CHAPTER 7

GUIDELINES FOR IMPLEMENTING ADMINISTRATIVE REFORM WITHIN SOUTH AFRICA

1. INTRODUCTION

Since the 1980's the governments of most industrialised countries introduced administrative reform as a means to re-examine and reshape their public services. The countries, which were successful in achieving more efficient and effective public services, share some common approaches and strategies, which could be studied as guidelines for effective practices for an administrative reform program in South Africa. The *White Paper on the Transformation Public Service* (1995: 11) states that administrative reform will follow on transformation, and the Presidential Review Commission (1998: 241–243) recommended reform measures in, *inter alia* financial management and inter-governmental financial relations.

An administrative reform program for South Africa, to the extent it was implemented in, *inter alia,* the principal reform countries will be conducted more successfully if it is based on practices which were proven during reform programs in countries such as the principal reform countries. This chapter describes and explains the most salient guidelines for reform, which have been deduced from studying reform in particularly the principal reform countries, OECD and Commonwealth countries.

Most scholars acknowledge the United Kingdom, New Zealand and Australia as countries, which have succeeded in reforming its administrative and management systems. It is therefore possible to deduce from the works of scholars, and official documents of government institutions, which actions of politicians and public officials and practices constitute guidelines, which would be appropriate for South Africa. Although it is possible to compare the approaches taken by countries to reform their public services, countries differ in terms of their political, economic and cultural circumstances. A comparative study, to determine possible administrative reform guidelines, which could be useful in South Africa, is possible because all countries pursue reform goals to improve the efficiency and effectiveness of departments and public services to citizens.

Reform programs are initiated through politicians who conceive such programs and the broad principles of the reform strategy. This chapter would therefore firstly focus on reform guidelines related to political and executive leadership and secondly on reform strategies. Thirdly a number of general guidelines to which politicians and senior managers should adhere to ensure that reform outcomes are successful, would be described.

2. POLITICAL LEADERSHIP AND COMMITMENT

Political leadership is a requirement to ensure that reform programs continue and succeed. It cannot be assumed that reform will succeed once the program has been announced. According to Caiden, more reform program fail than succeed (Caiden, 1991) (Caiden, 1999).

In the principal reform countries, whether governed in terms of federal or unitary constitutional principles, the head of state initiates and directs the reform process (Australia, 1993) (United Kingdom 1988) (Canada, 1992 (a)) (Schick 1993). This principle is also a prerequisite for public sector reform in South Africa, which is a constitutional democracy, governed in terms of the Westminster model. In terms of section 83 (a) of the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996) the President is the head of the national executive. The Constitution confers powers on the President to develop and implement national policy and to co-ordinate the functions of state departments and administrations (Section 85 (2) (b) and (c)).

The *White Paper on the Transformation of the Public Service* (1995) was produced by the Minister for the Public Service and Administration. The Report of the Presidential Review Commission (1998), which, *inter alia*, contained reform proposals, were submitted to the President. It (PRC, 1998: 17-28) recommends that the final responsibility for the implementation of the PRC report should rest with the Office of the President, which would need to appoint officials or establish an agency to oversee implementation.

One of the main reasons which necessitates the involvement of the President in the reform process in South Africa, is his role as head of state and the requirement to co-ordinate the administration of state departments. His official position and authority is essential to give coherence to a range of interventions, which would encapsulate the national and provincial spheres of government. Comprehensive administrative reform affects all public sector departments. In terms of section 92 (1) of the Constitution of the Republic of South Act, 1996 (Act No. 108 of 1996), the Deputy President and ministers are responsible for the powers and functions of the executive assigned to them by the President. It is clear, therefore, that a minister who is responsible for a particular portfolio, such as the public service, do not have the power to direct comprehensive reform strategies.

2.1 Opportunity and Continuity

To initiate reform requires that political leaders must be sensitive to reform opportunities, which would be conducive to carry his or her initiative forward. Elections and changes in government may open an opportunity, or create a risk for reform. In the United Kingdom, Australia and New Zealand leaders of opposition parties indicated the need for reform and directed it after they won the elections (Laking, 1992:65-84) (Prasser and Nethercote,1992:165). (Falcon,1992).

Caiden (1999:824) emphasises that politicians are not enthusiastic to reform towards the end of their tenures or when elections are due. Senior public managers who realise the need for reform must therefore consider reform proposals before the planning phase of political parties for the next election starts. In South Africa, the opportunity for reform was created with the general elections in 1994. It brought an end to a political dispensation during which no comprehensive administrative reform was introduced since South Africa became a Union in 1910 (Worral 1971).

Although the necessity to reform the public service was expressed by the government in *the White Paper on the Transformation of the Public Service* in 1995, (1995:11) and by the Presidential Review Commission in 1998 (PRC, 1998: 27), the opportunity to embark on a reform program could be lost. It is essential that the government's decision to proceed with reform be made within a reasonable time. What is reasonable, relates to election cycles and the relevance of the findings of the PRC report. In February 2000, two years since the PRC report had been submitted, no official response to follow it up had been made. Caiden (1999: 821) writes that the longer it takes for a reform to be accepted, the greater the possibility that the circumstances will outdate it and necessitate fundamental revisions. Administrative systems change and adapt to the requirements of a situation. If it is not specifically directed, the system evolves in directions, which may not be in accordance with the original reform notions. This situation could develop in South Africa, and it might be necessary for the government to request the Presidential Review Commission to revisit their initial diagnostic survey and recommendations.

It could be argued that two years have lapsed after the PRC recommendations have been submitted and therefore the validity of the PRC recommendations need to be revisited. Most of the investigations were carried out in 1997 and conditions have changed in departments. It is possible that the situation in the departments, which were investigated, have changed to such an extent that some of the recommendations are no longer appropriate.

The Presidential Review Commission (1998: 231) reported that it is of the opinion that the recommended reform objectives "cannot be fully realised without significant change at the apex and core of government". The Commission emphasised this by stating that national departments and provincial administrations will not be able to achieve the reform objectives if they continue to function as at present. They do not have the capability or the authority to remedy the way government functions (PRC,1998: 231). These findings are confirmed by the reports of the Auditor-General[1], who makes it clear that some departments at national level and provinces do not have the administrative capability to carry out routine public administration and management functions.

Schick (1999:7) argues that a new government is more inclined to change course and also has initiatives to break new ground than one that has held power for an extended period. Caiden (1991:158) cautions that the longer reforms take to make an impact, the higher the probability that they may be dropped as opponents against the reform get organised. In South Africa, there exists no evidence that political parties are opposed to the notion of administrative reform. The possibility exists however, that such a long time has elapsed since the Presidential Review Commission submitted their report in February 1998, that its relevance as a basis for reform could be questioned, because the current situation could require interventions which differ from what the PRC recommended.

Reform programs that uproot established practice must continue beyond one election, and preferably, beyond one government, to have a lasting impact. The principal reform countries have made headway in reform because successive governments, which add value to past reform interventions, carry reform forward. From the British experience it could be deduced that reform is most likely to endure when it survives a change in government from one party to another. A shift in political orientation from left to right, or in the opposite direction, has not interrupted the reform process in the United Kingdom, New Zealand, Australia and Canada (OECD,1999)

It could be argued that continuity could be compromised early in the South African reform process if the efficiency in public administration and

[1] The findings of the Auditor-General are described in chapter 6, paragraph 3.6.3.

management show a further decline in the administration and management in provinces in South Africa, as indicated and by the Auditor-General and described in Chapter six. The window of opportunity which the present government has, could begin to narrow as the administrative situation in some provinces related to theft and fraud, unauthorised expenditure and a lack of funds to deal with emergencies, deteriorate. The situation could force politicians and reformers into seeking short term or *ad hoc* solutions. If the opposition parties, for political gains, exploit the deteriorating situation in the provinces, it could lead to the governing political party being defeated at the polls. The successor government may regard the election gains as a mandate for change, and could disregard the reform proposals of the PRC and initiate its own interventions. Incoming governments would have to adhere to the promises of their election campaign, and it would be unlikely that they would implement the recommendations of the PRC report of 1998.

It is argued that it would be in the interest of a sustained reform program if the government would display political leadership and implement reform interventions well ahead of the next elections in 2004. Besides the potential political gains, the obvious advantages of a successful reform program would involve the opposition and ensure continuity of the process. Reform is by nature a long-term program and South Africa could learn from the continuity of reform interventions, which were endorsed by successive heads of government and different political parties in particularly the principal reform countries. The support and continuation of reform by the opposition parties in the reform process after elections make it imperative to ensure the support of a broad spectrum of political parties. Parliamentary support, which involves deliberation by all political parties, would contribute towards a transparent reform process.

2.2 Role of Ministers and the legislature

The position of the prime minister as head of government and co-ordinator of reform is essential to ensure the coherence of the reform process. South Africa could be included among countries such as the United Kingdom, New Zealand

and Canada, which are governed in the Westminster tradition, as well as countries such as Sweden and Norway, where the Prime Minister's Agencies have a co-ordinating role (OECD Country Report, 1999). However, in South Africa, in terms of section 83 (a) of the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996) the President is the head of the national executive and head of government. He, therefore, performs a dual role. Section 85 (2) (b) and (c)) of the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996) requires that the President develops and implements national policy and co-ordinates the functions of state departments.

In Germany, the Federal Cabinet formed a body of experts called "The Lean State Advisory Council" to oversee the reform process. The implementation of reform resolutions is the responsibility of the Steering Committee on Administrative Organisation. The Steering Committee is a co-ordinating body, which is headed by the State Secretary in the Federal Ministry of the Interior, and consists of the state secretaries of the ministries of Finance, Defence, Economy, Agriculture, Construction and Research (OECD German Country Report, 1999) (Jann, 1997).

In Finland the political leadership of the Prime Minister in reform is indirect, since all decisions regarding reform are taken in the Cabinet. The role of the Office of the Council of State has been a minor one because in Finland the Prime Minister's Agency has no special co-ordinating functions. The role of the Cabinet in the reform of Finland was conducive to uniformity in reform measures. It ensured that all ministers and public servants participate in the decision-making process and are committed to implement the decisions. The disadvantage of the role of Cabinet as a decision-making body in the reform process in Finland, is that it could cause delays in reaching consensus. In Finland the Prime Minister has six political advisors to advise on reform. The Office of the Council of State consists of two parts, i.e., the political advisers of the Prime Minister (it thus resembles the British Prime Minister's Office) and the public servants responsible for the functioning of the Council of State, which could be compared to the British Cabinet Office. (OECD Finland Country Report, 1999).

Most comprehensive reform programs require all ministers to be involved. Cabinet decisions require that the head of the government must play a co-ordinating role. International experience with reform indicates that the head of government plays a role in reform and that ministers co-operate, to implement reform programs. In the principal reform countries, the head of government plays a direct leading and co-ordinating role, but even in countries with a federal constitution, the head of government is indirectly involved. Co-ordination among departments is required to obtain results.

South Africa could draw on the experiences of those countries, which have modelled their reform on the central role of the President and senior officials in his office. The leadership of the President in South Africa is essential to obtain the support of ministers. Ministerial co-ordination for the reform program would be possible through cabinet meetings and Parliament.

The P*ublic Service and Administration Portfolio Committee* in Parliament is a suitable institution to monitor a reform program. It is established in terms of section 45 of the Constitution of the Republic of South Africa Act, 1996 (Act no. 108 of 1996). In terms of Rule 32 (1) applicable to joint committees of the Rules of the National Assembly, 1996, portfolio committees, *inter alia,* have powers to:

- summon any person to appear before it to give evidence or to produce any document required by it;
- receive representation from interested person or parties;
- conduct public hearings;
- conduct its proceedings or any aspect of its work at any venue deemed to be most suitable;
- conduct its business when the national assembly is not is session, and
- appoint subcommittees.

The main purpose of the portfolio committees are to consider bills, deal with departmental votes, monitor, investigate and enquire into and make recommendations relating to any aspect of the legislative program, functioning policy or related matter concerning the department which falls within the portfolio assigned to it. The P*ublic Service and Administration Portfolio Committee* is currently composed of a chairperson, 10 African National Congress members, 2 Democratic Party members, 1 Inkatha Freedom Party member, 1 New National Party member, 1 United Democratic Movement member and 1 United Christian Democratic Party (ANC, 1999).

An advantage of providing the P*ublic Service and Administration Portfolio Committee* with a monitoring function for reform would be that it would involve politicians from opposition parties in the reform process. Opposition parties would co-operate and add value to influence the public sector reform and review reform outcomes. Discussions in Parliament, and the attention which the media would give to the reform process, would require parliamentarians to participate in the reform debate, thus ensuring that it takes public views in account and promote scrutiny by the media.

3. LEADERSHIP BY PUBLIC OFFICIALS AND THE ROLE OF DEPARTMENTS

In all the reform programs of the principal reform and the OECD countries, both line and staff departments played a role to implement reform interventions (OECD, 1999). Staff departments such as Finance, the Interior, or the Office of the Prime Minister, sometimes plays a more prominent role than line departments. This section will describe how the head of government or departments could play a role in accomplishing horizontal departmental co-operation and support. It will indicate how a centralised initiative is essential to direct and manage reform and that the commitment of each line department is essential to achieve lasting change. It will indicate that in some countries central agencies worked closely together, performing the functions of a corporate office for government. To effectively implement reform, close consultation and co-operation between the ministers and departments are needed.

3.1 Leadership by public officials

Politicians determine the role public officials play in reform programs. This section describes and explains the leadership role of senior officials in government departments in Canada and the United Kingdom. In Canada (OECD, Canada Country Report, 1999: 11- 13) leadership was to a large extent shared, while in the United Kingdom the politicians directed the reform and prescribed the role of officials. Approaches, which would be appropriate for South Africa, will be deduced from reform practices in Canada and the United Kingdom.

3.1.1 Shared leadership

In Canada, public officials have carried out public management reform within public institutions, while ministers played a lesser role. (Swimmer, Hicks and Milne, 1994) The Canadian reform model involves shared leadership, which means political leadership is exercised to realign the role of *government*, to ensure balance, and to stay on course. Public service leadership plays a role to:

- design creative options in public management and administration;
- make feasible what is desirable; and
- ensure smooth implementation (OECD, Canada Country Report,1999).

One of the Canadian reform strategies is to review the programs of the Federal Government in order to reduce government expenditure. (OECD, Canada Country Report, 1999:31). A committee consisting of the heads of departments served the Program Review Committee, which consisted of ministers. The Clerk of the Privy Council chaired the committee of heads of departments. Staff and line departments contributed to the program review exercise, according to their roles and strengths. Departments established action plans in response to the program review questions and are responsible for their implementation as follows:

- deputy ministers (DM's) *(DM's are Director-Generals in South African terms)* presented the departmental plans to the DM steering committee, along with implications of plans for departments and clients;
- the DM steering committee made recommendations to Ministers, who reviewed the plans as put forward by portfolio ministers;
- the Ministerial Committee made recommendations to the Prime Minister; and
- the results of the departmental program reviews were confirmed through provinces in the budget.

The Clerk of the Privy Council, in the Privy Council Office (PCO) is Head of the Public Service and Chief Policy Advisor to the Prime Minister in his/her role as leader of government. During the reform program, the PCO manages the process and co-ordinates actions. The Clerk of the Privy Council has to contact departments to assess progress in preparation of departmental action plans and provide feedback throughout the process. He co-ordinates his activities with the Department of Finance and the Treasury Board to ensure co-ordination (i.e., regarding fiscal targets and assessment of departmental action plans) and assists in integrating the results of other reviews into the program review process (OECD, Canada Report, 1999:12-13).

The roles of heads of staff function departments in Canada, relate to their legislative mandates. During the reform process, the Department of Finance is responsible for control of expenses and the provision of economic policy advice to the government. It leads parallel reforms such as to close tax loopholes and ensure tax compliance. The Treasury Board Secretariat is responsible for the management of the public service. As employer, it is responsible for detailed expenditure monitoring, and the Public Service Commission is responsible for the adherence to the merit principle and the maintenance of a non-partisan public service (OECD, Canada Report, 1999: 13-14). Line function departments are responsible for the design and implementation of their own programs. They design and implement their own reform plans, subject to the government-wide umbrella of program review requirements (OECD, Canada Country Report, 1999:14).

From the Canadian approach to reform, South Africa could learn that officials may play a prominent role in reform implementation, but that direction and oversight remain the prerogative of ministers:

- the oversight of program review remains with ministers, through a Program Review Committee of Cabinet, chaired by a minister;
- the committee conducts a peer review of proposals from ministers, and give political approval to plans;
- the representation on the committee provides a political forum for ministers to raise concerns;
- reform proposals accepted by the committee are recommended to the Prime Minister, who takes overall responsibility for reform.

3.1.2 Politically directed leadership

The United Kingdom represents a model where political leadership defines the role of senior officials in public service reform. The two central agencies primarily involved in the reform of government in the United Kingdom, is the Treasury and the Cabinet Office. While the Treasury reflects wider public expenditure concerns, and the Cabinet Office relates to the organisation of government, the details of the reform programmes are left to line departments.

In the United Kingdom and Australia (United Kingdom,1988) (United Kingdom 1994) (Australia,1983). Ms Thatcher appointed individuals from within and from outside the public sector to manage the British reform program. It could therefore be deduced that senior public officials are needed to manage the reform process sought by politicians. To perform their tasks, they have to stay visible, communicate effectively the need for change and define the results to be achieved. They have to be engaged throughout the process, and communicate how implementation is progressing.

The senior officials of particularly the Treasury and Cabinet Office play a major role in implementing the British reform. The Treasury leads the process of privatisation, resource accounting and budgeting and the private finance initiative. The Cabinet Office gives direction on Next Steps, Market Testing/Contracting out, efficiency issues, the Citizens' Charter and the 'Modernising Government' initiative (United Kingdom, 1991 (a) and 1991 (b)) (United Kingdom 1994) (OECD United Kingdom Country Report, 1999)

The Cabinet Office in the UK co-ordinates reform. The Cabinet Office and Treasury have established a unit or team to co-ordinate and manage the program. The unit is staffed through secondments from other government departments and from the private sector. The authority of units are assigned to them by the Prime Minister or from other key ministers. Senior officials in line function departments would follow the lead set from the centre, and create their own internal core reform groups (OECD United Kingdom Country Report, 1999).

The Cabinet Office often brings together some wider forum of senior officials in line departments to discuss issues(OECD United Kingdom Country Report, 1999: 4-14). For instance, the Next Steps program, the Citizens' Charter program and Modernising Government program have all set up interdepartmental groups to discuss developments and to act as a consultation forum on policy issues. The preparation of white papers related to reform is overseen in by a steering group of senior officials from various departments and agencies, chaired by the Head of the Cabinet Office Public Service Delivery Group.

The reform approach in the United Kingdom has particular relevance for South Africa. Sections 85 (2) (b) and (c) of the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996) requires the President to develop and implement national policy and co-ordinate the functions of state departments and administrations. Just like the British reform program, a clear directive and management initiative from the Office of the President would be essential to achieve reform success in South Africa. In the United Kingdom, line departments respond and implement reform directives from the Prime Minister's office. It could therefore be deduced that due to the role of the President to co-ordinate the administration of departments in South Africa, the senior official to lead to reform process, should be situated in the Office of the President.

South Africa could learn from the British experience, which seems to indicate that it is difficult to achieve early changes in areas outside the direct influence of central government. (OECD United Kingdom Country Report, 1999) At a later stage some areas outside central government have become leading examples of good practice This could also be the case for South Africa. An approach to engage the provinces in the design of the reform strategy would be conducive to their adhering to implementation directives.

Due to the leading role, which the Cabinet Office plays in public management and administration in the United Kingdom, its functioning is under continuous scrutiny. In South Africa, the PRC also realised the role of the Office of the President in reform. It recommended that four separate entities be established in the Office of the President, namely: a *private office*; *office of the cabinet secretariat*; *office of public management* and *office of the public service commission* (PRC, 1998: 30). Of particular relevance for a reform program is the recommendation that the work of the *office of the cabinet secretariat* must be directed and co-ordinated by the Head of the Public Service. This is a new position proposed by the PRC.

During 1999, the Cabinet Secretary and Head of the Public Service in the United Kingdom, Sir Richard Wilson, identified a number of perceived weaknesses in the role of the United Kingdom Cabinet Office (OECD United Kingdom Country Report: 1999). Of particular relevance for South Africa, is the identification of the ineffective linkage between policy formulation and implementation, which the UK Cabinet Office experienced. The cross-departmental issues of policy and service delivery, projection of future opportunities and threats, and reviewing the outcome of government policies and the achievement of government objectives (OECD United Kingdom Country Report: 1999), could also be applied to South Africa. The same issue was also identified in the PRC report as problematic in the Office of the President in South Africa. The PRC report contains recommendations that an Office of the Cabinet Secretariat (OCS) be established to co-ordinate interdepartmental activities and among spheres of government (PRC, 1998: 28-34).

Based on the advice of Sir Richard Wilson, Prime Minister Tony Blair announced a number of reforms in July 1998, *inter alia*:

- merging of the Office of Public Service with the rest of the Cabinet Office, which would ensure that concerns about policy implementation are properly analysed in the process of developing policy, and help contribute to more effective follow-through when policies are adopted;

- setting up of a new Performance and Innovation Unit in the Cabinet Office, to complement the Treasury's role in monitoring departmental programmes, focus on selected issues crossing departmental boundaries and propose policy innovations to improve the attainment of government objectives;

- providing the Performance and Innovation Unit in the Cabinet Office with power to select aspects of government policy that require review, in order to effect improved co-ordination and practical delivery of policy and services involving more than one public sector body;

- establishing a new Centre for Management and Policy Studies in the Cabinet Office, incorporating a reshaped Civil Service College. The new Centre will provide an entry point at the heart of Government for the "best new thinking" on current issues and new approaches to management. It will commission research into innovation in strategy and delivery and will act as a repository for best practice in the public sector and elsewhere and be the focus for training the senior public servants of the future;

To involve departments in the work of the Cabinet Office as the corporate headquarters of the public service, the Secretary of the Cabinet established a team, including a number of permanent secretaries, to act as a Management Board for the Civil Service. From this action it can be deduced that proposals or initiatives to improve service delivery throughout the public service will be considered from various departments, and not only one ministry.

From the reorganisation of the Cabinet Office in the United Kingdom, it is obvious that it has been structured to become the effective corporate headquarters of the public service. It will ensure coherence in all aspects of policy and implementation. From the experience in the United Kingdom, it is apparent that the success of their reform program contains key elements to achieve successful change. The lessons, which South Africa could learn from the British experience, on which they established model guidelines for managing the reform process, are:

- clear support from the highest political level;
- singular reform initiatives (such as the British Citizens' Charter) which can be adapted to fit different circumstances, rather than a rigid model;
- swift implementation to allow the reform program to achieve critical mass and momentum and a review of progress, (such as the review of agency framework documents in the *Next Steps* program);
- a competent high level staff complement and project manager providing sustained, working level pressure for change, and
- continuity in their reform program and adding value, based on previous initiatives.

From the Canadian and United Kingdom reform processes, conclusions could be drawn which relate to the role of public officials in the reform process in South Africa. Although it could be concluded that politicians provide political direction and public managers implement reforms, public managers are not expected to play a subservient role, but could take initiatives to add value to the political direction. In the United Kingdom a competent high-level staff complement and project managers provide sustained, working level pressure for change. In Canada, senior managers play a participative role in the reform process. No one particular model is superior to the other. The model to be applied in South Africa would depend on the political role-players in reform.

4. STRATEGY

The OECD strategies on reform (OECD Country Papers, 1999) indicate that each country follows a strategy to deal with its particular problems. Since the early 1980's most countries adopted reform strategies to develop models of *entrepreneurial governance* which are replacing the *welfare* assumptions about the state. The essence of the entrepreneurial model (Osborne and Gaebler,1992) signifies a move towards privatisation, downsizing government, the development of internal markets, adhering the customer needs and a transformed bureaucratic culture. This entrepreneurial shift, has been labelled the N*ew Public Management* (NPM) (OECD,1995) (PRC,1998 (b)). The number of NPM reform interventions are wide ranging, and to narrow down the various options, Schick (1999:9-15) identified four mainstream NPM reform strategies. The framework of Schick will be used to construe a guideline, which South Africa could utilise to comprehend the range of NPM reform interventions and their implications for reform.

The first strategy is *market driven* reform, the second is *managerial*, the third is *program review* and the fourth is *incremental*. All countries, which have embarked upon voluntary reforms, implemented one or more of these strategic categories. In every country, however, one strategy usually has pre-eminence. The four strategies have some common elements. All strive towards efficiency and responsiveness; to strengthen accountability for results and resources; and encourage greater variety and flexibility in the provision of services.

The possible application of each strategy raises particular questions, which have to be addressed in assessing the prospects for success. South Africa cannot, for instance, embark on a market strategy, if it has not ascertained whether true conditions for competition in internal and external markets have been established. If conditions are not conducive for particular reform strategies, reforms that show promise at the launch thereof may quickly become a costly experiment. Appropriate strategies could start the reforms on a positive note and ensure that the selected course is maintained.

4.1 Market driven reform strategy

A market strategy divests particular tasks or activities; it favours the most efficient (or least expensive) supplier, even if the outcome is a smaller or weakened public service. Market-driven reforms rely on competition, prices, and contracts. The market strategy draws a sharp distinction between the state as policy-maker and the state as service provider. It provides for hiving off the delivery of services to non-governmental entities or to operationally-independent agencies (United Kingdom, 1994) (United Kingdom, 1995).

New Zealand and the United Kingdom are examples of countries, which have created external markets. Such markets are created when government operations are privatised or contracted out, or when citizens are given the option of selecting their providers. The primary motivation for external markets is the inefficiency of the operations of large departments, which are hierarchical with cumbersome decision-making processes, policies and regulations. Command and control systems require uniformity and enforced compliance. To enhance efficiency, departments are reorganised into semi-autonomous business units, which could outsource the delivery of selected services. (Duncan and Bollard, 1992) (Walker,1996).

In New Zealand, (OECD, New Zealand Country Report, 1999) ministers have purchase agreements to contract for services at agreed prices from departments, and contracts to purchase services from other government entities. It has performance agreements for heads of departments and fixed-term contracts for senior and middle managers. The internal market strategy provides for:

- ministers to have a free choice to purchase services from departmental or other sources;
- outputs to be produced are specified in advance; and
- compliance monitoring through reports and audits.

It could be argued that in countries, which have created internal markets among departments, are departing from freemarket principles, if inter-departmental transactions with one another are not subjected to competitive pricing processes. To make the inter-departmental transactions and agreements fair, and promote competition, the required services must be advertised to invite tenders. It appears as if relationships within governmental units in New Zealand do not reflect private sector market prices, based on open competition. The gains from competition may be illusory rather than real. The internal markets are substitutes for genuine markets. Real markets specify the unit cost of outputs, not just total costs and allow redress if the contract has been breached (Mellon, 1993).

In the United Kingdom, a program, *Competing for Quality,* based on a program launched by the White Paper *Competing for Quality - Buying Better Public Services* (United Kingdom 1991) introduced more competition and service provision choices into government services. The program enhanced competition with the private sector and encouraged forms of public/private partnerships. *Competing for Quality* covers a wide range of efficiency techniques, including benchmarking and restructuring, but most attention was focussed on market testing/contracting out. Under the program, four 'prior options' questions are asked of a government activity:

- whether it needs to be done at all (if not, abolish it);
- whether the government has to maintain responsibility for it (if not, privatise it);
- if the government needs to maintain responsibility for it, would the activity be managed more cost effectively by the private or public sector (if so, put the activity out to private sector competition - statutory contracting out - or invite existing employees to compete with the private sector - market testing), and
- if the work has to be carried out within government, is the organisation properly structured and focused on the task ?

By September 1994 over £2bn of activities were reviewed under the program, which produced annual cost savings of £400m (average savings of 20%) with a reduction of 27 000 in public service posts (United Kingdom,1995). From the savings, which the program has produced in the United Kingdom, it could be considered as a reform strategy for South Africa. The key issue to consider before market testing and contracting out are decided upon as a reform strategy, is: is there a private sector service provider for market testing or contracting out? Research will however, have to be conducted in most provinces to determine if private sector markets exist.

To provide consumers with service competition and choice require firstly a relationship between customers and suppliers, and secondly a relationship between government organs of state which purchase and others which provide services. South Africa will have to determine to what extent ministries could rather purchase services from private sector providers than from government entities? Will ministries cancel contracts if they are dissatisfied with quality and will they scan the market for cheaper prices? What will the transaction costs be to maintain an extensive network of contracts?

External markets require that adequate information must be available to consumers to inform them about choices, both to the affluent and the poor. In South Africa the transaction costs to empower the public could be a factor that contributes towards the price of public goods and services.

4.2 Managerial reform strategy

A managerial strategy strengthens the public service by awarding the public servants more power and discretion to manage operations. Managerial reform focuses on the professionalism, skill, and public service ethics. The managerial model allows public managers more choices to provide public services, and to be more responsive to the wants of recipients. The model requires less legislation and regulations to prescribe how services are to be rendered. It departs from the assumption that control mechanisms could be counter productive, because control mechanisms motivate managers to care more about inputs than outputs, more about procedures than results, more about complying with the rules than on improving performance (Considine,1988:5-17) (Paterson,1988:287-393) (Considine 1990).

The fullest expression of managerial autonomy is to compile negotiated budgets, with discretion to managers to use the resources as they deem appropriate. In this arrangement, managers have a fixed budget for operations costs, but they have authority to decide how much to spend on recurrent expenditure such as salaries, travel, and other expenses. They may still be required to comply with some residual rules concerning, for example, fair employment practices and competitive tendering regarding contracts. But most operating decisions are left to the discretion of managers. They no longer need advance approval from central controllers (Schick, 1999).

Countries such as the United Kingdom, Germany, Finland, Ireland, and the Netherlands follow a managerial strategy for their administrative reform. In the United Kingdom, the Next Steps agencies and in Canada, the Special Operating Agencies pursue their goals and objectives through performance contracts between chief executive officers and government departments (Consulting and Audit Canada, 1993). These arrangements amount to devolving managerial discretion to the operating levels, which provide direct services to the public.

In most countries performance of managers are described in *ex ante* specification of performance targets, objectives, goals and outcomes. Measures to specify performance, such as performance contracts are introduced in countries such as the United Kingdom and Canada, where chief executive officers of government agencies enter into contracts with government departments (Finer, 1991) (Armstrong, 1991).

It could be argued that if the autonomy and discretion, granted to managers in terms of the managerial reform strategy, cannot produce services more efficiently and effectively, the strategy would serve no purpose. It is therefore, apparent that the success of the management strategy hinges on the specification of targets, reporting on results, and auditing of performance. *Ex post* review of actual performance must be carried out to determine if government agencies and the chief executive officers were successful in fulfilling their mandate. South Africa has no history of heads if government departments receiving targets from ministers. It would therefore be prudent to first have a number of pilot projects to determine the discretionary scope, and the resources, which the head of a department would require before such an initiative is considered.

In the United Kingdom, *benchmarking* is used to measure the performance of government institutions (Cowper and Samuels,1998:1). Benchmarking is an efficiency instrument based on the principle of measuring performance of one organisation against a standard, whether absolute or relative to other organisations. It can be used to:

- assess the performance of an institution objectively;
- expose areas where performance is needed;
- compare processes with other organisations, to adopt best practices; and
- test whether improvement programs have been successful.

In the OECD (1998 (b)) the results of government agencies and chief executives are measured through a number of instruments. In New Zealand, results are measured in terms of governmental objectives, which are broken down into key result areas such as agency-specific outputs, which form the basis of chief executive performance agreements. There is however, no single one best model to determine contractual performance (Trosa,1998). The model a particular government chooses depends on:

- the goals and objectives of reform;
- the difference between the mission of an agency and its corporate identity;
- organisation culture, and the
- legal contractual framework.

It can therefore be argued that the managerial strategy relies on the assumption that public servants are committed to the public's interest rather than their own, but because of human nature, there have to be safeguards to guard against self-interest, opportunistic behaviour and favouritism. Hence the necessity to negotiate performance and to bind parties contractually. It is further argued that the necessity for performance agreements do not call the managerial strategy into question, but indicates the need for and assessment of accomplishments in terms of the reform strategy. A managerial reform strategy for South Africa necessitates that the actual behaviour and effectiveness of managers be monitored through audits and accountability mechanisms. The issue that South Africa has to address satisfactorily before the managerial reform strategy is embarked upon, is an adequate accountability mechanism for managers. The trend in industrialised countries is to make use of performance contracts and benchmarking techniques to determine the effectiveness and efficiency attained by chief executive officers and institutions.

4.3 Program review reform strategy

Program review requires that techniques such as policy analysis and evaluation of programs be conducted to determine the necessity, value and impact of government programs. Politicians reprioritise, redesign and reallocate resources to existing government programs, based on political considerations to improve socio-economic conditions. Program strategy optimises socio-economic outcomes by shifting resources from lower to higher priority programs. Program strategy is applied in states which have a need to produce desired social outcomes within severe resource constraints (Schick, 1999).

Studies in the OECD countries indicate that countries striving to enhance public performance in the light of political demands and resource constraints, may turn to market reforms, public management and also review program commitments (OECD, 1999). The rationale of the program review strategy is that the most urgent task in reforming the modern state is to ensure that public resources are effectively allocated to achieve the fundamental objectives of government. While market reforms and managerial strategies apply mostly to the *operational* work of government, the program review strategy requires government to accord a higher priority to define *governmental goals and objectives and design policy* to attain such goals and objectives. (Schick, 1999). Few countries apply both approaches.

The reform program of the United Kingdom initially focused on service delivery and operational efficiency. A decade after launching the Next Steps initiative in 1988, the United Kingdom undertook a series of fundamental reviews to determine program effectiveness and outcomes (OECD, United Kingdom Country Report, 1999).

Canada is one of the few countries that follows an eclectic approach, combining *inter alia*, program review with a wide range of management initiatives affecting service delivery, citizen participation, deregulation of the public service, and financial management. Program review has been the main focus of the Canadian reforms. It was launched in 1994, at a time when the country faced financial and budgetary pressures. The Canadian program review addressed not only pragmatic questions of program design and delivery, but fundamental questions regarding the role of the Federal Government. Although program review has not formally covered other levels of government, these have been separately reviewed in a parallel exercise (Paquin, 1994) (Smith 1997) (OECD, Canada Country Report, 1999) .

Prior to undertaking a comprehensive reform, the Canadian Federal Government restructured some key institutions in June of 1993. This created coherence and provided a basis for public sector reform. During 1994-95 and 1995-96, the government conducted two formal rounds of program review. Firstly a comprehensive review of departmental programs and afterwards policy reviews and reforms that have either provided input or built upon the formal program review process. The program review in 1994-95 identified reform actions up to 1997-98. Program review in 1995-96 identified actions to be implemented up to 1998-99. To give effect to their program review action plans, ministers were therefore provided with considerable lead-time to design and implement changes. The implementation was, however, integrated into decision-making processes involving Cabinet. Temporary processes set up to run program reviews were disbanded after the 1996 budget.

The reform arising from program review was the cornerstone of Canada's fiscal consolidation exercise. All portfolio ministers were asked to review programs in their respective areas including *review and assessment* of programs, *development of plans* for achieving savings, *consultation* with clients and stakeholders and *implementation* of decisions.

Canada has the following six program review tests to guide program review assessments and plans (OECD. Canada Country Report, 1999):

- Public interest: does the program or area of activity serve the public interest?
- Role of government: is there a legitimate and necessary role for the public sector in this area?
- Federalism: is the current role of the *federal* government appropriate in this area?
- Partnership: what activities or programs should or could be provided, in whole or in part, by the private (or voluntary) sector?
- Efficiency and effectiveness: if this program or activity continues, how could it be improved?
- Affordability: is the resultant package of activities or programs affordable within the fiscal parameters of the government?

Four years after the Canadian Federal government embarked upon program review, the government reported that it had balanced the budget (Smith 1997). The Canadian government institutionalised the review process, by linking it to expenditure decisions. The expenditure management system feeds the results of reviews into budget actions. The government has built strong reallocation requirements into the new system and with a few exceptions, e.g. program initiatives have to be funded through existing program savings (Schick, 1999) (OECD, Canada,1999).

The Canadian experience indicates that it takes time for fundamental program review to show results. It could thus be argued that if South Africa considers a program review as a strategy it must allow adequate time for ministers to gather information on the nature and content of programs. It could be expected that due to entrenched interests it could raise conflict. Before program review is institutionalised, it will be difficult to integrate in-depth reviews with the ongoing routines and procedures of budgeting. From the Canadian experience it could be further deduced that a program review reform strategy would require a commitment from the South African government to consider past programs and abolish ineffective and low priority programs. To make program review effective, reallocations have to be made within fixed budgets. To make allocations would presuppose that government has established its role and functions, vis-à-vis the private sector and civil society, or public enterprises.

Only when the present political leadership is willing to do an in-depth evaluation of its existing programs will the program strategy have a lasting effect on the optimal utilisation of resources. The fundamental issue which South Africa has to consider in a program review strategy, is whether government has the political will and strength to redesign its programs and allocate resources which would be in line with realigned government objectives and programs. It is an exercise, which could run over several budget cycles, such as in the case of Canada, but could yield resources for high priority programs.

4.4 Incremental deregulation

Incremental deregulation relies on ongoing review of government legislation and the regulatory environment and practices to streamline management and remove wasteful controls. An incremental strategy looks for opportunities to deregulate and ease management rules. The incremental model would lead to a system of government, which is less burdened by controls and regulatory requirements (Schick, 1999).

German reform complies with the incremental strategy. The country has adopted a series of measures aiming to streamline the state activities and reduce costs. The aim of the reform program is to increase the effectiveness and economic viability of the federal resources. The reform program is focused on reducing the size of the federal government by identifying tasks, which can be transferred to subordinate authorities or the private sector, or abolished altogether. German reform interventions also include privatisation and deregulation, requirements that proposes legislation that indicates projected costs, reductions in the number of federal ministries and in other federal entities. Some interventions introduce management instruments to measure program costs and performance (OECD, German Country Report, 1999).

Comprehensive reform in Germany was attempted in the 1970s, but many of the proposals made at the time were not implemented. The current modernisation program, by contrast, emphasises constant improvement. It is assumed that many small steps will be a quicker and smoother way of achieving reform than a large-scale reform package. Towards the end of 1999, the reform process consisted of 800 individual projects, with the number rising continuously (there were 600 individual measures in 1997). The Federal Government established the Lean State Advisory Council in September 1995. The Council has, for example, insisted on a review of the Federal Government to improve the legal framework, reduce costs and increase the creativity of service providers. It is now incumbent on the Steering Committee on Administrative Organisation to implement the resolutions made by the Advisory Council. All ministries must implement binding measures. Some measures are voluntary. The modernisation measures are through short-term measures (within 1 year) medium-term measures (within 4 years) and long-term measures (more than 4 years) (OECD, Germany Country Report, 1999).

Unlike Germany, which is Federal State, South Africa could direct its reform program from the Office of the President. It is therefore, possible to initiate reform interventions in selected national departments and provinces and to learn from experience before reform interventions to other departments and provinces are extended.

The overriding question for South Africa in considering an incremental approach is whether government can sustain interest and support for reform over an extended period. Of equal importance would be the consideration whether the lack of reform in the past has not reached the point where the country can afford the luxury to make frequent adjustments in rules and operations to improve management. Although the obvious advantage of this approach is that particular reform interventions can be adopted when the opportunity presents itself and that the reform interventions can be fine-tuned as circumstances and opportunities change, the current circumstances demand a more robust strategy. In some areas of public management such as financial management, the situation in some provinces, such as the Eastern Cape and Mpumalanga, have reached unacceptable proportions, which could require other reform strategies, such as the market strategy, which could be more beneficial.

5. IMPLEMENTING STRATEGIES: GENERAL GUIDELINES

No strategy is self-implementing. The South African government has to consider who should carry out the reform, and when. It should also take steps to build support for, and interest in the reform program. These and related tactical considerations could determine reform progress. Caiden identifies a few practices which must be avoided (Caiden, 1999: 822-823):

- starting the process inadequately prepared, without knowledge of the reform requirements and without being accepted by the reform target group, despite courtesies and co-operation on the surface;
- copying reform without tailoring them to local conditions;
- incorrectly diagnosing the situation and designing the wrong interventions;
- hidden intentions and using reform as a front for the real agenda;
- being indecisive;
- inadequate planning and missing opportunities;
- concentrating on unduly restrictive techniques and ignoring available alternatives;
- investing too few resources in the reform process;
- neglecting to monitor performance;
- ignoring feedback and evaluation, and
- displacing goals during the reform process.

6. CONCLUSION

From the experience in countries, which have reformed their public services, it becomes evident that political leadership and an appropriate reform strategy are essential to initiate and sustain the process and also to attain results. If the President of South Africa does not personally lead the reform process, he should at least be involved in the process to ensure political support. His constitutional role as head of state and the requirement to co-ordinate the functions of state departments makes his involvement a *sine qua non*. His constitutional role and political authority is essential for co-ordination and coherence of a reform program within the national and provincial spheres of government. As head of government, only the President can effectively deal with opposition to reform within his own political party and direct the nature and contents of a reform program.

The window of opportunity for reform could begin to narrow as the next election in 2004 draws closer. The President must therefore display the necessary leadership to implement the reform as outlined in the report of the Presidential Review Commission.

Ministers must take responsibility for the implementation of reform in their departments. Co-ordination of reform interventions will be possible through cabinet meetings, and parliamentary debates. The parliamentary Portfolio Committee on the Public Service is well placed to monitor the reform program. *Ad hoc* parliamentary reform committees could focus on specialist issues, but a further advantage of such committees would be the engagement of politicians from opposition parties in the reform process. Opposition parties, which co-operate, will add value to influence the public sector reform, and review reform outcomes. Discussions in Parliament, and the attention which the media could give to the reform process, could engage parliamentarians in the reform debate, thus making it public and adding to the public scrutiny of the changes through the news media. It would also inform citizens and in general those affected by reform programs before decisions are officially communicated. Parliamentary interest will contribute towards the perception of opposition parties that the process is transparent. The possibility will therefore be enhanced that the reform will be carried on, should the governing party be defeated during a next general election.

The President should appoint senior managers and a reform program manager in his office to direct and oversee the implementation of reform interventions. For this purpose the Office of the President need to be strengthened to ensure that reform interventions are implemented throughout national departments and provinces. The Office of the President should direct the program politically and ensure that its implementation is managed and co-ordinated. It must review the outcomes of reform policies and the achievement of government objectives. The leading role, which the Office of the President must play in reform, would ensure clear support from the highest political level. His Office has the authority to ensure that singular reform initiatives are implemented within the three spheres of government and that they be adapted to fit different circumstances. The leadership of the President to direct a reform program, can ensure swift implementation, to allow the reform program to achieve critical mass and momentum and a review of progress.

South Africa must align its reform strategy to deal with its particular problems. Since the early 1980's most countries adopted reform strategies to develop models of *entrepreneurial governance* which is replacing the *welfare* functions of the state. It signifies a move towards privatisation, downsizing government, the development of internal markets, adhering to customer needs and a transformed public service culture. The entrepreneurial reform tendency incorporates strategies, which include NPM principles. The four dominant reform strategies are *market driven* reform, *managerial* reform, *program review* reform and *incremental* reform.

A market strategy would lead the South African government to divest particular tasks or activities; it will lead to less expensive services, even if the public service is reduced in size. Market-driven reform will introduce notions of competition, prices, and contracts. Before South Africa considers a market strategy it would have to conduct research to determine what the transaction cost is to maintaining an extensive network of contracts and if the private sector could effectively provide the government services to be contracted out.

A managerial strategy would strengthen the public service by assigning the public servants more authority and discretion to manage operations. The strategy will lead to less legislation and regulations to prescribe how services are to be rendered. The managerial discretion, which is afforded to managers, will however require that the behaviour and effectiveness of managers be monitored through audits and accountability mechanisms. South Africa, therefore, has to ensure that adequate accountability mechanisms for managers exist before the strategy is embarked upon. Performance contracts and benchmarking techniques, which are used in industrialised countries to determine how chief executive officers and institutions perform, will have to be considered with a view to be introduced in the public service.

A program strategy will optimise socio-economic outcomes, by shifting resources from lower to higher priority programs. It would require that techniques such as policy analysis and value for money evaluations are introduced to determine which government programs are relevant and comply with priorities. The strategy will require South African politicians to attain reprioritised socio-economic outcomes within current resource constraints. It would require a commitment from politicians to prioritise government objectives and for both politicians and officials to analyse policies and programs and reallocate them within the current budgetary constraints. In terms of the program review strategy, existing programs could be abolished and new ones could be introduced. Alternatively current programs could be redesigned, and resources reallocated in terms of their new priority.

Incremental deregulation relies on ongoing review of government legislation and the regulatory environment and practices to streamline management and remove ineffective controls. If South Africa embarks on an incremental strategy, it will capitalise on opportunities to deregulate and ease management rules. An incremental strategy is a long-term-process, which will not suit the current reform demands in South Africa, because interventions are needed to deal with a situation that has already reached crisis proportions in financial management in some provinces. A comprehensive reform program, will have to be directed from the national sphere would be more suited to the South African situation.

The choice of a particular reform strategy, or interventions peculiar to one or more of the strategies which have been described, will depend on the particular issue to be addressed. The diversity of problems as pointed out by the PRC report, lack of public service reform in South Africa in the past due to a focus on political reforms, and the problems related to financial management in the provinces will, require an eclectic approach. A simplistic strategy to solve the performance-related issues in the public sector with one particular intervention cannot be applied throughout the national and provincial spheres of government. The comprehensiveness of the problems in the public sector in South Africa mitigates against an incremental strategy. An eclectic approach will combine the need for a program review to reprioritise and reallocate resources for the government's programs with market and managerial interventions. Market and managerial interventions could be applied in the public sector where the private sector could support such interventions and audit capacity exists in government departments to hold managers accountable.