

## THE CHALLENGES OF STATE TRANSFORMATION IN SOUTH AFRICA

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### OVERVIEW OF THE EDITION

The advent of multi-party democracy in April 1994 marked the end of three centuries of colonial conquest and white minority rule in South Africa. As part of the process of transformation which ensued from this event, the ANC-led government has set the reform of the public sector as one of its primary goals. The reforms pursued have aimed to restructure the new state in such a way as to make it more legitimate and accountable to the majority of South Africans. Where the previous state had been authoritarian, repressive and oligarchic in nature, the new state is intended to be democratic, developmental and committed to a culture of human rights.

The articles which appear in this special issue, in different ways, describe and assess the steps which have been taken to both reform and transform the public service. To that extent they both document the challenges which have confronted the new government and critically evaluate the experimentation in new modes of governance which has taken place. Thus Ncholo, until recently the Director-General in the Department of Public Service and Administration, details the steps taken to reform a state bureaucracy that was oriented to the needs of the white minority and which was the backbone of the apartheid system. This was a state which, in addition to its inherently racist nature, was structured according to closed models of public and development management. It was thus characterized by outdated management practices, corruption and mismanagement of resources. His article details the steps taken, in the first instance, to create a more representative and legitimate public service and one that is reflective of the demographic composition of the majority, a change described as being transformational. The second, and contemporaneous, challenge has been to reform outdated managerial systems and practices and to ensure improved service delivery and accountability.

Ncholo is justly proud of the achievements of his department in setting in place a new policy regime and a new framework for the South African public service. The achievements in integrating the ethnically fragmented public service and in promoting a more representative bureaucracy, in particular, are noteworthy, as has been the promotion of a more transparent form of administration. That stated, Ncholo himself is compelled to disclose that the process of reform has not always run smoothly. The chairperson of a departmental investigation into the operations of provincial governments, he uncovered extensive evidence of administrative malpractice, of poor delegation and co-ordination and of the employment of large numbers of supernumeraries and fictitious employees (the so-called 'ghost workers').

The article by Bardill advances this theme. He acknowledges the strides taken in reforming the state, but provides a more rigorous critique of the manifest shortcomings in the process. His article provides a cogent overview of the findings of the Presidential Review Commission (PRC), which was established in 1996 both to review progress in the reform process and to make recommendations for further restructuring and improvement. The PRC conducted an extensive review of the public service and concluded, once again, that whilst progress has been made, some major areas of concern in the public sector remain. These include the

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slow pace of transformation, the lack of a clear vision for change, the lack of effective leadership, ineffective strategic management and a lack of alignment between planning and budgeting. In its recommendations the PRC proposed a 'right-sizing' of departments to meet the real needs of service delivery and to allow a greater proportion of the national budget to be spent on development projects. In the same vein it recommended the rationalization of the number of departments and the outsourcing of functions to the private sector. Bardill also provides a critique of the PRC itself, which, he maintains, was too focused on the national level of government to the neglect of the provinces, that it was too Euro-centric in its orientation and in danger of promoting an over-centralized government in its recommendations.

In his article Tapscott focuses on the issue of intergovernmental relations. He cites the PRC as stating that 'the relationship between and within different spheres of government (had) emerged as an issue of key concern' and that 'weaknesses in the structures and practices of intergovernmental relations led to poor co-ordination within and between different departments and spheres of government, creating an incapacity to implement national programmes and a consequent failure to deliver basic services' (Presidential Review Commission, 1998, p. 35).

The Commission identified several factors inhibiting more effective co-ordination of intergovernmental relations; amongst these were the lack of an effective co-ordinating mechanism at national level, the absence of a clear policy framework for intergovernmental relations and the existence of unrepealed legislation from the previous political order, which serves to perpetuate the fragmentation of services. The lack of an effective co-ordination mechanism at the central level, in particular, has meant that national policy is often unco-ordinated. This inhibits the elaboration of multi-sectoral programmes and the development of a coherent national policy framework. Poor integration of policy at the national level, moreover, is exacerbated at the provincial level where administrative capacity is more limited and here clear policy lines and clear channels of reporting are essential. As a consequence, a feature of most provinces at present is their inability to plan and implement multi-sectoral programmes.

In many countries intergovernmental relations are understood largely in terms of political struggles and power brokering between different tiers of government. In South Africa the understanding is less clear: from the plethora of intergovernmental technical committees it might appear as if the issue of co-operation between and within different tiers of government is largely a technical one. However, the most contentious issues in intergovernmental relations to date have generally been of a political and not a technical nature, as evidenced in the national government's interventions in the Western Cape province following the ruling National Party's attempts to gerrymander municipal boundaries to exclude black communities, and in the Bushbuckridge provincial border dispute.

The Presidential Review Commission, in fact, highlighted the failure of structures set up to promote intergovernmental relations at the political level. The Inter-Governmental Forum (IGF), in particular, was seen as a largely ineffective consultative body without executive authority. Whilst the Ministerial Forums (MINMECs) were reported to have achieved some success in strengthening co-operation between national and provincial departments, they were seen to be highly sectorally focused and were stated to be paying insufficient attention to related functional areas; as such they encouraged the fragmentation rather than the co-ordination of policy formulation.

Wallis's article addresses the challenges of development planning and policy implementation in the critical sector of health. He argues that it is important to review the institutional framework, and in particular legal and constitutional factors, shaping policy in order to fully understand the problems faced and the progress being made. Whilst his analysis is of the health sector, he also draws attention to the importance of local-level administration. Since poverty is widespread, especially in rural communities, government departments must develop the capacity to respond to this challenge. Despite an array of new programmes and a considerable degree of rhetoric, he argues, there remains a great deal to do in improving the welfare of the majority of South Africans. In proposing an alternative approach, Wallis suggests that there needs to be a more radical shift away from past administrative paradigms which are oriented neither to development planning nor to poverty alleviation. In that respect a number of hitherto ignored factors need to be

addressed, including technical effectiveness, participation (including private sector involvement and community action) and institutional capacity building. The establishment of a new planning regime in the public sector will need to be underpinned with appropriate training programmes and with strong research support.

Mokgoro, formerly the Director-General of the North West province and currently the Director-General of the South African Management Development Institute (SAMDI), presents a view of the public service from the coalface. In his article on the provincial experience of managing national transformation policies, he suggests that the absence of policy analysis skills and practice are major impediments to the implementation of policies. An improvement in policy analysis skills, he argues, is essential if the government is to improve its performance. Stakeholder analysis, which clarifies a decision maker's strategic options, is another area which has received insufficient attention in the public sector in South Africa.

Implementation problems in the North West province include a lack of reliable data and information upon which to make decisions, which is, in turn, a consequence of an inadequate management information system. Such problems policy implementation are a common phenomenon in developing states. Policy implementation, as Smith avers, is a far greater challenge in the third world than in developed countries. This state of affairs may be ascribed to a lack of financial resources, inadequate trained staff, poorly framed policies, target group opposition and underdeveloped bureaucracies which are unable to formulate and plan systematically (Smith, 1985, pp. 135–137).

However, the problems of implementation, according to Mokgoro, cannot only be ascribed to poor management by provincial governments. He points out that national policies and directives are often imposed upon provinces without regard to their specific circumstances. Thus, for example, some heads of departments in the North West felt that the publication of the White Paper on the Transformation of the Public Service was premature in that most provinces lacked the capacity to implement its recommendations. A further problem relates to the fact that a number of policies have been initiated by national government with apparently little regard to the enormous financial implications they impose upon provinces. For example, the Basic Conditions of Employment Act of 1997 imposes what he regards as onerous overtime payment burdens upon provincial administrations.

Cameron's article deals with local government, with particular reference to metropolitan governance. Under the new constitutional dispensation, local government has been elevated (at least theoretically) from a largely 'Cinderella' status to that of a distinct sphere of government with its own originating powers. Metropolitan areas, because of their scale and wealth, are now seen as key instruments for the promotion of economic and social development.

The Local Government Transition Act (LGTA) of 1993 established a two-tier system of metropolitan government, and on that basis Cape Town, Johannesburg and Durban each negotiated a different model of metro-local relations. The performance of metropolitan governments to date, however, has been mixed. There is some evidence that municipal services have been extended to poorer areas in Cape Town and Durban. However, owing to poor management, Johannesburg has been through a severe financial crisis, which has led to a major reduction of capital expenditure on services in disadvantaged areas.

In recent developments, controversial new legislation makes provision for a single-tier authority ('megacity') as the only option for metropolitan areas. In the initial formulation of this legislation the Minister of Provincial Affairs and Constitutional Development was assigned the power to determine the boundaries of metropolitan areas, but this was overruled by the Constitutional Court which deemed that this should be the responsibility of the Municipal Demarcation Board. Under the new system, provision is also made for the appointment of executive mayors in metropolitan areas. The policy intention is to have a high-profile public figure who will, *inter alia*, play a key role in marketing the metropole and in attracting investment.

Cameron concludes by suggesting that there is no conclusive evidence that either the unitary or two-tier model is a better system for dealing with metropolitan problems in South Africa. The costs of disrupting local government structures that have recently been put in place could well prove to be far greater than any

potential economies of scale that might be achieved by amalgamating existing municipalities into a megacity. Illustrative of this, the major administrative reorganization recently undergone by both Cape Town and Johannesburg served to distract attention away from rather than address the key issues of redistribution and service delivery. Unitary structures, he argues, should consequently be introduced in a way that will minimize administrative disruption if developmental goals are not to be jeopardized. If this approach is adopted, a single-tier system could well lead to the better management of metropolitan areas in the long term.

The articles in this special issue on South Africa have been written both by practitioners and by academics extensively involved in the policy-making process. To that extent they are more applied than theoretical in orientation. They also by no means provide an exhaustive account of the extensive public service transformation under way. Nevertheless, it is felt that they provide an accurate overview of the transformation pains that the South African public sector has undergone during the last five years. They also provide pointers as to the type of administrative regime which might be expected in the new millennium. In the final section of this introduction a brief look will be taken at some of these emerging trends.

### TRANSFORMING THE STATE: A FORWARD VIEW

Following the elections of May 1999, the African National Congress (ANC) was returned to power and Thabo Mbeki became the second president of the new South Africa. At the outset this transition has not led to major new policy directions, but rather to the intensification of reforms that were begun during the Mandela era. However, where the Mandela presidency was characterized by national reconciliation and political transformation, the emphasis of the Mbeki government is firmly on service delivery and economic growth. The forceful implementation of the *Batho Pele* (People First) programme, in particular, is indicative of this trend.

What is perhaps significant in that respect is the fact that the new government's public service reform programme includes a gamut of New Right managerial measures, including a move towards downsizing, the outsourcing of work, the introduction of performance management systems and the assignment of greater autonomy to government departments.

A reduction in the size of the public service was a long-stated objective of the Mandela government, but was routinely obstructed, if not blocked, by powerful public service unions and, as elections drew close, by the concerns of ANC whips anxious about the political fall-out of large-scale retrenchments. Undaunted, the Mbeki government has reiterated its intention to cut the numbers of public sector officials. Staff costs, particularly at provincial level, are prohibitive and make up just over 50 per cent of non-interest expenditure. These high personnel bills restrict the ability of provinces to deliver services and to improve capital infrastructure. In a survey of the budgets of seven provinces for the 1990/2000 financial year the highest capital expenditure budgeted for was 6.27 per cent in the Western Cape. No other province will spend more than 4 per cent on capital projects during this year, while KwaZulu Natal budgeted for not capital projects at all (*Business Day*, 25 February 1999).

However, Landman (1998) points out that from 1995 to 1998 there was in fact a 9.8 per cent reduction in the public service to 1,151,203 employees, and in comparative international terms the public service is not especially large, with just 2.84 per cent of the total population being in government employment.<sup>1</sup> A survey of the proportion of public servants to total population conducted in 86 countries revealed an average of 2.0 per cent in Africa, 2.6 per cent in Asia, 6.9 per cent in Eastern Europe and the former USSR, 3.0 per cent in Latin America and the Caribbean, 3.9 per cent in the Middle East and North Africa and 7.7 per cent in the OECD countries, with an overall average of 4.7 per cent.<sup>2</sup>

<sup>1</sup>This percentage was calculated on the employment statistics of national and provincial departments of 1,151,203 employees as at 31 March 1998 (see Landman, 1998, p. 1) as a percentage of the census figures for the total.

<sup>2</sup>D. Olowu, 'Smart versus affordable states – lessons of the Uganda experience', paper presented at the Annual Conference of the International Association of Schools and Institutes of Administration (IASIA), Birmingham, UK, 19–22 July 1999.

The problem in South Africa, evidently, is not so much one of the size of the public service, but rather its affordability. In 1995 South Africa was proportionally amongst the world's biggest spenders on public service salaries, and World Bank data revealed that the government spent 31 per cent of its overall budget on salaries and wages. This was the second highest of the 17 countries falling within the Bank's middle-income category. Since then, expenditure on personnel rose as a proportion of total budgetary spending from 50 per cent in 1995/1996 to 60 per cent in 1999/2000 (*Business Day*, 13 October 1999). The equalization of service conditions, involving, *inter alia*, substantial salary increases for lower earners and the elimination of gender discrimination, has been blamed for some of the increase in the wage bill. Criticisms have also been levelled at the Public Sector Bargaining Council for ignoring the fact that high salary awards affect the ability of provinces to deliver services (*Mail and Guardian*, 26 February 1999).

From recent developments it is evident that the government is prepared to take on the powerful public sector unions in its efforts to force through its reform programmes. This was evident in the stand-off that occurred immediately after the elections between unions and the government over annual wage negotiations. Despite an extensive countrywide strike, the government unilaterally awarded an increase lower than the unions' final wage demand. Reflecting the government's intention to free up resources for capital development, the new Minister of Public Service and Administration, Geraldine Fraser-Moleketi, stated in a full-page newspaper advertisement that:

Allocating any additional money into salaries and therefore further increasing personnel expenditure will inevitably lead to the systematic erosion of equitable service delivery. Government has a responsibility to eradicate past imbalances by improving access to services for previously disadvantaged communities. It is in the interest of our democracy to support the transformation of the public service toward increasing efficiency and effectiveness in order to accelerate delivery of services (*Sunday Independent*, 12 September 1999).

A concomitant of the efforts to cap the public sector wage bill and downsize staff numbers has been the drive to privatize a range of government services. Whilst the Minister of Public works, Jeff Radebe, has announced measures to create a legal framework and thereafter an Act (*Business Day*, 6 August 1999) to accelerate the government's restructuring and privatization programme, the move has been widely condemned by the unions and many in the NGO sector. The criticisms raised in this regard relate to concerns that the commercialization of service delivery will be to the detriment of the poor, especially those living in remote rural areas where there is little incentive for private companies to operate. The government's counter is that it is trying to promote more cost-effectiveness and efficiency in the use of public funds and that savings will be directed towards service provision for the poorest segments of society.

The drive for greater accountability and efficiency is evident in the government's current efforts to eradicate endemic corruption within the public service. At a national anti-corruption summit held in Durban in October 1999, a number of far-reaching resolutions were taken, including a decision to establish a National Co-ordinating Structure to co-ordinate, monitor and manage a national anti-corruption programme. The elimination of corruption which is embedded in certain sectors of the public service, however, is likely to be a protracted and difficult process.

A further significant development has been the tabling of two parliamentary bills aimed at giving effect to certain provisions in the constitutional Bill of Rights and, thereby, to create a more democratic and accountable public service. The Open Democracy Bill deals with both access to state-held and private-held information and the mechanisms through which the public can gain access to information. The Administrative Justice Bill, which deals with just administrative action, is intended to ensure the constitutional rights of all citizens to demand written explanations for adverse bureaucratic decisions. It gives the courts the right to review administrative action and makes provision for the establishment of a powerful Administrative Review Council which will be aimed to ensure the constitutional right to administrative justice.

Another important development has been the implementation of the provisions of the Public Service Laws Amendment Act of 1997, which recognizes each provincial department as a legal entity in its own right. It

also transfers the power of executing authority to ministers and MECs. This means that ministers, in the case of national departments, and MECs, in the case of provincial departments, will now be politically responsible for such matters as the internal organization of their departments, appointments and promotions.<sup>3</sup> Notably, they are responsible for the appointment of their heads of department, who are now hired on five-year performance contracts. The intention behind the Act is to increase the autonomy of government departments. Certainly the decentralization of human resources and financial functions to provincial heads of department allows for significant improvement in managerial responsibility.

Two concerns have, however, been expressed about the Act. The first concern is that substantial personnel powers are now vested in ministers and MECs and that this could lead to a situation where senior officials, mindful of their job security, pander to the needs of their political superiors at the expense of rational policy decisions. The second concern is about the diminution of the powers of the provincial director-general. It was on this very issue that a Constitutional Court case was brought by the Western Cape Provincial Government against the provisions of the Public Service Laws Amendment Acts. The basis of their objections was the provision that heads of provincial departments should be accorded the same functions and responsibilities as those of national departments and that they should no longer fall under the direct administrative control of provincial directors-general. It was argued that this arrangement removes from provincial directors-general the responsibility and power to ensure the efficient management and administration of their provincial administration. The Constitutional Court, however, found in favour of the central government, ruling in effect that parliament has the competence to prescribe how provincial administrations may be restructured.

The real winner from this ruling is the Department of Public Service and Administration (DPSA), which will have more powers to restructure provincial administrations in accordance with parliament's wishes. In that regard the new Minister for Public Service and Administration, Geraldine Fraser-Moleketi, has identified seven priority areas for her department in the immediate years ahead. These priorities, which encapsulate most of the government's policy objectives, are as follows: 1) a review of current conditions in the public service in order to promote a more uniform system of remuneration, benefits and conditions of service throughout the public sector; 2) improvement in the quality of information on the public service, particularly on the capacity of available human resources; 3) the introduction of an Integrated Implementation Plan (IIP) aimed at establishing effective management plans to ensure the acceleration of service delivery in the Eastern Cape, KwaZulu Natal and the Northern province; 4) the development of policy guidelines for alternative service delivery mechanisms; 5) the fast tracking of capacity building of public services; 6) the improved use and quality of information technology in the public service; and 7) the development of the DPSA capacity to investigate and advise on the medium- to long-term efficiency of the public service.<sup>4</sup> The next few years will determine to what extent the DPSA, which has recently appointed a new director-general, is successful in its efforts to fulfil these goals.

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<sup>3</sup>J. Bardill, 'Extracts on human resources management and development from the Presidential Review Commission Report on the Transformation and Reform of the Public Service', unpublished paper, Cape Town, 1998.

<sup>4</sup>G. Fraser-Moleketi, 'First 100 days in office', DPSA statement, Pretoria, 27 September 1999.