but as an institution outside the public service. In terms of section (3) (a) of the Act, SARS performs its functions under the policy control of the Minister of Finance. A commissioner who is appointed for five years heads SARS. The institution determines its own staff establishment, appoint employees and determine their terms and conditions of employment. It is a legal entity separate from government and controls its own resources, but complies with the Exchequer Act, 1975, (Act 66 of 1975). SARS is entitled to money appropriated annually by Parliament for the revenue collection services, which it must render. Its budget for the 1997-1998 financial year was R1,225 billion. (SARS Annual Report: 1998:6).

SARS reports (SARS Annual Report: 1998:14) that during its first year of operation, it exceeded its budgetary target of R164,2 billion. It, *inter alia*, reduced outstanding debt with R 454 824 064; reduced outstanding returns by 51%; improved Value Added Tax recovery with 118% and increased the number of income tax audits with 9%. It has to be concluded therefore, that the autonomy which were awarded to the former government department, assisted in SARS to operate more efficiently and effective.

A co-ordinated approach to deal with complex socio-economic development issues in South Africa under a new democratic dispensation since 1994, would demand that the functions of departments such as health, welfare, education, housing and water affairs be focussed on the needs of disadvantaged communities. The co-ordination of the activities of various departments through

Cabinet and through inter-ministerial committees is more effective when ministers provide political leadership. In the United Kingdom, ministers enter into agreements with the chief executive officers of service agencies to attain specific targets, in terms of a framework document. The framework document covers issues such as objectives, reporting and accountability, performance pay and employee relations (Finer 1991:25-27) (Consulting and Audit Canada, 1993). The creation of government agencies risk separating policy-makers, who remain in government departments, from policy-implementers in government agencies. Ministers are accountable to Parliament for policy, but the execution of policy is delegated to an agency, which is headed by a chief executive officer. Because the framework document, or contract, technically prohibits a minister from interfering with the chief executive officer while implementing policy, ministers must appoint chief executive officers who could maintain co-operative relationships with the minister. While externally recruited appointments for chief executive officers may bring fresh skills to the public service, the culture of the public service is different from that in private sector and could cause conflict between the chief executive officer and minister (Jary, 1996:6) Mellon, 1993: 28).

A concern for institutional coherence in Canada and Australia led to departmental mergers and a reduction in the size of the Cabinet (Polidano, Hulme and Minogue, 1998: 280). Canada's experiments with 'special operating agencies' have been limited, compared to the United Kingdom (Auditor General and Secretary of the Treasury Board, 1994) (Consulting and Audit Canada, 1993). Thus it may be concluded that not all countries which have reformed their public services since the 1980's have created implementing agencies which are separated from policy-making departments. In cases where concerns existed over coherence, the *status quo* were maintained or departmental mergers weres carried out.

The juxtaposition of coherent centralisation versus decentralised focused objectives, such as at the extreme end of the continuum in the United Kingdom and New Zealand, indicates the choices under the NPM choice for service delivery. It could be argued that a country such as the United Kingdom has gone

to the far end of the decentralisation continuum. Throughout the reform process in the UK greater service delivery efficiency and effectiveness were sought, which led to a departure from traditional departmental structures. This has led to a continuous shift to decentralise.

The organisational restructuring of government in the Commonwealth and OECD countries to improve service delivery provides a spectrum of possible options for South Africa. However, future reformers in South Africa wanting to improve the service delivery through restructuring the public service, will have to select an option on the continuum of possibilities developed by countries which have reformed their public services. Countries, which improved services to "clients" through organisational restructuring, indicate that no government department is an entrenched or sacrosanct institution and that new structures could create a new culture, which is conducive to more effective and efficient service delivery.

3.7.2 Competition and contracting

Competition is a significant feature of the entrepreneurial model of new public management, with an assumption that privatisation and contracting out will ensure the application of competitiveness. Contracting as an NPM characteristic has been applied in various ways: direct contracting out of public functions to private firms; internal markets, purchaser-provider relationships and managing the performance of agency or departmental chief executives (Consulting and Audit Canada, 1993).

In the United Kingdom, the motivation for contracting out non-core public sector activities is succinctly stated in the White Paper: *Competing for Quality: Buying better services* (United Kingdom 1991). Managers have to account for their performance against financial and quality targets and therefore have to provide more efficient and effective services to their consumers, whether those service are in-house or bought from outside. In the United Kingdom, the government policy is that the improvement of public services requires the substantial expansion of competition for service delivery. To this end, the White Paper (United Kingdom, 1991), *inter alia*, prescribes to departments that:

- government departments and agencies must establish full cost of providing services in-house, and determine whether such services could be provided cheaper by inviting tenders;
- savings which are achieved have to be utilised in service programs, and
- where services are contracted out, redundancies have to be minimised through redeployment of staff, or transfers to a new contractor.

Where services are likely to remain with a public agency, a process of 'market testing' applies the competitive principle, meaning that activities must be continuously reviewed to establish whether in-house provision remains competitive with any alternative form of provision.

According to Minogue, (1998: 28), savings of about 20% are attained through contracting services out or through market testing. In house teams have won 71% of market testing bids between 1992-1996. The market testing policy has been continued in the United Kingdom since 1995, all departments have to produce efficiency plans, which record their application of competitive principles (Minogue, 1998: 28). It could therefore be argued that market testing may contribute towards a decrease in South African government's recurrent expenditure on the production of goods and services. It is, however, a reform intervention which has not been tested in the South African public service and it would be prudent to first experiment in one department before expanding the principle to other departments.

3.7.3. The need for contracting out in South African public service

In this section a general overview of the state of management and administration of the public service will be provided. The Department of Education and the Department of Welfare in the national sphere of government, and the provinces were selected to provide a representative picture, because of their share in the national budget expenditure. During 1998-1999 the provincial share of the budget was 56,9%. Out of a national budget of R160,9 billion, R44,9 billion (27,9%) was allocated for education R18,3 billion (11,4%) for welfare (South

1999:53-58). From the examples, which are provided through a study of Auditor-General reports it would become clear that human resource capacity in financial management to expend funds in the Department of Welfare and to manage the finances in the provinces, is limited. Due to this essential lack of capacity, it could be argued that a need exists to contract particular functions out to the private sector. According to the Auditor-General (Pretorius, 1999) most provinces have inadequate human resources to administer and manage the functions assigned to the provinces. Reports of the provincial auditors-generals clearly reveal this state of affairs.

The key findings of the Auditor-General (1998: 4-5) during its compliance audit for the financial year which ended on 31 March 1998 for the Department of Welfare was, *inter alia* included, unauthorised expenditure of R303 290. The Auditor-General emphasised the inability of the Department to expend its funds. The Auditor-General presented the following record (Auditor-General, 1998: 4):

TABLE TO INDICATE PERCENTAGE OF TOTAL APPROPRIATION SURRENDERED BY THE DEPARTMENT OF WELFARE

Financial year	Total appropriation for the year	Additional funds voted	Surplus	Percentage of total appropriation surrendered
	R'000	R'000	R'000	%
1994-95	85 798	1 308	13 394	15,6
1995-96	88209	11 751	21 312	24,2
1996-97	119 300	37 336	52 331	43,9
1997-98	255 647	155 349	110 634	43,3

Some of the funds, which were unspent by the Department, were donations from countries such as Sweden and the Netherlands, which had to be returned. From the above table, which indicates the amounts that the Department surrendered for the 1996/97 and 1997/98 financial years, is possible to deduce that the Department does not have adequate, or adequately qualified and trained human resources, to implement its programs and projects. It could therefore be argued that the Department could increase its effectiveness through, *inter alia*, contracting out particular services to ensure that its projects and programs are implemented.

For the year ending 31 March 1999, the Auditor-General presented an unqualified opinion for the financial audit and a qualified opinion for the compliance audit, because of unauthorised expenditure of R 850 000 for the Department of Education.

In the Free State, the Auditor-General (Auditor-General (Free State) 1995-1996) singled out five items for which he issued a qualified audit opinion:

- due to insufficient accounting records and bank statements it could not be determined how an amount of R114 024 000 which was transferred from the former QwaQwa government, was made up;

- an amount of R47 243 666 outstanding as revenue from various sources, including hospital fees of R42 811 422 were outstanding;

- according to the information furnished by the Accounting Officer, financial guarantees amounted to R7 924 000 whilst a figure of R27 152 000 appears to more correct;

- a transfer payment of R33 990 055 to a development institution was made irregularly and the accounting officer did no ascertain if the need for such transfer still existed, if the aid was still deserving and if the institutions had achieved the goals of the previous year which were set, and

- several shortcomings in the government justified an unqualified opinion on the balance sheet and income statement, such as: the understating of income and debtors; outstanding logsheets; inadequate documentation to reflect the takeover of the government garage of former QwaQwa; control over vehicles; sale of vehicles below reserve price and inadequate stocktaking.

In Gauteng the Auditor was only able to issue a 37% unqualified audit opinion out of 21 financial audit opinions (Auditor-General (Gauteng) 1996-1997) Some of the key findings included:

- unauthorised expenditure amounting to a total of R431 496 950,37 for the financial year ending 31 March 1997, of which the Health Department was responsible for incurring R382 337 619;

- the Department of Public Transport, Roads and Works and the Department of Public Safety and Security incurred fruitless expenditure amounting to

R7 772 290 where departments vacated premises before the lease contract expired or premises were not fully occupied;

- thefts and losses amounted to R42 337 936 of which R27 387 666 was irrecoverable hospital fees and R1 168 318 from claims for alleged negligent treatment of patients, and

- revenue outstanding on 31 March 1997 amounted to R232 600 997.

In Kwazulu-Natal the Auditor-General (Auditor-General (Kwazulu-Natal) 1995-1996) reported that for the 1995-1996 financial year, accounts and statements were due by 31 July 1996, but extension was granted until August 1996. Despite the extension financial statements and returns were submitted late, or not at all. Due to errors and lack of information some returns had to be referred back. The Department of Works and Traditional and Environmental Affairs did not submit any financial statements or returns. The Auditor-General therefore stated that his report is incomplete. Auditor-General (Kwazulu-Natal), 1995-1996). A selection of the salient findings in the report were that:

- unauthorised expenditure of R70 498 828,07 occurred;

- in the Department of the Premier, vouchers amounting to R1 465 839 could not be submitted for auditing, overpayments occurred, payments were authorised without approved delegations and "numerous" items of equipment could not be located at the royal residence at Ondini;

- in most of the departments, supporting documents for payments could not be located;

- advances of R 18532 331 for a schools nutrition program could not be accounted for;

- of the R31 001 000 voted for reconstruction and development projects only 2,48% were expended, but without business plans, evidence of viability approval by the appropriate committee or adequate banking details of the recipients of the project funds;

- thefts and losses amounted to R5 228 754;

- cheque fraud amounted to R9 361 643 and theft of state money R3 063 846, and

- revenue outstanding at state hospitals on 31/03/96 was R38 985 805.

In Mpumalanga the Auditor-General reported that the financial statements, which were due in 1998, were provided six months after the due date and because of incomplete statements and documentation, he had to qualify the financial audit opinions. (Auditor-General (Mpumalanga), 1997-1998:12) The Auditor-General stated that the reasons for the qualified audit report are, *inter alia*, a lack of properly qualified and experienced financial managers; lack of trained staff; departments do not have control over the expenditure and budgets because it is controlled by the Department of Finance; a lack of internal audit control measures and non-adherence to the legislation, financial regulations, Treasury Instructions and Tender Board Regulations (Auditor-General (Mpumalanga), 1997-1998: 3).

The Auditor-General of the Northern Cape identified 21 matters of a *more serious nature* during his 1996-1997 audit. Auditor General (Northern Cape), 1996-1997: 11-33). Some of the matters were, *inter alia*: a lack of control over travelling and advances in the Department of the Premier; cheques to the amount of R4 226 929 which could not be submitted for audit purposes during the audit; an amount of R2 228 600 which was paid for rent by the Department of Works without the premises being utilised. In all, 531 cases were discovered where taxes were not deducted from the salaries of officials; R17 177 505 of pensions were paid where the pension number did not correspond with the identification number, and inadequate control was exercised over the use of credit cards of politicians and officials.

The Auditor-General of the North West Province (Auditor-General (North West) 1996-1997:5) reported that financial statements were submitted late, thus impeding the timeous submission of audit reports to the legislature. He found a serious lack of internal checking and control which created opportunities for possible irregularities, with particular reference to:

- inadequate financial and budget control;
- inadequate control over assets
- bank reconciliation not up to date or not carried out;

- non-compliance with treasury instructions and financial regulations, and

- non-compliance with tender regulations.

The Auditor-General of the Western Cape reports that the completion of his audit report was hampered by late submissions of account statements and returns which had to be returned on several occasions (Auditor-General (Western Cape) 1995-1996: 22. The audit pointed out, *inter alia*, that: 14 cases of fraud amounting to R814 990 could be related to inadequate checking and control measures. Losses totalled R2 315 408; revenue amounting to R94 842 472 was outstanding on 31 March 1996, of which an amount of R 74 527 454 was attributed to hospital debtors, and an amount of R 1 166 871 was spent on commissions of inquiry into alleged irregularities and mismanagement.

- In the case of the Eastern Cape, the Auditor-General found that the financial management in the province was so ineffective, that it was not possible to carry out a complete the audit. (Auditor-General (Eastern Cape),1996-1997). Where financial statements were submitted, the quality was such that it could not be used for audit purposes. The Auditor-General could only comment on issues such bank reconciliation statements, revenue, stores and equipment, personnel expenditure and payment for goods and services.

From the aforementioned audit reports it becomes clear that financial management in particularly the provinces are ineffective. Fraud, theft and losses are occurring in all provinces. Financial controls are inadequate and lead to fraud.

The NPM emphasis in public management is on managerial accountability. It also emphasises the possible service delivery economy of outsourcing and contracting vis-à-vis the current mode of service delivery by government departments. It could therefore be argued that NPM could be implemented only on condition that the required expertise exists to manage, a sound administrative structure is maintained and adequate financial resources are available.

4. CONCLUSION

Since the early 1980's most industrialised countries around the world re-examined and reformed their governments. The countries, which embarked upon voluntary administrative reform during the decades of the 1980's and 1990's had outcomes which were remarkably similar. Most reform outcomes resulted in transformed governments with a smaller stake in the economy, a downsized welfare state, decentralised, reduced bureaucracies and smaller central public services, with public managers becoming more output conscious and goal orientated.

The two vital elements of public service reform strategies were firstly a focus on efficiency, effectiveness, and quality of service, and secondly, the replacement of highly centralised hierarchical structures with decentralised management environments.

The new style public management and administration of the public sector, which reformed their public services, departed from the traditional public administration where the focus was on policy advice and implementation and became known as "new public management". The NPM style of reform effected a paradigm shift, which redefined the role of government in relation to the nature and scope of its services and its role in the economy.

Most of the NPM interventions since the 1980's reflect a procedural and programmatic reform type, which were effected by incremental changes with end results reflecting a strategic shift from the *status quo*. The significance of the incremental reform of countries, is that South Africa would have to design its own reform agenda. Although the experiences of other countries could be studied, South Africa has to take cognisance of its internal managerial capacity to design a program, which could make its government and executive institutions internationally competitive.

Throughout most countries of the world, political systems determine the extent of the application of interventions such as privatisation and the creation of market

type mechanisms to improve service delivery, which are accompanied with greater management autonomy. Two of the reform outcomes constitute the most frequently used NPM type of reform interventions. There is no basis to argue that South Africa's political thinking on issues of privatisation is different from the rest of the world, which have embraced NPM type reform. Reports of auditors in the national and provincial spheres of government indicate that adequate human resources to manage programs, and financial management and control are inadequate.

Two reform areas are of immediate relevance for South Africa, viz. the organisational fragmentation of single-mission departments and the applicability of contracting-out and market testing. There is however, no single best model which South Africa could adopt for restructuring the public service, for service delivery and the most appropriate lesson is that reform improves services through organisational restructuring of public service departments. Contracting out and market testing could benefit the South African public service from a cost reduction perspective. This practice has not been proved in South Africa and research would have to be conducted to determine the strength of the service in some of the provinces with a limited resource base.

The NPM style reform stands in stark contrast with older traditional concepts of public administration based on the Weberian bureaucracy and responsible administration. Since the early 1980, the so-called "managerial reform" or "new public management" became an international trend, and South Africa will have to reconsider some of its current management practices in order to become internationally competitive through more efficient public management.