

**PUBLIC SECTOR REFORM WITHIN THE SOUTH AFRICAN  
PERISHABLE EXPORT INDUSTRY**

Lucien Jansen

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**Supervisor:** Professor Kobus Müller

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## DECLARATION

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## **Abstract**

Public sector reform has been around since the 1980s and was a result of criticism against traditional public administration for being too slow and inefficient to address public needs. Although Public sector reform is common in developed countries, evidence of public sector reform has rarely been seen in developing countries. The purpose of this investigation is to determine whether there is any evidence of public sector reform in a developing country such as South Africa.

The author divides public sector reform into three categories, namely: new governance, regulatory governance and new public management (NPM). Based on the theoretical information analysed, a list of qualifying criteria for public sector reform is compiled. The author then focuses on the Perishable Products Export Control Board (PPECB), a statutory organisation acting as a service provider for the perishable products export industry and a regulator on behalf of the South African government. The author analyses the model on which South African perishable exports are based and studies the organisation's history, strategies, operational structure and its relationship with government. The information gathered is then compared to the list of qualifying criteria compiled for public sector reform.

It was found that the model, and specifically service delivery strategies by the PPECB, provides conclusive evidence of new governance, regulatory governance and NPM. It was also found the model is a hybrid between traditional public administration and public sector reform, as it contains characteristics of both.

The study takes the form of a literature review. Research was conducted through studying various literatures pertaining to new governance, regulatory governance and new public management. In addition, the author gathered relevant information from within the PPECB, the South African Department of Agriculture, Forestry and Fisheries (DAFF) and the export industry. Further information was also collected by means of unstructured interviews with senior individuals employed by the PPECB.

## Opsomming

Openbare hervorming bestaan sedert die jare tagtig en het basies ontstaan as gevolg van kritiek omdat tradisionele openbare administrasie te traag en onbevoeg was om openbare behoeftes aan te spreek. Hoewel openbare hervorming in ontwikkelde lande stewig gevestig is, is daar ook bewys daarvan in ontwikkelende lande. Die doel van hierdie ondersoek was om vas te stel of daar enige bewys van openbare hervorming in 'n ontwikkelende land soos Suid-Afrika bestaan.

Die outeur het openbare hervorming in drie kategorieë verdeel, te wete nuwe regeringsbestuur, regulatoriese regeringsbestuur en nuwe openbare bestuur. Op grond van 'n analise van die teoretiese inligting, is 'n lys van kwalifiserende kriteria – gerig op openbare hervorming – saamgestel. Die outeur het vervolgens op die Bederfbare Produkte Uitvoerbeheerraad (PPECB) gefokus – dit is 'n statutêre liggaam wat as diensverskaffer vir die bederfbare produkte uitvoernywerheid en as 'n reguleerder namens die Suid-Afrikaanse regering optree. Die outeur het 'n analise gedoen van die model waarop Suid-Afrikaanse bederfbare uitvoere gebaseer is en voorts die organisasie se geskiedenis, strategie, operasionele struktuur en sy verhouding met die regering bestudeer. Die inligting wat ingewin is, is vervolgens met die lys van kwalifiserende kriteria – gerig op openbare hervorming – vergelyk.

Daar is bevind dat die model – en spesifiek diensleweringstrategie by die PPECB – voldoende bewys lewer van nuwe regeringsbestuur, regulatoriese regeringsbestuur en nuwe openbare bestuur. Daar is ook bevind dat die model 'n hibridisering is tussen tradisionele openbare administrasie en openbare hervorming aangesien dit karaktereienskappe van albei bevat.

Die studie is in die vorm van 'n literêre oorsig gedoen. Navorsing is uitgevoer deur die bestudering van verskeie geskrifte oor nuwe regeringsbestuur, regulatoriese regeringsbestuur en nuwe openbare bestuur. Daarbenewens het die outeur relevante inligting binne die PPECB, die Suid-Afrikaanse Departement van Landbou, Bosbou en Visserye en die uitvoernywerheid, ingesamel. Nog inligting is ook bekom deur ongestruktureerde onderhoude met senior werknemers van die PPECB te voer.

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## **List of Acronyms**

APS:	Agricultural Product Standards Act
CEO:	Chief Executive Officer
CRC:	Centre of Regulation and Competition
DFPT:	Deciduous Fruit Producers Trust
DAFF:	Department of Agriculture, Forestry and Fisheries
DPSA:	Department of Public Service and Administration
EU:	European Union
FPEF:	Fresh Produce Exporters Forum
HACCP:	Hazard Analysis and Critical Control Points
HR:	Human Resources
IT:	Information Technology
NPM:	New Public Management
OCC:	Overberg Conference Centre
PFMA:	Public Finance Management Act
PPECB:	Perishable Products Export Control Board
PPP:	Public-Private Partnership
QMS:	Quality Management System
R&D:	Research and Development
SA:	South Africa
SANAS:	South African National Accreditation System
SAPIP:	South African Perishable Initiative Programme

# CHAPTER 1: AN INTRODUCTION TO PUBLIC SECTOR REFORM

## 1.1 Introduction

Public sector reform is in many cases misunderstood and regarded by some as a phenomenon that we will only experience in the future. However, as economic pressure on consumers mounts and the needs of society change, the load on public service sectors has increased significantly over the past few years. Government needed to adapt and expand the types of services they deliver in order to fulfil the ever-changing needs of citizens.

It is reported that as early as 1980 (Batley & Larbi, 2004:31) services delivered by government came under attack for not keeping up with the demands of society. The Weberian model of bureaucracy was criticised for being too slow, ineffective and unresponsive. This led to the investigation of alternative methods to manage the public sector. Public sector reform therefore entails the transformation of the public services sector in order to meet the needs of society. Public sector reform is characterised by the use of unconventional methods, compared to traditional public administration, in order to deliver a more effective, efficient and responsive public service. Methods used are often synonymous with the private profit sector and can vary from the involvement of third party actors, outsourcing and the promotion of competition, amongst other things. Public sector reform appears to be more common in developed countries, with well established infrastructures and a mature political regime. With a few exceptions, it is often assumed that public sector reform, or at least certain aspects thereof, may be more challenging in developing countries, vis-à-vis their developed counterparts (Ogus 2005:161).

This research study takes a look at the basic principles of public sector reform. The researcher divides public sector reform into three categories: new governance, regulatory governance and new public management. Each of these categories is analysed theoretically and then summarised to generate a list of qualifying criteria against which public sector reform can be measured.

The researcher explores the South African agricultural environment and how it developed over time. The focus then shifts to the functioning of the South African export industry, specifically the export of perishable products.

It is reported that about 25 percent of South African goods and services are exported (Roux, 2002: 93), of which perishable exports make out a massive R7 billion (PPECB Export Directory, 2006: 1-2). Given the relatively high turnover of this particular industry, it can be assumed that the industry is established and probably successful. The South African export industry is regulated by the government. It should be stated, however, that the government does not regulate the service directly, but make use of an organisation outside of government to do so.

With reference to schedule 4, part A of the Constitution of South Africa (108 of 1996), the responsibility for trade is a national and provincial legislative competence. Although the Constitution does not elaborate on the definition, “trade” is defined by Collins (1988:851) as the activity of buying, selling or exchanging goods or services. The export of perishable cargo can certainly be included as part of this definition. It can thus be argued that trade is ultimately a government responsibility, including the export of perishable cargo. In South Africa as a developing country, the regulation of the perishable export industry is done by the Perishable Export Control Board, and this has been the case for a number of years.

The Perishable Products Export Control Board (PPECB) was formally founded in 1926 and has since played a pivotal and influential role in ensuring the orderly exports of perishable cargo (De Beer *et al.*, 2003:12-13). The PPECB is a statutory organisation, established in terms of the Perishable Export Control Board Act (9 of 1983), and is South Africa’s official authority (mandated by the Department of Agriculture, Forestry and Fisheries) to deliver quality inspections (in terms of the Agricultural Product Standards Act, 119 of 1990) and Cold Chain Services to the perishable products industries within South Africa. In short, this merely means that perishable cargo may not be exported without any involvement of, or consent from, the PPECB. The core services delivered by the PPECB include quality inspections and cold-chain management, amongst other things. There is no doubt that the services as stipulated above are intended to ensure that only good quality products

with uniform standards are exported. Through delivering these services, the ultimate goal is to create international confidence in South African produce and thereby ensuring sustainable exports – typically what every government would want.

In 1997 the PPECB underwent a process of deregulation, and lost its grip on many of the services they were initially mandated by legislation to deliver. Most of these services and responsibilities were absorbed by the industry. As a result of this, the export industry needed to get re-organised and accept responsibility for services previously taken care of by the PPECB. It is therefore important that such industry bodies need to have a close working relationship with the PPECB.

Being a parastatal and service provider to the industry, the PPECB constantly finds itself in between being a mandated regulator of perishable exports and independent service provider to the industry. The challenge faced is to ensure proper quality control of export produce, without being a stumbling block to the export industry. As the PPECB operates within a changing and fairly business- and client-orientated environment, the success of such an organisation is certainly greatly dependent on how it adapts to change, but even more so, on the management style and approach adopted by the organisation.

The researcher explores how the PPECB was established and how the organisation operates, and analyses the business model of the organisation. The study also reflects how agriculture and exports developed over time as well as the major changes that took place.

## **1.2 Research problem and objective**

As mentioned before, the PPECB has a statutory function and is by definition a parastatal. The organisation is instituted in terms of the PPECB Act and in addition acts on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF), carrying the responsibility of ensuring orderly exports. Having said this, and with specific reference to the roles and functions performed by the PPECB, as well as the organisation's relationship with the Department of Agriculture, Forestry and

Fisheries, the question should be asked whether this model has any resemblances to the features of public sector reform.

The researcher will therefore use data reviewed or collected to determine if this specific arrangement or model can be regarded as evidence of public sector reform in South Africa, using the PPECB as case study organisation. The focus will be on the services delivered by the PPECB on behalf of government, particularly the methods used to deliver these services, and the structural model that the relationship and delivery of services is built on in order to ensure the effective functioning of the service.

### **1.3 Research design**

The study has drawn on existing data and will take the form of a literature review. It is therefore a non-empirical study design.

The data needed to reach the desired outcome are mostly factual and have been derived from an in-depth analysis of relevant documentation and literature. The ground principles of the study have been based on the gathering of relevant literature pertaining to public sector reform, divided into the categories of new governance, regulatory governance and NPM, and its prevalence in developing countries. The researcher also gathered relevant information in the form of documentation from within the PPECB and the Department of Agriculture, Forestry and Fisheries, (DAFF). Data was collected from both internal (PPECB) and from external (DAFF and other relevant sources). This method of studying / collecting data has ensured that the views of more than one party were taken into account, minimising the possibility of a one-sided approach by the researcher or any of the parties involved.

The collection of data was limited to data that are documented. However, much of the information needed has not been documented, but was regarded as important for the purpose of this study. For this reason the researcher has selected senior employees within the PPECB, who were personally interviewed to elaborate on such information. It should be stated, however, that personal interviews were limited in order to keep the study as factual as possible. Interviews were also not intended to

collect new data, but to ensure that critical information and/or documentation has been interpreted correctly. Interviews took the form of a discussion and unstructured questionnaires were used.

#### **1.4. Research methodology**

To allow the researcher to develop a thorough understanding of public sector reform, the relevant literature on new governance, regulatory governance and NPM was studied and analysed as baseline information. This has assisted the researcher to acquire a proper understanding of the general principles of public sector reform in a global context. The study was then narrowed down to ascertaining the prevalence of public sector reform in developing countries, including South Africa. A list of qualifying criteria (as referred to above) was compiled using this theoretical information.

Relevant documentation, policy frameworks and legislation within a South African context were studied and analysed. The study looked at the South African political arena and the prevalence of public sector reform in a political context. The focus of the study then shifts to the PPECB, and reflects on the establishment of the organisation, the relationship with the DAFF and the way the PPECB conducts its business.

As an outcome, the researcher notes the information gathered on the services delivered by the PPECB, the methods the organisation uses and the involvement of the DAFF. This information is then compared to the list of qualifying criteria to determine whether there is any correspondence.

Amongst other documents, the following internal and external documentation was studied and analysed to note the work done by the PPECB:

- Strategic documentation
- Annual organisational reports
- Relevant legislation
- Industry directories and publications
- Documentation published on the official websites of the PPECB and the DAFF.

In order to ensure the correct understanding of certain terminology used throughout the study, the researcher has listed and defined these terms below.

## 1.5. Conceptualisation

This study refers regularly to specific terminology. It is important that such terms are clearly defined in order to put the research study into the correct context.

- Efficient – refers to the optimal use of scarce resources and often include drivers like value for money (Schwella *et al.*, 1996:17);
- Responsive – means to take note of something and react appropriately (Collins, 1988:678); Kruger *et al* (2005:56) elaborates on this and define responsiveness as the ability to adjust as quickly as possible to any true changes in demand level.
- Re-inventing government – the latest manifestation of the progressive tradition of continuously improving government (Shafritz & Russell, 2005: 545);
- Re-engineering – the fundamental rethinking and redesign of organisational processes to achieve significant improvements in critical measures of performance, such as costs and quality of services (Shafritz & Russell, 2005:545);
- Deregulation – to free an organisation or industry from regulation (Encarta Reference Library, 2002). Craythorne (1993:499) defines deregulation as the removal of obstacles to economic growth and progress caused by the existence of unnecessarily restrictive legislation or policies.
- Public Administration – that system of structures and processes, operating within a particular society as environment, with the objective of facilitating the formulation of appropriate governmental policy, and the efficient execution of the formulated policy (Fox *et al.*, 1991:2).

## CHAPTER 2: A THEORETICAL PERSPECTIVE

### 2.1 Introduction

It is said that the traditional approach to solving public problems is no longer effective. The Weberian model of bureaucracy had already come under attack during the 1980s and was described as slow, insufficient, ineffective and unresponsive to service users (Batley & Larbi, 2004:31). In simple language this means that government was just not functioning well anymore and this called for their approach to be revisited. This set the stage for a worldwide outcry for public sector reform. Salamon (2002:1) states that even defenders of government admit that the wrong kind of government is used to address current needs. The purpose of this chapter is therefore to explore the theoretical framework of public sector reform under the umbrella of new governance. The focus will then shift to regulatory governance as a mechanism of control, and new public management (NPM) as a substitute for traditional public administration. In addition, this chapter highlights advantages and possible problems, and outlines the focal points of these approaches. In conclusion, the researcher will develop a list of evaluative criteria based on the theoretical information gathered in this chapter.

### 2.2 Governance

In order to understand the concept of new governance, it is important to define the term 'governance'. Rhodes (2002:208) implies that the term governance is popular but imprecise, with several distinct meanings. He stipulates that governance refers to self-organising, inter-organisational networks and argues that these particular networks complement markets and hierarchies as governing structures for authoritatively allocating resources and exercising control and co-operation. Frederickson (as cited in Ferlie *et al.*, 2005:282) defines governance as the regimes, laws, rules, judicial decisions, and administrative practices that constrain, prescribe and enable the provision of publicly supported goals and services. Goodin (as cited in Pollitt and Bouckaert, 2000:11) in turn says that governance is nothing less

than the steering of society by officials in control of what are organisationally the commanding heights of society.

Rhodes (2002:208) goes further and concludes that the current use of the term governance does not treat governance as a synonym for government. Governance signifies a change in the meaning of government by referring to a new process, a change in conditions of ordered rule or simply new methods by which society is governed.

Rhodes adds that there are at least six separate uses of the concept of governance, of which governance as new public management (NPM) is only one. He argues that steering constitutes a central part of the analysis of NPM and that steering is a synonym for governance (Rhodes, 2002:211). It is clear that governance signifies change and proper co-ordination of a changed condition. Governance leans more towards the sphere of policy decision making (steering) than delivering the actual service (rowing).

### **2.3 New governance**

In the previous section we noted that the term governance has a lot of different meanings, but they all boil down to change in order or rule to meet the current needs. Needs change over time and government needs to adapt. Salamon (2002:2) argues that earlier government activity was largely restricted to the direct delivery of goods or services; it now embraces providing loans, loan guarantees, grants, contracts and economic regulation. Services delivered by government have become more diverse over time and involve many more stakeholders than in the past. Salamon (2002:2) adds that the situation is complicated by the fact that each of these “tools” has its own operating procedures, skill requirements and delivery mechanisms. He adds that new government services are not simply the delegation of clearly defined duties to regulated agents of the state, but sometimes involve third party actors for governmental functions. These third party actors were at times left alone and allowed to make crucial decisions on behalf of government. These agencies spend government money at their own discretion and in many

instances become known as the “face” of government. Although duly authorised, these agencies must be managed, as government remains the responsible authority.

### 2.3.1 The need for new governance

Salamon (2002:8) is of the opinion that in order to accommodate new governance, government does not need to be reinvented. He says that the process of reinvention is already well advanced. According to Salamon (2002:8), the greatest challenge is to manage the reinvented government.

With the introduction of new governance, third party actors have entered the public domain, thus requiring a different approach from government. It is said that new governance is recognised for its collaborative nature and its reliance on an array of third parties to solve public problems and pursue public purpose (Salamon, 2002:8). Smismans (2006:4) adds that new governance is characterised by heterophy rather than hierarchy, creating horizontal modes of governance among a multitude of actors, public and private, involving all relevant stakeholders. This definitely creates a more participatory environment and a platform to address problems that have become far too complex for government to manage on its own. Salamon (2002:9) distinguishes between classical public administration and new governance based on the following five key concepts.

**Table 2.1: The New Governance Paradigm**

	<b>Classical Public Administration</b>	<b>New Governance</b>
(a)	Programme / Agency	Tool
(b)	Hierarchy	Network
(c)	Public vs. Private	Public + Private
(d)	Command and Control	Negotiation and Persuasion
(e)	Management Skills	Enablement skills

**Source:** Salamon (2002:9)

**(a) From programme / agency to tool**

At the heart of new governance is the shift in the unit of analysis from public agency or individual public programmes to distinctive tools or instruments through which public purposes are pursued. Salamon (2002:10) explains that new governance does not see programmes as unique, but finds certain commonalities in the tools that these public actions employ. He argues that government programmes embody a limited number of basic tools or instruments that share common features, regardless of the field they are developed in. These tools will eventually define the set of actors that will form part of the implementation process. These tools have different characteristics which will need specific management skills.

**(b) From hierarchy to network**

One of the most defining characteristics of tools is their indirect character, the establishment of interdependencies between public agencies and a host of third party actors (Salamon, 2002:11). Frederickson (as cited in Ferlie *et al.*, 2005:283) notes that organisations that want to get things done, will no longer be hierarchical pyramids but systems with interlaced webs of tension in which control is loose, power diffused, and centres of decision plural. The involvement of third parties introduces government to even more allies, but compromises government's position to exert complete control over its own programmes. Government now shares responsibility with an array of third party actors, ranging from hospitals, corporations and banks – thus leaving government with no choice but to establish close networks with those different role-players. Salamon (2002:12) adds that this broadening focus does not only differentiate new governance from traditional public administration, but also from privatisation and from reinventing government. He argues that, although both of these schools acknowledge the importance of indirect government, in neither case is the use of third parties viewed as problematic. Privatisation theories indicate that the private sector is more reliant on serving the public interest than public agencies are. The reinvention school, of which NPM is a part, believes that contracting out and

other means of indirect government should be left to continue, without participation from public managers. New governance, on the other hand, focuses much more on the internal working of public organisations vis-à-vis the networks of actors they rely on. New governance acknowledges the advantages of such networks, as well as the challenges they may pose.

**(c) From public vs. private to public plus private**

Traditional public administration posits a definite tension between the public and the private sectors. The public sector is distinguished by its monopoly and its legitimate mandate to act on behalf of the people (Salamon 2002:14). According to Salamon (2002:14), public systems have been designed to respond to the public will and not to the need of some private groups. In the view of traditional public administration, it was therefore best to keep private interests and organisations at arm's length.

The divide between the public and private sectors can also be identified in privatisation theories. In this instance, it is about the protection of the private sector from intrusion of the state.

According to Salamon (2002:14), the introduction of new tools of public action led to a blend between the public and private sector, instead of a division. Frederickson (as cited in Ferlie *et al.*, 2005:283) notes the blurring of distinctions between public and private organisations and associates this blurring with the conception of governance. New governance calls for collaboration to replace competition between these two sectors. The two sectors should be combined, bringing to the table what each sector does best – government for securing important resources and the private sector for delivering services and innovation in new fields.

**(d) From command and control to negotiation and persuasion**

Salamon (2002:15) argues that traditional public administration emphasises command and control as the modus operandi of public programmes. This means that public agencies operate in a structured and bureaucratic environment with a relatively strict chain of command. Traditional public administration is in many instances preoccupied with the clarification of lines of control and centralising authority – sometimes taking up valuable time that could have been spent differently.

Privatisation, on the other hand, highlights the market as mechanism to achieve coordination and pursue public goals. The focus is on market competition as a replacement for public decision making, shifting aside the need for further administrative control.

New governance, in contrast, rejects both of the above approaches that imply private markets cannot be relied upon to serve public interests above those of the private sector. The relationship between government and private sector requires continuous involvement from government to ensure that both parties are still on track. New governance acknowledges that command and control are not the appropriate approach in the kind of network relationship that currently exists between government and its allies. Instead, new governance proposes negotiation and persuasion as a preferred management approach. It is said that government is not in a position to enforce its will onto others and needs to learn how to create incentives in order to reach desired outcomes.

**(e) From management skills to enablement skills**

According to Salamon (2002:16), the shift in emphasis from command and control to persuasion and negotiation necessitated a different set of skills to manage the phenomenon of third-party government. Both traditional public administration and NPM focus on management skills as the core.

New governance, on the other hand, shifts the emphasis from management to enablement skills. In order to elaborate further on these enablement skills, Salamon (2002:16) highlights the four types of skills.

**Activation skills** – these skills are required by new governance to activate the networks of actors that will be needed to address public problems. Although opportunities are continuously created for third parties to participate in government, these parties must be encouraged and mobilised to become active in their role as a partner to government. On the question of individual accountability, Frederickson (as cited in Ferlie *et al.*, 2005:2) argues that the new style public-private horizontal systems will be led by a new breed of men and women – people who will manage public responsibilities whether in public or private organisations.

**Orchestration skills** – when all players/networks have been activated, new governance highlights the sustainability of this condition. Orchestration skills deal with directing activities to such an extent that they produce the required outcome – a specific activity at a specific time. Salamon (2002:17) compares orchestration skills with the way in which a conductor conduct a symphony orchestra. Orchestration skills will ensure that the relevant role-players remain on board, that the relevant resources are available and that the projects/programmes are in line with the objectives.

**Modulation skills** – New governance introduces the modulation of rewards and penalties as methods to stimulate co-operation from players involved in the network. Salamon (2002:17) refers to this as ‘enoughmanship’. Subsidy provided by developers/government must be sufficient to attract investment in rundown areas, but not to such an extent that it produces windfall profits. It is said that people will generally not cooperate, unless they have a good reason for doing so (Kotze, 1997:41).

Application of penalties and rewards should be well balanced, otherwise players may withdraw, or public goals are completely disregarded. Salamon (2002:17) argues that regulatory enforcement may be more successful if it

promotes the concept of “good inspector” as opposed to “tough cop”. They add that the “good inspector” usually understands that patience, discretion and tact rather than rigid enforcement best achieve regulatory compliance.

New governance focuses on the broadening of discretion and in developing of the skills needed to exercise such discretion that will ultimately advance programme objectives.

## **2.4 Regulatory governance**

In a dispensation where government makes use of unconventional methods and strategies to structure its business, the deployment of proper controls is essential. It is said that distortion of law or rules and corruption are closely linked (Du Plessis in Gildenhuis, 1991:21) - meaning that such laws or rules should be clear and well understood to avoid any malpractice. In terms of NPM and new governance, authority may be decentralised, involving an array of non-government actors. Government may on many occasions be distanced from the actual service deliverers, hence the need for a regulated environment.

### **2.4.1 The definition of regulatory governance**

Governance was defined in the previous section as signifying a new process, a change in condition of ordered rule, or simply new methods by which society is governed (Rhodes, 2002:208). Regulation is defined as the control of an activity or process by means of rules (Collins, 1988:666). If we go a step further, regulations are defined as rules which try to control human behaviour (CRC Policy Brief, 2004:2). We can therefore say that regulatory governance is the framework established in order to exercise control over the new methods used to govern society.

Sharfritz and Russell (2005:13) add that regulation is basically the government telling citizens and business what they may and may not do – controlling their actions and behaviour.

## **2.4.2 The need for regulation**

Regulation can be called upon for more reasons than one. Amongst the most common are to ensure certain standards; enforce uniform standards; create law and order; and guide actions and activities to reach specific outcomes. According to Sharfritz and Russell (2005:14), the more crowded and economically developed an environment is, the more regulations can be found – very ironic, as one would expect a greater sense of self-control with economic development. They argue that regulation may minimise or prevent people from bumping into each other's cars; prevent the building of structurally unsound houses; and even prevent/minimise incidents of food poisoning. Such incidents were fairly common but became less as society became more regulated. Ogus (2005:146) states that regulation involves individuals and firms being induced to achieve outcomes that, in absence of the instrument, they would not have attained.

## **2.4.3 Methods of regulation**

Modern-day regulation is so common that we adhere to it without any objection. Sharfritz and Russell (2005:13) say that we are regulated from:

The day of birth (birth certificate); building a house (building regulations); driving a car (driver's license); getting married (marriage license); even till the day we die (death certificate). It is therefore a fact that our lives are continuously governed by some form of regulation.

One form of regulation relates to how the state continues to control activities that have been privatised. Another relates to how the NPM reforms are designed and implemented (CRC Policy Brief, 2 of 2004). The latter reforms are supposed to eliminate politics from management and ensure institutional autonomy.

#### 2.4.4 Regulatory systems

According to Ogus (2005:150), regulatory systems must be enforced and this requires some agency to do so. He identifies four main agency types:

**(a)** The agency that is part of government. The agency may turn to the outside for opinions, but the rules and final decision are made within government.

**(b)** An agency that is semi-autonomous – this agency is independent and not accountable to government. However, government exerts some control, through one or more of the following:

- The appointment of members;
- Government representation;
- Rules and decisions must be made in accordance with government policy or guidelines;
- Ratification of decisions by relevant ministers.

**(c)** An agency that is independent of government. Few, if any, of the controls stipulated in the previous agency types exist. This type of agency is a public institution, acting under powers conferred through, and in accordance with, principles enacted by the legislature. Members of this agency are experts recruited from non-government sources without political affiliations.

**(d)** An agency that is self-regulatory and independent from government. A significant proportion of the agency members are drawn to represent their respective regulated sectors. However, some degree of public control may be exercised through one or more of the following:

- Some members to represent public interest;
- Principles and procedures followed are determined by the legislature;
- Agency rules and decisions may be challenged by reference to courts or a superior public agency.

### **2.4.5 Advantages**

Ogus (2005:151) states that the delegation of regulatory rulemaking to agencies independent of government has several advantages.

Distance from government can reduce the degree of political interference. Decisions are made outside of government and in most instances solely based on the facts.

Expertise of members can be concentrated in ways that are not always possible within government. Being outside of government, members usually experience less or even no political interference and can therefore remain focused by expending their energy on the actual tasks.

Ogus (2005:151) also acknowledges the involvement of government in some instances, for example, Agency Type (b). Although there has been a great tendency towards deregulation over the past three decades, government still needs to keep a firm hand on certain decisions or policies. The latter are normally decisions or policies of public interest.

### **2.4.6 Regulatory governance in South Africa**

The democratisation of South Africa in 1994 set the tone for regulatory systems. According to Müller (2004:237), parliament was considered to be sovereign before the new dispensation. The new South African Constitution (108 of 1996) makes provision for, amongst other things, the establishment of regulatory authorities.

Regulatory governance has become fairly common in the South African government structures ever since then. Industries and professional bodies have over time geared themselves to this and mostly take full responsibility to regulate. Examples are the Ombudsman for the banking industry; the Health Professionals Council of South Africa; and Agri-Inspecc, which oversees the importation of agricultural products. Although these bodies are in most cases

independent from government, they fulfil major regulatory roles, previously performed by government departments. By doing so, these bodies ease the load on government.

## **2.5 New public management**

New public management (NPM) has been around as a concept since the early 1970s and developed as a substitute for traditional public administration. For the purpose of this study, NPM is regarded as one of the concepts in striving towards a new governance. In relation to the principles of new governance, NPM is much more concerned with the structural, managerial and organisational changes of government reform (Batley & Larbi, 2004: 41).

### **2.5.1 The definition of NPM**

NPM introduces unfamiliar concepts such as competition, value for money, decentralisation, a closer focus on quality and feedback from clients, and professional management, amongst other things, to the public sector arena. NPM is best defined as being a set of particular management approaches and techniques borrowed from the private-for-profit sector and applied in the public sector (Batley & Larbi, 2004:41)

Applying private sector techniques does not merely mean the privatisation or outsourcing of state assets as the name may imply, but actually goes far beyond that. NPM explores possibilities such as service contracts, public-private partnerships (PPPs), long-term concessions, all in the search for affordable but effective service delivery. Hood (1991:5) is of the opinion that rivalry may be the key to lower costs and better standards.

Although the phenomenon of a new approach to public management is not entirely new, it is still widely criticised. According to Batley and Larbi (2004:40), traditional public administration cannot easily be replaced by NPM. They argue that certain qualities such as stability and predictability will

survive this transformation. Burger (2005:4) goes further by stating that the competitive environment of NPM often results in a scenario where service providers only focus on required outputs and ignore the importance of the service to be delivered. He further adds that NPM assumes that highly professional managers are in total control of their respective business units and that service payers/clients are kept at a safe distance after they have paid their extravagant fees (2005:3).

NPM is described as being a more holistic challenge to traditional administration (Batley & Larbi, 2004:40). It is also said that the NPM model is comprehensive but tailored for the developed countries (Minogue, 1988:33). However, Minogue (1988:34) notes that the model should be flexible and able to adapt to different administrative and political contexts – meaning that irrespective of the government structure NPM should be able to provide the answer.

In the early 1990s traditional public administration was diagnosed as being too rigid and consequently too unresponsive to meet the changing demands of the public sector (Batley & Larbi, 2004:39). NPM held the promise of dealing with these demands by simply adapting private sector techniques and making them work for the public sector. One of the main objectives of NPM is to improve the delivery of public services (Oxford Policy Institute, 2000:1).

According to McLaughlin *et al.* (2002:211), NPM relates to the notion of re-engineering the public sector or reinventing of government. They add that it calls for changes in the structure of public organisations, their culture, management systems and other aspects in support of the new initiative. This implies that government needs to adopt an unconventional approach.

Burger (2005:3-4) says that NPM is a numbers game and compares it with F1 racing – non-performance will ultimately lead to the termination of service contracts.

It is important to note that NPM is focused on outcomes in contrast to traditional public administration, which is more focused on internal processes. Hood (1991:4) adds that NPM has a great emphasis on results rather than procedures. Service providers are therefore under constant pressure to deliver the desired outputs and kept up to speed by the possibility that their contracts may be terminated if they are not able to do so.

NPM therefore creates a competitive environment, forcing service providers to be more responsive, effective and efficient through a constant process of reforming.

### **2.5.2 NPM in practice**

It is quite clear that the ultimate goal of NPM is to make government services more affordable, efficient, effective and user friendly, but still ensure proper control. NPM holds the promise of adopting a more hands-on approach, measures performance, be closer to the customer/client, managing by results and ensure greater competition through outsourcing (Rhodes, 2002:211). Having said this, Rhodes (2002) is of the opinion that government's role should be limited to policy decisions and that government's actual involvement should be minimised. By implication governments should only give direction and create the framework for effective service delivery. The delivery of services should be contracted out and the state must intervene only when members fail (Minogue, 1998:21).

NPM also calls for managers to be hands-on and accountable. This means that managers should be visible and actively involved in organisations. For managers to be successful in doing this, it will require clear assignment of responsibility and not the diffusion of power (Hood, 1991:4).

The following examples of structural changes in the public sector as a result of NPM are discussed by Minogue (1998:24-25).

The British government has restructured its public service to form 130 freestanding agencies. These agencies employ a total of 386 000 civil servants. Each agency has its own chief executive officer. These agencies and their executive officers will be measured against set criteria and will receive incentives based on their performance. According to Minogue (1998), similar agencies were also formed in Canada and New Zealand.

The establishment of these agencies is a clear sign that government services in these countries have become more decentralised. This gives managers more authority and creates the opportunity to be more responsive to the customers' needs. According to Pollitt and Bouckaert (2000:86), the ideal public sector agency must be flat, flexible, specialised/focused, decentralised and probably relatively small. They also mention that the trend of public sector reform is to do away with large bureaucracies, as they represent the "Old World". Therefore Minogue (1998:24) notes that successful organisations produce a small central core overseeing a flatter fragmented structure. They mention that these structures are known to be more responsive to external forces and changes as they facilitate a more professional organisational culture and encourage entrepreneurialism.

Pieterse (2002:8) sums up typical NPM approaches to promote the following:

- The adoption of strategically planned techniques to develop frameworks to guide allocation of certain resources;
- Improving performance through the introduction of incentives and sanctions;
- Allow managers to use their discretion through the reduction of rules – a process of deregulation;
- The adoption and utilisation of contracts for lines of responsibility and accountability;
- Privatisation of public services to improve service quality and coverage;
- Entering into public-private partnership agreements if full-scale privatisation is not viable;
- The introduction, whenever possible, of competition between agencies and even departments within the public sector;

- Reducing the public sector wage bill through restructuring;
- The elimination of all service subsidies and search for the recovery of all service costs.

Pieterse (2002:8) is of the opinion that the persuasive power of NPM lies in the fact that it promises greater efficiency and reduced political risk, because many responsibilities are shifted to other sectors.

### **2.5.3 NPM and developing countries**

Governments in developing countries are often characterised by huge and clumsy public sectors, which are unresponsive and place little emphasis on outputs or outcomes (Luwaga, 2003:8-9). It is therefore unusual to note that certain developing countries such as Jamaica, Ghana and Uganda are implementing certain principles unique to NPM (according to Talbot and others as quoted by Batley & Larbi, 2004:45). Studies have shown that the establishment of service agencies is fairly common in these countries. It is also said that a significant increase in revenue can be noted after the implementation of revenue-collection agencies.

According to McLaughlin *et al.* (2002:213), significant efforts towards reform and transformation of the public sector have been made in sub-Saharan Africa since the early 1980s. It is argued that these efforts were prompted by underperformance, and a lack of accountability in African bureaucracies.

It is clear that, although attempts to implement NPM in some developing countries have been made, there is still a long way ahead. Control in many of these countries is still centralised, allowing little or no authority to manage freely.

### **2.5.4 NPM in South Africa**

Although a developing country, South Africa is a well-respected member of the international community (Sonn, 2000:45). The South African government

has rightfully earned this position after more than four decades of racial oppression. With apartheid abolished the road of reconstruction and development lies ahead.

NPM is not an unfamiliar concept to the South African government. Going back all the way to 1955, one of the main building blocks of our democratic Constitution (108 of 1996) was indeed the Freedom Charter. The Freedom Charter was written in 1955 by the ANC (African National Congress) in co-operation with anti-apartheid groups to express their goals and objectives for a free South Africa. Being a progressive document, one of the ten propositions in this document was that “The People shall Govern” (Encarta Reference Library, 2002; African National Congress, 1955).

In the State of the Nation Address on 15 February 2005 the ex-Minister Geraldine Frazer Moleketi explained that under the heading of “The People shall Govern” (Build People’s Power, 2005), the Freedom Charter asserted, amongst other things, that “all people shall be entitled to take part in the administration of the country” (Frazer Moleketi, 2005:1).

The ex-minister says further that the needs of the people should give direction to the administration (Frazer Moleketi, 2005:2). Although the honourable ex-minister does not spell it out clearly, this may implicate that government should be responsive to the needs of the population.

This point touches on one of the ten principles of NPM as spelled out by Minogue (1998:18): “Steer the ship, rather than row it”. As stated by ex-Minister Frazer Moleketi, the South African government will allow the citizens to actively participate in government decisions in order to guide government to meet the needs of their citizens. The ex-Minister goes further by quoting Osborne and Gaebler, saying that business does some things better than government, but government does some things better than business (Frazer Moleketi, 2005:7). It is clear that the ex-Minister acknowledges the importance of private sector principles in government and vice versa and also acknowledged the fact that NPM and reinvented government have been

effective tools in improving the efficiency of the public sector and in reducing costs.

Ex-Minister Geraldine Frazer Moleketi headed the Department of Public Service and Administration (DPSA) until 2008. As this is the Department that needs to ensure public service excellence, the DPSA touches on many aspects relating to NPM. However, the challenge is the implementation of the already formulated policy documents.

The mission of the DPSA is to -

- Support the minister in leading public service administration;
- Provide professional advice and support to ensure public service excellence;
- Promote good governance nationally, on the African continent and globally (DPSA, 2007).

In its value statements, the DPSA states that the statement is aligned with the Constitution and Batho Pele (People First) principles (DPSA, 2007). This department therefore ensures that it develops within the macro framework established by national government. When you refer to one of the Batho Pele principles nl. Value for money, it is exactly what NPM calls for (Meyer & Theron, 2000). This principle states that public services should be provided economically and efficiently. Being the department that oversees government service delivery, this statement sets the tone for other government departments not to create unnecessary service costs.

The value statement includes, amongst other things, the following:

- Utilising resources effectively and efficiently. As with NPM, there is a clear focus on the effective and efficient utilisation of resources;
- Encouraging citizens to participate in policymaking and implementation. The DPSA thus acknowledges the importance of stakeholder participation in order to address their needs.

Furthermore, the DPSA introduced a new management framework in July 1999, to ensure improved service delivery in the public service departments/institutions (DPSA, 2007). This includes, but is not limited to:

- Continuously auditing the progress achieved by the departments in complying with the dictates of the new management framework. This is to ensure compliance with relevant targets. Continuous auditing will not only prevent possible problems within a department, but also ensure that the department keeps in touch with its mission. Minogue (1998:18) goes further by saying that regular auditing may even improve efficiency.
- A performance management system (through performance agreement) that is supported by a competency framework. Minogue (1998:18) as well as Pieterse (2002:8) regard a performance management system as one of the important principles of NPM. Minogue (1998:18) argues that NPM focuses on funding the outcome rather than the need. Government departments sometimes create the impression that their outcomes are medium to long term, and therefore cannot be measured. It is maybe for this reason that some government officials cannot produce definite results, making their existence questionable by the broader public. With the introduction of a performance management system, officials and ultimately departments can be measured on outcomes, provided that the performance management system functions correctly. If the DPSA implies that they want to provide value for money, the public (being the client) does have a right to know how their money was spend, to determine whether it was a fair value exchange.

### **2.5.5 Problems with the NPM approach**

Batley and Larbi (2004:41) sum NPM up as a set of particular management approaches and techniques borrowed from the private sector and applied in

the public sector. Although it sounds fairly simple and straightforward, NPM has been criticised for almost as long as it has been around. Rhodes (2002:218) draws our attention to four weaknesses of NPM, as pointed out by the advocates of the new governance.

Firstly, he notes that managerialism, being one of the cornerstones of the NPM approach, adopts an intra-organisational approach. Rhodes (2002) is of the opinion that this may be in order when managing line bureaucracies; but it does not accommodate the managing of inter-organisational links. Rhodes (2002) adds that it lacks the negotiation of shared purpose in the absence of hierarchy control.

Secondly, Rhodes (2002:218) criticizes managerialism's obsessive preoccupation with management by objectives. In an environment that involves different actors, the emphasis should shift to managing the relationship between these networks. The preservation of trust should override all other considerations.

Thirdly, NPM is fairly focused on results. The introduction of third party actors to government creates an inter-organisational network, where a single actor is not responsible for an outcome. Actors may differ on the desired outcome and how to measure performance, and the centre (the government) is in no position to enforce any preferences. Eventually many actors have contributed to the success of an enterprise and a single actor can therefore not be highlighted and not be held accountable after the event. It is again pointed out that NPM may suit line bureaucracies, but does not accommodate inter-organisational networks. These networks simply undermine NPM with its specific focus on objectives and results.

Rhodes (2002) concludes by drawing attention to the distinct contradiction between competition and steering, which is at the heart of the NPM approach. He argues that the low level of interdependence between several stakeholders and the resulting network leads to instability and lack of trust to develop a negotiated balance/equilibrium between these forces. The

introduction of markets and competition will therefore compound the problem of steering. NPM lacks the focus to establish a relationship of trust between these diverse forces.

Furthermore, Pollitt and Bouckaert (2000:174) add to the criticism of NPM by saying that NPM may distance political leaders from government problems. Political leaders may refer to government as if it is an alienated entity and go as far as to blame government for certain problems. By inviting third party actors to take part in government activities, political leaders may conveniently distance themselves when service delivery is not to the satisfaction of clients. They may use the arrangement as a scapegoat and act as if they are not accountable in any way.

Burger (2005:40) criticises the NPM approach for creating fragmentation as a result of a lack of integrated vision. He argues that NPM became so focused on outputs and results that it eventually lost track of the bigger picture. Burger adds that NPM assumes that clients/customers are independent with the right to choose and the ability to pay – the less fortunate individuals may therefore be marginalised. This argument is supported by ex-Minister Geraldine Fraser Moleketi, (2002:5), who said that NPM calls for the decentralisation and devolution of power. This may leave the state powerless in trying to correct extreme geographical differences, allowing disadvantages to continue.

## **2.6 Qualifying criteria for public sector reform**

For the purpose of this study, the researcher summarised a list of criteria against which the phenomenon of public sector reform can be measured. The criteria will be based on theoretical information discussed so far. The criteria will be divided into the three main categories; new governance, regulatory governance and new public management.

**Table 2.2: Criteria for public sector reform**

NEW GOVERNANCE	REGULATORY GOVERNANCE	NEW PUBLIC MANAGEMENT (NPM)
<ul style="list-style-type: none"> <li>• Diversification of government services</li> <li>• The involvement of third party actors</li> <li>• Collaborative service delivery, involving public and private sector</li> <li>• Creation of horizontal modes of government by including a multitude of public and private actors</li> <li>• Establishment of close networks with third party role players</li> <li>• Activation and sustainability of these networks</li> <li>• No reliance on command and control, but negotiation and persuasion to reach goals</li> <li>• Introduction of rewards and penalties to stimulate co-operation</li> <li>• No rigid enforcement, but patience, discretion and tact</li> </ul>	<ul style="list-style-type: none"> <li>• Deployment of proper controls</li> <li>• Where government is distanced from a service or function they are accountable for, such service is delivered by a third party actor</li> <li>• The actions of a specific industry are controlled or guided by some form of policy or document</li> <li>• The use of one of the following regulatory agencies;               <ul style="list-style-type: none"> <li>➤ An agency which is part of government</li> <li>➤ An agency which is semi-autonomous</li> <li>➤ An agency which is independent of government</li> <li>➤ An agency which is self-regulatory and independent from government</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Recognised by the promotion of competition and value for money</li> <li>• NPM has a strong focus on the quality of service and feedback from clients on service quality</li> <li>• Outcome driven</li> <li>• Hands-on approach</li> <li>• Measures performance</li> <li>• Maintains performance through incentives and sanctions</li> <li>• Allows services to be closer to the client through a process of deregulation</li> <li>• Do away with government subsidies and strive to recover all service costs</li> <li>• Belief that government should give direction and stand back to allow for participation</li> <li>• More concerned with the needs of its clients than that of the service provider itself</li> <li>• Use of service contracts and public-private partnerships to reduce service costs</li> <li>• Calls for responsive, effective and efficient service delivery</li> </ul>

**Source:** Compiled by author, 2008

## 2.7 Summary

For many years traditional public administration was regarded as the cornerstone to address public needs around the globe. Over time, the traditional approach became slow, inefficient, costly and simply could not cope with the increasing, yet specific demands of public needs. The model was faced with constant criticism and pressure rose to investigate the possibility of public sector reform. Public sector reform can come in different forms, of which only three are explored by the author.

New governance, as a phenomenon of public sector reform, recognises the importance of third party actors entering the public domain to help solve public problems. Government services were restricted to service delivery in the past, but became so diverse over time that they now include a multitude of stakeholders. New governance is known for its collaborative nature, the formation of networks and the unconventional methods used to sustain these networks in order to maintain good relationships between an array of public and private role-players. In theory, it is almost certain that the concept of new governance touches all the right aspects to establish a cooperative framework between private and public sector. The author is however of the opinion that the practical side thereof is much more challenging than literature may imply. Government bureaucracies have become so use to doing things their way, that it will be a mammoth task to make them believe otherwise. Furthermore, decisions made by such bureaucracies are usually politically motivated, and not always made to bring about the best possible outcome. Apart from external realities, the single biggest challenge faced by new governance is to change the principles on which decisions are based. Government should also learn to accept private role-players as a partner and not regard them as the enemy or competition.

Another extension of public sector reform is regulatory governance. The entering of non-governmental actors into the public domain may lead to a situation where government is distanced from the actual service that is delivered. Notwithstanding the latter situation, government remains

accountable and will therefore need a framework to ensure proper control. As a result of deregulation and privatisation, government makes use of regulations in order to referee the participants. It is said that regulation is so common that it has become unnoticeable in modern society. It should however be stated that such regulations should be clear and well communicated to avoid any misinterpretation.

One of the most common means of regulation takes place by means of an agency. These agencies can range from being part of government, or be semi-autonomous, totally independent of government or self-regulatory agencies. Regulatory agencies are commonly found in South Africa, ranging from the health to the agricultural sector. In a developing country like South Africa, it is especially important that government keeps a close eye over certain developments. Coming from an era of oppression, government will want to ensure that certain imbalances created in the past do not re-occur and at the same time such imbalances are addressed. This situation makes the selection of agency types extremely difficult, as too much government involvement may create the impression that government wants to be in control.

Lastly, public sector reform may appear in the form of new public management (NPM). NPM makes use of techniques and strategies commonly known in the private sector and introduces them to the public sector. These techniques include concepts such as competition, value for money and decentralisation, amongst other things. These techniques were adopted to make the public service more responsive, efficient and affordable. It should however be stated that the traditional public administration model have been around for ages, and should not be shifted aside all at once. Although it is said that the model is not as effective as it used to be, the model is simple, familiar and rooted in bureaucracies around the globe. The author is of the opinion that NPM will slowly make its way into government structures, although it is not sure if the traditional model of public administration will ever disappear totally. Although both models do have

some disadvantages, NPM seems to provide the right answers for the right time.

NPM is not a new concept and has been around for more than thirty years. Evidence of NPM can be found in structures of developing countries such as Ghana, Jamaica, and even South Africa.

Public sector reform is a relatively common phenomenon and has become part of government structures all over the world. The next chapter will explore public sector reform in a South African context, with specific reference to role-players in the agricultural export sector.

## **CHAPTER 3: PUBLIC SECTOR REFORM WITHIN THE SOUTH AFRICAN PERISHABLE EXPORT SECTOR, WITH SPECIFIC REFERENCE TO THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD (PPECB)**

### **3.1 Introduction**

Chapter Two focused on three categories, namely, new governance, regulatory governance and new public management (NPM) – all touching on unconventional strategies to handle government affairs. The literature review revealed that, although these unconventional approaches were not very common in developing countries, some evidence of such models there could be found. In many instances evidence of unconventional governmental strategies is well embedded in government structures of some developing countries.

The objective of this chapter is to review the changes that have taken place in the South African export sector since it became regulated. Then the focus will be shifted to the Perishable Products Export Control Board (PPECB), with reference to its inception, the organisational structure, strategies, relationship with government and its role within the export arena.

### **3.2 A historical perspective on South African perishable exports**

Perishable products have been exported from South Africa since the early 1600s and the process developed a rich history over time. Shortly after the establishment of the Union of South Africa in 1910, exports became regulated with the promulgation of the *Uitvoer van Vruchten Wet*, 12 of 1925 (De Beer *et al.*, 2003: 34). This act stipulated the size, shape and packaging of fruit destined for export and was unique in the world.

Ever since the inception of the above-mentioned legislation, the role of the state became prominent in the South African agriculture and export environment. In addition to the *Uitvoer van Vruchten Wet*, the Union of South Africa introduced an array of legislation, including the Marketing Act of 1937

(Vink & Kirsten, 2000). It is said that the Marketing Act (1937) became the cornerstone of commercial agricultural policy and played a pivotal role in influencing access to markets for a selected group of farmers (Vink & Kirsten, 2000).

The Kassier Report (1992:6) revealed that the Marketing Act (1937) was the direct result of the deliberations of the Viljoen Committee appointed in the 1934. The committee argued that state intervention was justified for the following reasons:

- The inelastic demand for farm products;
- The adverse climate in South Africa;
- The lack of information; and
- The risk inherent to a free market.

Based on the above, the committee argued for mechanisms to ensure stable prices and allow surplus removal, hence the promulgation of the Marketing Act (1937). According to Kassier *et al.* (1992:7), large-scale state intervention in agriculture after the Great Depression was not restricted to South Africa, but was a worldwide trend during that time. However, what made the South African situation unique was the combination of the said intervention with the respective Land Acts of 1913 and 1926. Kassier *et al.* (1992: 8) summarise the end results of the state's intervention, which include the following:

- An inequitable farm production structure, with great imbalances between commercial and subsistence farming, with respect to access to land and support services;
- The ability to export surplus basic foods, even at a financial loss;
- The development of a workable information system;
- The development of a wide range of export markets in respect of a few selected commodities;
- The prevalence of widespread poverty, malnutrition and hunger, especially in the rural areas;
- A lack of food security;
- A financial crisis among commercial farmers;
- An inflexible infrastructure; and

- An output pricing policy biased in favour of producers.

The combination of the promulgated legislation gave the state at the time the authority to control who gets to plant, who gets to export, the commodity to be exported as well as the condition of the produce to be exported. While many of these aspects were mainly controlled through access to land and funds, fruit destined for export was inspected by government inspectors around harbour areas (De Beer *et al.*, 2003:34).

The stringent regulation of the South African agricultural sector continued until the mid 1980s (Kleinhans, April 2008, personal interview). This was an era of a substantial shift in farming policy, which made the sector more exposed to market forces (Vink & Kirsten, 2000).

### **3.3 The establishment of the PPECB**

In 1924 the South African government appointed the Lategan Committee to investigate and study practices regarding the export of fruit from South Africa. The committee submitted a report and recommended that a central authority to negotiate shipping space should be established. This authority should act in the interest of all farmers (De Beer *et al.*, 2003:37).

De Beer *et al.* (2003:38-41) point out that this report was eventually submitted to Parliament and in 1925 the *Vruchten Uitvoer Kontrole Wet*, 12 of 1925, was promulgated. This led to the establishment of the *Vruchten Uitvoer Kontrole Raad*, as recommended by the Lategan Committee. Towards the end of 1925 a number of farmers made other perishable products, apart from fruit, available for export. The *Vruchten Uitvoer Kontrole Raad* requested Parliament to extend the Board's mandate to include export regulation of export products. The request was granted and Parliament promulgated the *Wet op Reeling van Uitvoer van Bederfbare Produkte*, 53 of 1926. This led to the creation of the Perishable Export Control Board in 1926.

The PPECB has played a pivotal and invaluable role in ensuring the orderly export of perishable cargo from South Africa ever since (De Beer *et al.*, 2003:9). The 1926 act was amended and substituted by the Perishable Products Export Control Board Act (Act 9 of 1983). The PPECB is a statutory organisation and is South Africa's official authority (mandated by the Department of Agriculture, Forestry and Fisheries) to deliver product quality inspections in terms of the Agricultural Product Standards Act (APS) (Act 119 of 1990), and cold chain services to the perishable product industries within South Africa. Apart from the previously mentioned legislation, the PPECB's regulatory framework, as spelled out by section 10 of the PPECB Act (9 of 1983), can be summarised as follows:

- Control of the export shipment of perishable products from South Africa;
- Determination of the suitability of ships;
- Call exporters for intended volumes to be shipped;
- Determine the amount of shipping space available on vessels for the shipment of perishable cargo;
- Contact and/or arrange and negotiate the necessary port facilities and shipping space for handling perishable products;
- Determine the most suitable port for the shipment of perishable products;
- Investigate the conveyance and cold storage requirements for perishable products and make recommendations to any department of state or invested party;
- Make recommendations on the way to handle perishable products when moved from and to railway trucks, other vehicles or cold stores;
- Promote uniform freight rates for the export of perishable products; and
- Perform such other functions in relation to the export of perishable products as may be prescribed by regulation.

In a nutshell, the abovementioned legislation implies that perishable cargo may not be exported without the consent of the PPECB. The core service categories are listed below (PPECB Export Directory, 2006:2-4).

- Inspection services – the inspection of products based on legislative requirement or agreed standards in order to ensure optimum quality. This is done through on-farm inspections or inspection prior to loading.

- Cold chain services – Temperature and equipment monitoring of products destined for export in order to ensure optimum quality and a prolonged shelf life. Cold chain services include, but are not limited to:
  - Cold store and container depot registration;
  - Container inspections;
  - Vessel surveying;
  - Temperature management auditing;
  - Loading supervision;
  - Issuing of carrying instructions;
  - Research and development;
  - Recordkeeping; and
  - Administration.
- Mycotoxin Analytical Programme – This programme deals with the performance of impartial mycotoxin analytical services according to international best practice. This programme plays a pivotal role in ensuring good safety and thereby creating confidence in the South African perishable product market.
- Official Food Safety Authority – In addition to the existing mandate, the PPECB was assigned as the official Food Safety Authority in May 2005 by the Department of Agriculture, Forestry and Fisheries (DAFF). The objective of this programme is to ensure compliance to the auditing standards and Food Safety Standards, as listed under the Agricultural Product and Standards Act (Act 119 of 1990).
- Certification Services – The PPECB also carries out third party audits and grants certificates for sustainable agricultural methods. This section enjoys full accreditation status from the South African National Accreditation System (SANAS) and is able to grant accredited EUREPGAP and HACCP certificates that are internationally accepted.
- Specialised Services – This programme monitors and measures risk in the supply chain on behalf of contracted clients.
- Agency Services – The PPECB has been appointed to manage and implement the South African Perishable Initiative Programme (SAPIP). This programme aims to assist producers with compliance to European Union (EU) export requirements for food safety and consumer protection.

Based on the above list of services delivered by the PPECB, it should be stated clearly that only cold chain services, inspection services, and official food and safety authority forms part of the PPECB's statutory mandate. The remainder of the listed services are delivered only on request from clients.

### 3.4 Structure

The PPECB is managed by a Board of Directors, representing different export groups and one member designated by the Minister (Section 4 of Perishable Products Export Control Act, Act 9 of 1983). The Board is a statutory body and listed as a Schedule 3A entity in terms of the Public Finance Management Act, Act 1 of 1999 (PPECB Annual Report, 2006/2007:32).

The PPECB Board is accountable to the Minister of Agriculture, Forestry and Fisheries. The following industries are currently represented on the PPECB Board:

**Table 3.1: PPECB Board Members**

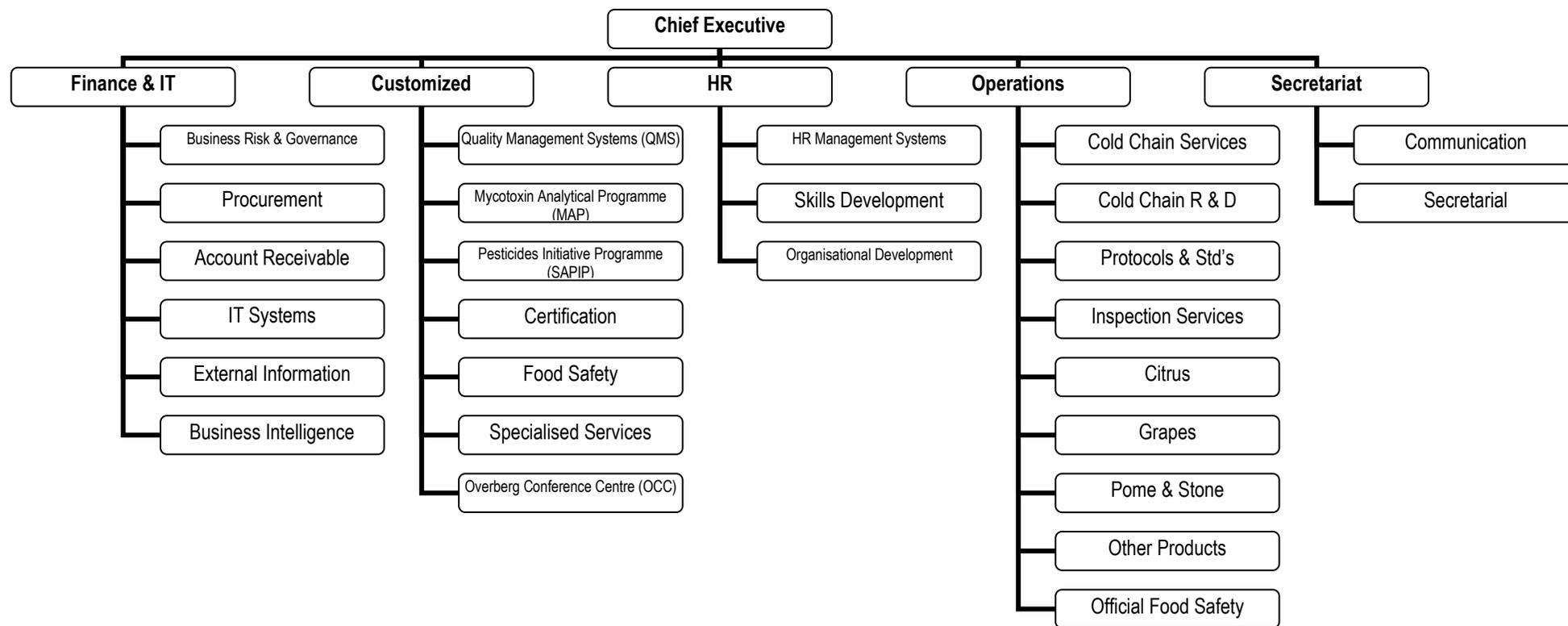
<b>INDUSTRY</b>	<b>AMOUNT OF MEMBERS</b>
Citrus Industry	2
Fishing Industry	1
Deciduous Industry	2
Meat and Ostrich Industry	1
Subtropical Industry	1
Vegetable Industry	1
Ministerial Representative	1
Organised Agriculture Representative	1
Minority Group Representative	1
<b>TOTAL</b>	<b>11 Board Members</b>

**Source:** PPECB Annual Report (2006/2007: 9)

An elected member of the PPECB Board may be appointed for a maximum period of three years and the conditions of such appointment are determined by the Minister of Agriculture, Forestry and Fisheries (PPECB Act, 9 of 1983).

Furthermore, in terms of Section 11 of the PPECB Act (Act 9 of 1983), the Board may appoint employees to achieve its objectives. The PPECB's organisational structure comprises of a Chief Executive Officer and five Executive members, each responsible for specific programmes. (See Figure 3.1 below).

## PPECB Organisational Structure



**Figure 3.1**

**PPECB OFFICIAL WEBSITE – [www.ppecb.com](http://www.ppecb.com)**

As it can be observed from the organisational structure (Figure 3.1), the PPECB is programme driven. The reason is to remain in touch with a specific industry and also to prevent cross-subsidisation of services. Each programme has its own manager, responsible for effective and efficient functioning of his/her programme. PPECB has embarked on a programme-focused strategy to:

- Improve the culture of service excellence;
  - Improve stakeholder relations;
  - Improve communication; and
  - have a focused approach to market perspectives
- (PPECB, 2008).

In addition, the introduction of the programme management concept has also ensured improved flexibility and responsiveness to industry requirements (PPECB Export Directory, 2006:5).

### **3.5 Infrastructure**

The PPECB employs over 330 people in total at more than thirty offices across South Africa. More than fifty service types are provided at more than 1500 locations (PPECB Strategic Document, 2005/2006). PPECB has an annual income of approximately R100 million. The greater part of the income is earned through statutory levies (PPECB Strategic Document, 2005/2006).

#### **3.5.1 Statutory levies**

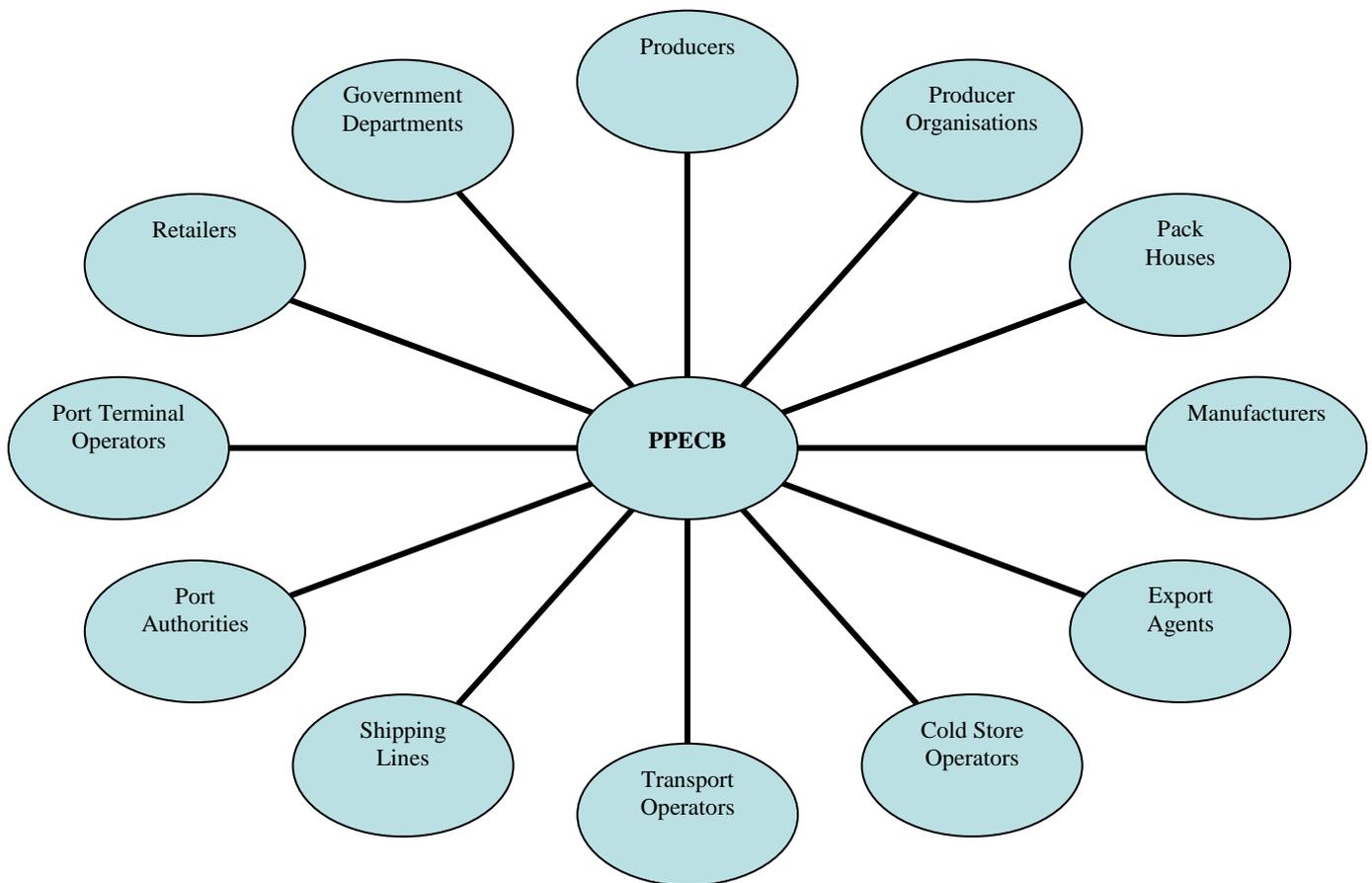
In terms of the nature of the PPECB's business, it is entitled to impose a levy to recover costs incurred due to the delivery of mandated functions (section 17 of PPECB Act, Act 9 of 1983). The Act states clearly that the levy shall be paid by the relevant party on which the levy is imposed – clearly securing a source of income for the organisation.

The levy is recovered as a fixed cost per carton exported by product type or service type delivered (PPECB Strategic Document, 2005/2006).

Notwithstanding the above, the financial performance of the PPECB is likely to be impacted on by the marginal growth in export volumes across all product groups (PPECB Annual Report, 2006/2007:28). Export volumes have a direct impact on the income and expenditure of the PPECB, making the organisation extremely sensitive to market fluctuations.

### 3.5.2 Customers

The PPECB deals with more than 2500 customers as part of its daily activities. Customers and stakeholders include, but are not limited to:



(PPECB Website: [www.ppecb.com](http://www.ppecb.com))

The PPECB sees its primary service users as the following industries:

- Citrus Fruit
- Deciduous fruit
- Subtropical fruit
- Flowers

- Vegetables
- Meat
- Wine
- Seafood
- Grain
- Oilseed and
- Processed products.

(PPECB Strategic Document, 2005/2006)

The PPECB is a customer orientated organisation who constantly explores new methods and techniques to improve on client service. As quoted by the CEO (Neels Hubinger, Chief Executive from 1997 to 2007): "... our role will change according to stakeholder and client requirements, all of whom are continuously faced with new and changing market requirements. Therefore, our focus will be to respond with service delivery par excellence. It is clear that we must become more market orientated..." (PPECB Export Directory (2006:v)).

Although being a statutory organisation, it is clear that the PPECB's managing objectives are greatly influenced by the needs of its clients.

Neels Hubinger, the previous CEO of the PPECB, stressed this by saying that the New Millennium and future require a new understanding and thinking about the business environment of the PPECB and the challenges facing such a *statutory* organisation, in order to remain relevant and able to add value in the world of perishable product exports from South Africa (De Beer *et al.*, 2003:83).

In addition to the above, the PPECB claims in its quality statement that it is committed to meeting customer expectations every time (PPECB Annual Report, 2006/2007:5).

### **3.5.3 Service delivery**

Delivering a national service to the perishable product industry is more complex than may appear on face value. Apart from the product volume, fruit cycles may differ from year to year. Cycles may start earlier and end later than initially anticipated. In addition, seasons may overlap and service providers such as the PPECB need to adapt. The geographic and climatic diversity of South Africa makes it possible to provide a comprehensive basket of fruit types for relatively long periods of time, as shown in Annexure A (The Fresh Produce Exporters Forum, 2003:8).

As stated earlier, the PPECB employs about 330 people, including support services staff and management. Two hundred of the 330 employees are operational and passed a total of 180 million cartons of fruit for the export market in the 2004/2005 season (PPECB Export Directory, 2006:3-5).

The PPECB moves its staff between production regions, as dictated by seasonal activities. For this reason PPECB employees travel 3.2 million kilometres and spend 21 000 man days (3 months) away from their base station per year on average (PPECB Strategic Document, 2005/2006).

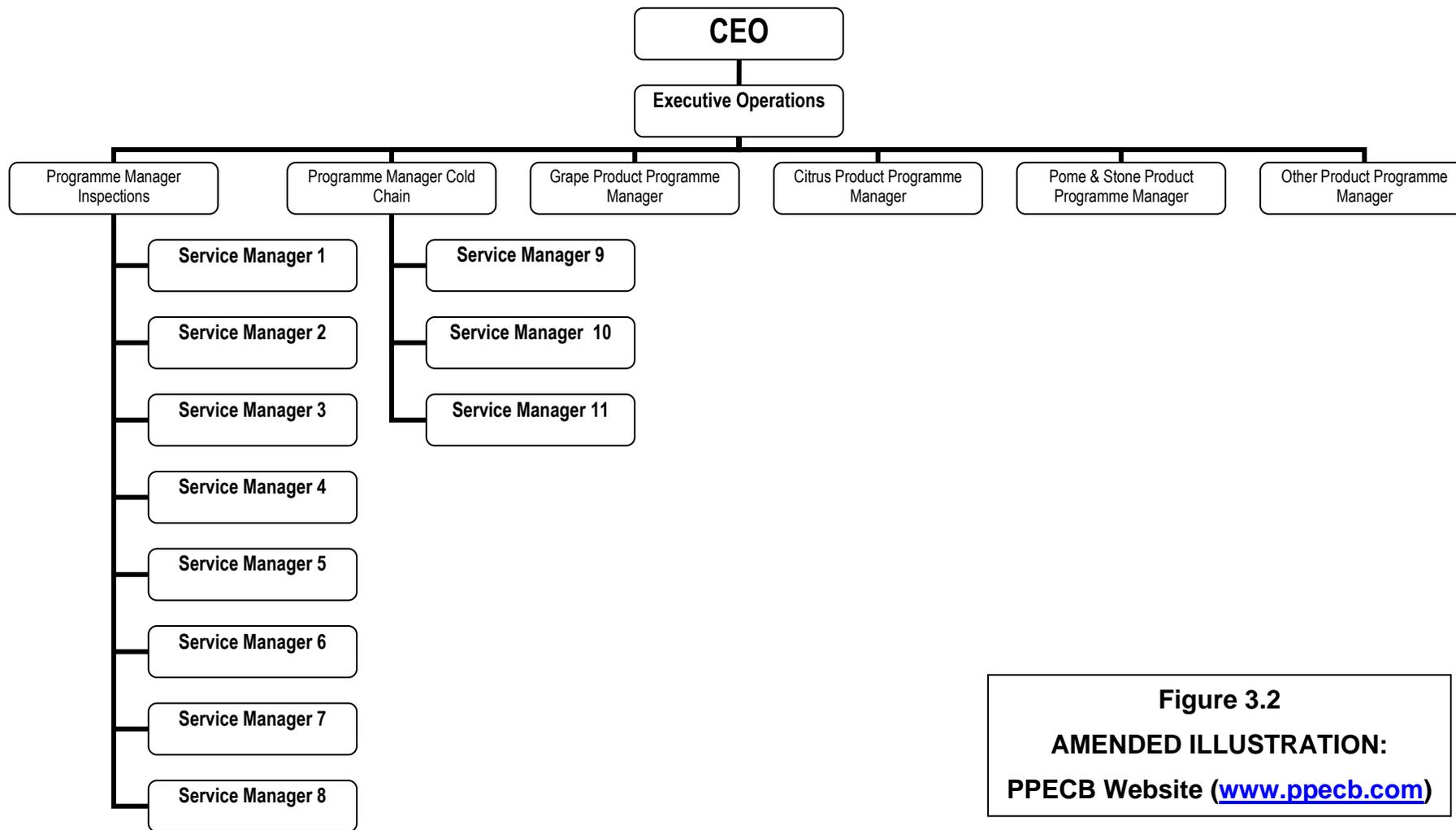
### **3.5.4 Operational structure**

The operational department of the PPECB is the department mainly responsible for fulfilling the organisation's statutory mandate. At the end of the 2006/2007 financial year, the operations department brought in ±88 percent of the total revenue collected (PPECB Annual Report, 2006/2007:29). The Operations Department is divided into mainly two value streams, namely inspection and cold chain services, each managed by a service programme manager.

Furthermore, both inspection and cold chain services are divided into eleven regions, each region reporting to a service manager. Amongst other things, service managers are responsible for the co-ordination and planning of

activities within their respective regions, the compilation and management of the regional budgets, the maintenance of sound industrial relations and the servicing of regional client needs. Authority is therefore fairly decentralised by having a manager within the different regions. The latter structure may allow for a more hands-on approach, especially with regards to client needs and the responsiveness of the organisation.

It should also be noted that the operational structure is relatively flat, minimising the potential for communication distortion (Robbins & Barnwell, 2002:97). (See Figure 3.2.)



**Figure 3.2**  
**AMENDED ILLUSTRATION:**  
**PPECB Website ([www.ppecb.com](http://www.ppecb.com))**

### **3.5.5 Business Processes**

Because of the nature of the work, the PPECB is bound to an internal business management system. All procedures are documented, spelling out precisely what should be done and how.

The positions of those employees who are 100 percent operational are highly formalised, leaving not much discretion to the employees in such positions, especially in inspections and cold chain services. According to Robbins and Barnwell (2002:101), highly formalised positions provide consistent results and uniform output. In order to ensure compliance to procedures and organisation policies, business processes are audited at random, internally and externally.

In addition, the organisation has developed a performance management system, whereby the performance of all employees is evaluated and appraised every six months. Performance appraisals ensure that employees meet certain performance targets and, as reward, performance incentives are awarded on an ad hoc basis. Unfortunately no evidence of a defined reward system could be found. In addition to this, the overall service of every region is evaluated on an annual basis. This is done through a service questionnaire send to clients (Blaauw, October 2008, unstructured interview).

### **3.5.6 Costing**

As discussed previously, PPECB collect most of its revenue through statutory levies payable for services delivered. These levies are calculated on a basis of cost recovery, per product, per service type – meaning that the levy imposed on a product exported must cover the cost

of the services delivered for that specific product. Levies are greatly affected by the volume of a product.

The above is made possible by the programme management approach and a fairly complex costing model.

### **3.5.6.1 Timesheets**

As a start, operational employees are requested to complete a timesheet for each working day. These timesheets contain information such as:

- The product involved;
- The type of service delivered by the employee;
- The number of hours spent on the service; and
- Whether the hours worked were normal or overtime hours

Timesheets are captured once a week and the timesheet information is divided into the weeks of the year. This information is readily available to management and allows them to make strategic decisions when needed.

The correct completion of these timesheets is critical as it will have a huge impact on the determination of levies. Furthermore, the amount of hours spend on the services as recorded on the timesheet is crucial, as employee cost of the PPECB is just over 70 percent of the total expenditure budget (PPECB Annual Report – 2006/2007:49).

For this reason, completed timesheets go through a relatively stringent process when authorised, and audited on an ad-hoc basis.

### **3.5.6.2 Export inspection values**

As part of the operational activities, the PPECB records the amount of products inspected and exported. These export and inspection volumes are recorded per product and put the PPECB in a position to determine exactly the volumes handled at different times of the season. Having the volumes per product, the organisation can calculate which product has the biggest volume and should carry the biggest proportional cost.

### **3.5.6.3 Recovery**

Having the amount of cargo handled per product and per service type, the PPECB can determine what the direct cost to deliver the service is and can ensure that it recovers its costs. Added to the direct cost is the cost of support services and infrastructure (indirect cost), which must also be covered by the levy charged. Indirect costs are divided proportionally between the different products.

This ensures that the user of the service or the product concerned is charged fairly and minimises or eliminates cross-subsidisation. It can mean that, when exporting certain products, the client may pay less compared to other products. It can also mean that certain products may face

a greater annual increase than others, and in extreme cases certain products may get a levy decrease (Van Zyl, July 2007, unstructured interview).

### **3.6 Deregulation**

The latest Perishable Products Export Control Board Act (Act 9 of 1983) was promulgated in 1983 and never reviewed since then. As mentioned previously, this Act gives the PPECB the right of existence and spells out exactly how the organisation shall operate and how it should be structured, amongst other things.

In terms of this Act, the PPECB has the monopoly in dictating the export of perishable products from South Africa. However, in 1997 South African fresh produce exports experienced an important environmental change – the deregulation of the marketing environment (De Beer *et al.*, 2003:83).

Persistent pressure from market conditions and consumer preferences forced the deregulation of South African exports and created the shift in responding to market demands as we know it today. (De Beer *et al.*, 2003:83). The PPECB had to let go of some of the stringent controls and involvement as prescribed by section 10 of the PPECB Act, (Act 9 of 1983). In essence deregulation meant:

- No controlling of shipping space by the PPECB;
- No PPECB involvement in the determination of freight rates;
- Producers can establish their export market without the involvement of the PPECB;
- “Flooding” of export markets in the absence of a body to control the demand and supply of products.

### **3.6.1 A new dispensation**

Before deregulation, the PPECB dealt mainly with two clients, namely Outspan and Unifruco. Fruit was mainly exported under the auspices of these two exporters, hence the PPECB only needed to deal with them. Deregulation created a situation where it initially seemed less stringent to export and PPECB's client base increased to about 230 clients almost overnight (De Beer *et al.*, 2003:81). The sudden increase in the client base became an administrative nightmare and the PPECB needed to adapt fairly quickly in order to accommodate its new clients.

Producers and exporters learned that the absence of a controlling body could create havoc, as more exporters can flood the markets through exporting uncontrolled volumes. Competing to establish export markets drove prices down, resulting in bankruptcies and bad debt. In addition, the fear that South African produce may lose integrity on international markets was also looming. At that stage deregulation seemed unmanageable and again required establishing the PPECB as statutory body to provide guidance (De Beer *et al.*, 2003:81).

### **3.6.2 Industry organisations**

It certainly became clear to the export industry that some form of regulation is needed for the successful export of perishable produce. On the advice of the PPECB, producer organisations such as the Deciduous Fruit Producers Trust (DFPT) and Grapes SA were the first of producers' organisations to be formed.

### **3.6.3 The role of industry organisations**

As discussed previously, industry organisations in South Africa were established as a direct result of deregulation of the export industry. The establishment of such organisations/forums is a clear attempt to regulate and streamline the export of perishable products from a producer and/or exporter's perspective. Industry organisations focus on:

- Retaining disciplines that are necessary to ensure quality standards;
- Ensuring environmental and food safety adherence;
- Funding of research; and
- Development and promotions (Handbook of South African Produce Exports, p. 6, undated)

These objectives, combined with improved communication, are ultimately focused on protecting the integrity of South African exports.

Industry organisations in South Africa are fairly organised and members must comply with a list of criteria and sometimes undergo an interview before becoming a registered member. Such criteria may include:

- Signing a code of conduct;
- Submit written marketing agreements that they will use with their respective clients; and
- Registering a non-statutory producer trust banking account.

It is said that these producers bring a measure of standardisation and security to the fruit export business. (Fresh Produce Exporters Forum; 2004:5)

Membership of such industry organisations is usually voluntary, but members will enjoy much more respect when belonging to a recognised industry organisation.

### **3.6.3.1 Listed Bodies**

It is reported that in 2003 375 fresh fruit exporters were registered with the PPECB. Of the 375 exporters, 72 were registered with the Fresh Produce Exporters Forum (FPEF). Although this may not be the majority of exporters, they account for over 80 percent of fresh fruit volumes exported from South Africa – giving the FPEF a lot of bargaining power. The FPEF is a voluntary section 21 company with the objective to create order in export markets (Fresh Produce Exporters Forum; 2004:3-4).

Other industry bodies operating in the South African fruit industry are:

- Fruit South Africa
- Deciduous Fruit Producers Trust
- Grapes South Africa
- Citrus SA
- The South African Citrus Growers Association
- The South African Avocado Growers Association
- Subtropicals
- The South African Litchi Growers Association
- The South African Macadamia Growers Association

It is reported that these bodies enjoy government recognition and great membership support (Handbook of South African Produce Exports, p 6). These bodies are free from government intervention, as elected members are from the private sector.

#### **3.6.4 Industry bodies and the PPECB**

Because of the programme management approach followed by the PPECB, industry bodies are used as the main channel of communication by PPECB product programme managers, when they need to communicate with their respective clients. Product programme managers use the respective forums to negotiate levy adjustments and service-level agreements, and to discuss policy issues (protocols and standards), amongst other things.

The major role players are usually well represented at these industry bodies, making bargaining much more effective and minimising delays in decisions to be made.

Liaison with industry bodies allow for a more structured approach and minimising fragmentation. To a certain extent industry bodies fill the gap that was left by deregulation.

### **3.7 PPECB and the Department of Agriculture, Forestry and Fisheries (DAFF).**

As discussed, the PPECB is a statutory body established in terms of legislation. This legislation spells out that the PPECB is accountable to the Minister to Agriculture and Land Affairs.

In addition, the PPECB was appointed as assignee of the DAFF for the Agricultural Product and Standards (APS) Act, (119 of 1990) in 1991 (De Beer *et al.*, 2003:78). As the product standards and requirements under the APS act need to be updated on a annual basis, the DAFF has established a grading committee, of which the PPECB is a member. On this committee the PPECB and representatives of the export industry have an opportunity to propose amendments to these documents (Blaauw, October 2008, unstructured interview). It is thus obvious that there is a close relationship between the PPECB and the DAFF. PPECB is regarded by many as an extension of the DAFF – see Annexure B.

The PPECB reported in its 2005/2006 strategic document that the DAFF's *programme 7* strategies relate directly to the core business and strategies of the PPECB. These objectives are:

- Monitoring the implementation of border control strategy;
- Ensuring compliance with legislation;
- Finalising the food safety strategy;
- Improving communication and national coordination;
- Centralising and harmonising legislation, codes and guidelines;
- Implementing progressive service standards that enhance credibility;
- Rationalising resources for maximum effectiveness;
- Utilising information technology to accelerate information flow, facilitate communication and expand surveillance capability;

- Participating in meetings of standard-setting bodies to influence policies on animal and plant health;
- Negotiating trade agreements to ensure equitable access to markets;
- Creating partnerships with industry and harnessing available resources; and
- Training and skills development to ensure rapid and efficient responses.

PPECB has ensured that its business objectives are aligned with those of the DAFF. Sharing the same objectives will prevent conflict between the DAFF and its assignee, the PPECB. This will foster sound working relations and a shared vision between the two parties.

As the Minister of Agriculture, Forestry and Fisheries may appoint a representative to serve on the PPECB board, the DAFF is certain of continuous contact and can also keep a close eye on matters.

### **3.8 Summary**

This chapter touches on the regulation of the export industry and agriculture as well as the establishment, roles and functions of the Perishable Products Export Control Board (PPECB).

The export of fruit became regulated in 1910 with the promulgation of the *Uitvoer van Vruchten Wet*. Since the inception of the legislation, the state had a firm grip on the export of fresh produce. The promulgation of the Marketing Act in 1937 gave government more control over access to agricultural land and access to markets. It is said that control over exports and agriculture were not unique to South Africa at the time, but a worldwide trend as a result of the Great Depression. This control was a

definite measure of governments to ensure food security after the end of the World War II. The export and agricultural sectors were strictly regulated until the mid-1980s, after which controls were relaxed.

The PPECB was established in 1926 and was mainly tasked to control the shipment of perishable produce from South Africa. The PPECB is now a statutory organisation, reporting to the Minister of Agriculture, Forestry and Fisheries which oversees the export of perishable cargo. In addition, it also acts as an assignee for the Department of Agriculture, Forestry and Fisheries, (DAFF) and has taken care of product inspections since 1991 (De Beer *et al.*, 2003:11).

Because of the flat organisational structure and programme management approach, the organisation is fairly responsive to the needs of its clients and committed to client satisfaction. The organisation is funded through a unique statutory levy structure that is calculated per product and service type. Unlike government departments, the PPECB does not rely on subsidies from government, but generates its own income. Not having to rely on government for funding, the organisation is fairly independent in this regard. Organisational resources are used to allow for maximum efficiency with a strong focus on internal business processes.

In 1997 the PPECB was in the midst of a process of deregulation, forced by drastic changes in the market environment. This has led to the PPECB losing a large degree of control over export shipping. This gap was later filled by the establishment of industry organisations, taking responsibility for regulating fresh fruit exports in fear of losing international markets. Over the years the PPECB and these established organisations have formed a close working relationship, as these organisations became established representative bodies of the export industries (De Beer *et al.*, 2003:81).

The PPECB positioned itself to be on par with the objectives of the Department of Agriculture, Forestry and Fisheries, (DAFF). By doing this the PPECB ensures and acknowledge that they follow the lead of government.

The PPECB as the only mandated organisation in South Africa ensuring quality standards for perishable produce exports, does not only create a single export channel, but allows the South African government to keep a close eye on such exports. When we take a look at the relationship between the PPECB and government, it may create the impression that the PPECB is totally independent from government. However, when you take a look at the PPECB board, it tells a different story. By having a representative on the board, government keeps itself abreast of developments and will intervene when the need arises.

The following chapter will analyse the role of the PPECB within the South African export arena in the light of the new governance, regulatory governance and new public management categories, as reviewed in Chapter Two.

## **CHAPTER 4: FINDINGS AND EVALUATIONS**

### **4.1 Introduction**

The purpose of this chapter is to compare the features outlined in Chapter Three with the list of criteria and characteristics for public sector reform in Chapter Two. The researcher will break this down into the three categories of new governance, regulatory governance and NPM, after which the relevant criteria will be listed under each of these headings.

This research study focused on investigating public sector reform within a South African context. The researcher investigated the occurrence of public sector reform in the form of new governance, regulatory governance and new public management (NPM). This is done by analysing the structure, roles and responsibilities of the Perishable Products Export Control Board (PPECB) as case study organisation.

Chapter Two of the study reviewed and outlined the theoretical aspects of public sector reform. Chapter Three of the study provided an overview of the establishment and operational structure of the PPECB.

Although the PPECB is a statutory organisation established to control the export of perishable products, the organisation's objectives and business model tell a different story. It is clear that the organisation is caught between being a control body and a partner to the export industry. The question should be asked whether this is a healthy relationship or whether the PPECB finds itself in the midst of an identity crisis.

Furthermore, it is claimed that public sector reform is not common in developing countries such as South Africa, not even to mention its success in such

countries. The researcher studied the unique relationship between the PPECB, government and the export industry of South Africa to determine whether it corresponds with any qualities of public sector reform.

In order to analyse and compare this unique relationship, the researcher developed a list of qualifying criteria and characteristics for public sector reform (Table 2.2), based on the theoretical information gathered. The list summarises the main characteristics of new governance, regulatory governance and NPM, as forms of public sector reform. The list will be used to explore similarities between PPECB and public sector reform.

## **4.2 Compared to new governance**

### Criterion 1: Involvement of third party actors

In terms of the South African Constitution, export of cargo ultimately remains government's responsibility. Given the statutory mandate of the PPECB, and the assigneeship from the Department of Agriculture, Forestry and Fisheries, the fulfilment of this responsibility rests with the PPECB. It can thus be argued that government has outsourced this responsibility by involving the PPECB as third party actor.

### Criterion 2: Collaborative service delivery, involving public and private sector

The PPECB's board of directors is represented by representatives of industry organisations and government. Services are therefore delivered under the watchful eye of both parties.

### Criterion 3: Diversification of government services

Being an assignee of government, it can be argued that the PPECB delivers services on behalf of government. The PPECB delivers a multitude of services, including: Inspection and cold chain services, mycotoxin analysis, official food safety programme, certification services, specialised and agency services. The

PPECB can be seen as a one-stop service delivery organisation for the export industry. By having the PPECB as an assignee, government offers a diverse range of services, although in an indirect manner.

#### Criterion 4: Establishment of close networks with the third party role players

Long before the PPECB received assigneeship from the Department of Agriculture, Forestry and Fisheries, the PPECB was established through an act of Parliament as a statutory organisation to deliver a service to the fresh produce export industry.

This gives the PPECB a right of existence as an entity in its own right. Assigning the PPECB to deliver services on behalf of government, it can be assumed that government is in partnership with the PPECB as third party actor. The latter is confirmed by the fact that the strategies of these two entities are aligned in order to reach shared objectives.

#### Criterion 5: Activation and sustainability of networks

Although this study does not reveal the activation of these networks, their sustainability can be defined. It is reported that the Department of Agriculture, Forestry and Fisheries' strategies relate directly to the core business and strategies of the PPECB. By showing the same strategic objectives, the DAFF and the PPECB will not only sustain, but also strengthen, their relationship. The alignment of strategies will create a greater degree of co-operation between the PPECB as assignee and the DAFF as the mandate giver.

#### Criterion 6: Introduction of rewards and penalties to stimulate co-operation

We have learned that the PPECB strives to recover all costs for the services they deliver. As with any other business, certain services will be more expensive than others. For this reason the PPECB has introduced a budgetary system that prevents cross-subsidisation between products and services. This allows the PPECB to determine how much a specific service will cost to deliver. As

services are paid for by means of a statutory levy, the latter is influenced by the expenditure generated by such service. Cost may therefore vary between the different types of service. The export industry may thus see a reward (in the form of a levy reduction) or penalty (in the form of a levy increase) in the following year's service cost, depending on the number of hours the PPECB has spent on such a service. This gesture may motivate the export industry to get more organised and co-operate with other role-players such as the PPECB, otherwise they may forfeit any possibility of a levy reduction.

#### Criterion 7: No rigid enforcement, but patience, discretion and tact

Although we've seen that the PPECB strives to establish networks through the programme management approach, it should be kept in mind that they do have a mandate to fulfil. In addition to this, they are protected by legislation and have the advantage of being a sole service provider for the export industry. When every soft-skill tactic in the book fails, the PPECB will have no choice but to revert to rigid enforcement to reach its objectives – provided that it is within their mandate. Patience, tact and discretion can therefore not be guaranteed in the case of the PPECB.

### **4.3 Compared to regulatory governance**

It is said that regulatory governance is essential to ensure certain standards, enforce uniform standards and create law and order, amongst other things. Regulatory governance is especially important when government is accountable for a specific service, but does not deliver the service itself.

#### Criterion 1: Deployment of proper controls

The PPECB Act clearly states that the PPECB board should be comprised of industry representatives and a ministerial representative. Furthermore, the Act states that the PPECB Board is accountable to the Minister of Agriculture, Forestry and Fisheries. By including these aspects in the Act, the government

can extend a firm degree of control over the functioning of the PPECB. Although distanced from government, a method has been secured for the government to keep a close eye on matters.

Although the PPECB acts as an assignee for government in terms of the APS Act (Act 119 of 1990), we have found that “the rules of the game” are dictated by government. The quality standards under this particular legislation are amended on an annual basis. This amendment process is dictated by government and eventually passed onto the PPECB for implementation. By doing so, government can ensure the publication of uniform and acceptable standards.

Criterion 2: Government is distanced from a service they are accountable for, where such service is delivered by a third party

It has already been determined that government is the accountable authority for the export of perishable products. The responsibility for orderly exports of perishable products was transferred to the PPECB with its establishment in 1926. Later the PPECB was appointed as the inspection authority for agricultural products in 1991. In terms of the structure and establishment of the PPECB, they are regarded as an entity outside of government, although they remain accountable to government. It can be argued that the PPECB has a great degree of autonomy and may be seen as a third party, delivering a service on behalf of government.

Criterion 3: The actions of a specific industry are controlled or guided by some form of policy or document

The actions of the export industry are governed by the PPECB Act and the APS Act. Both these pieces of legislation spell out the requirements that stakeholders within the export industry should adhere to, from the time that product gets inspected until it is exported. These two pieces of legislation can be regarded as the bible for the export of perishable products from South Africa.

#### Criterion 4: The type of agency which the PPECB represents

The literature review revealed that regulatory systems can be divided into 4 main types, namely:

- An agency which is part of government;
- An agency which is semi-autonomous;
- An agency which is independent of government;
- An agency that is self-regulatory and independent from government.

It is interesting to note that the PPECB does not fit one single agency type described, but rather reflects a mixture of the different agency characteristics. When compared to these main types of agencies, the PPECB does have the following characteristics, amongst other things:

- The PPECB is not part of government, but seen as an entity established in terms of legislation;
- May turn to the outside for opinions;
- Is independent, but accountable to government;
- Has government representation;
- Certain rules (with reference to the APS Act) must be made in accordance with government policy/guidelines;
- Is subjected to the ratification of certain decisions by the relevant Minister;
- Is a statutory organisation and acts in accordance with principles enacted by legislation;
- Certain PPECB board members are experts in their respective industries, recruited from non-government sources, without political affiliations;
- Some members represent public interest. In the case of PPECB, the ministerial representative represents the Minister, who in turn represents the public interest.

Having said this, it is clear that the PPECB operates as an agency on behalf of government, although it cannot be associated with one single agency type. It is

evident, however, that government has deployed certain controls to ensure that it is kept abreast of certain matters.

#### **4.4. Compared to the new public management (NPM)**

NPM explores ways and means to make government services more efficient and effective to the end user. In the context of South African perishable exports, the researcher touches on the delivery of the export service by the PPECB on behalf of government, in comparison with the following principles of NPM.

##### Criterion 1: The promotion of competition and value for money

The export of perishable products from South Africa is a regulated industry. The assurance of quality compliance for agricultural products destined for export and their orderly export rests with the PPECB. It should be noted that the PPECB is the sole service provider, leaving no room for competition, which is in definite contrast with the principles of NPM. Furthermore, because of a lack of competition, it is extremely difficult to benchmark the service charges of the PPECB in order to determine if the end user is getting value for money. It should be stated, however, that the PPECB costs its services based on a break-even budget. In addition to this, industry representatives serving on the PPECB Board are probably keeping a watchful eye on the determination of these costs. It can thus be argued that, although the PPECB has the monopoly in delivering a service to the South African perishable export industry, the principle of “value for money” may be embedded in the determination of the service cost. In addition, representatives of industry serving on the Board will ensure that these service costs are kept to the bare minimum, as their respective industries are the paying clients.

##### Criterion 2: Service quality and feedback from clients

Serving the export industry of South Africa, it is obvious that the PPECB should have a diverse client base and surely needs to be flexible. Being a sole service-

providing parastatal, the idea of service quality would seem unlikely to the critics of traditional public administration. In order to create a culture of service excellence, flexibility and responsiveness, the PPECB embarked on a programme-focused strategy. This strategy claims to improve stakeholder relations and communication by being in touch with a specific product export industry. In addition, the PPECB CEO's commitment to respond to the ever-changing market requirements with service delivery par excellence is a testimony of the organisation's intention to listen to the needs of its clients and respond accordingly. Clients are also given an opportunity to express their opinions on service delivery on an annual basis, when a service delivery questionnaire is handed to them. Although the questionnaire was not focused on as part of this research study, it is worth noting that the negative feedback gets recorded and a closing action is required.

### Criterion 3: Outcome driven

The programme management approach discussed earlier is a well-defined method of managers focusing on one programme, seeking outcomes. The challenge for these managers is to keep in touch with relevant networks and act as a catalyst in reaching a desired outcome – scholars of NPM refer to the process as steering instead of rowing. Being protected by an Act of Parliament and a mandate from the Department of Agriculture, Forestry and Fisheries, the pitfall is that these managers get carried away and get involved to such an extent that they eventually dictate the whole process. The researcher can also not disregard the possibility that the respective programme managers may get so involved with their industries that they operate in silos and ultimately lose sight of the bigger organisational picture. This may cause the organisation to fall victim to one of the common problems of NPM, namely, fragmentation.

Notwithstanding the questions surrounding the programme management approach, having a dedicated manager for each programme, the organisation is

looking for results. The programme management approach may as well increase the odds of getting these results

#### Criterion 4: Hands-on approach

The operational structure (Figure 3.2) points out that each region is managed by a service manager, who is responsible for operational matters in the region. If clients in these regions are faced with problems, they may be addressed much faster because a manager is available. This decentralised structure may ensure that the PPECB is closer to its clients and that relationships with clients are strengthened. In addition, information from regions can constantly filter through to the decision-makers, allowing the organisation to become more responsive. Needless to say, the degree to which clients are assisted will greatly depend on the decentralisation of authority within the organisation.

The principle of decentralised authority is also applicable to the relationship between the PPECB and the DAFF, in order to empower the PPECB to deliver an effective and efficient service to its clients.

#### Criterion 5: Measures performance and maintain performance through incentives and sanctions

Performance of PPECB employees is continuously measured and appraised. It is said that those employees who perform satisfactorily may receive a performance incentive. In the context of NPM there is a strong focus on improving performance and rewarding employees accordingly. The reward system of the PPECB is not clearly defined and for this reason it cannot be confidently said that the organisation has effectively established a performance management culture.

Criterion 6: Allow services to be closer to the client through a process of deregulation

The South African industry was fairly regulated and dictated to by government until the mid-1980s, after which government adopted a more relaxed stance. This relaxation of the stringent approach spilled over to the perishable export industry, which saw a deregulation of mainly the PPECB Act in 1997.

Deregulation opened up the markets and allowed exporters to experience the joys of the free market system. The PPECB saw an explosion of its client base and needed to deliver services to many more clients than they were used to. To accommodate clients' needs, it is reported that employees move between production regions, depending on seasonal activities. The service is thus taken to the client, instead of being a centralised service strategy. At the same time this strategy is complemented by the regional management concept, as discussed earlier. Although the process of deregulation was driven by market forces, the end result remains the same – the PPECB is closer to the client than ever before.

Criterion 7: Doing away with government subsidies and striving to recover all service costs

The PPECB Act, which gives the right of existence to the organisation, states that it is entitled to impose a levy to recover service costs. The PPECB clearly make use of this right and charges a levy for the services delivered. The organisation does not receive any financial assistance from government and is therefore financially independent from government. It is also reported that costs are based on a user-pays principle and cross-subsidisation between services and/or products is minimised. Although government remains the accountable authority, it can take comfort from the fact that the service delivered by the PPECB is financially self-maintained.

Criterion 8: Government should give direction and stand back to allow for participation

We have learned that the PPECB is an entity operating outside of government. Although accountable to government, the organisation is financially independent, has its own operational structure and does not report to government regarding operational matters. It can be argued that government is only involved on a strategic level and acts as a watch dog over the affairs of the organisation. With government not interfering with operational matters of the PPECB, decisions can certainly be made more quickly, making the organisation more user-friendly. We have also learned that the PPECB has a strong focus on the client and is willing to adapt to clients' needs. To do this, it is obvious that they need to follow a participative approach. It is also here where the programme management approach, as adopted by the organisation, plays a pivotal role. This approach allows these managers to remain closer to clients and increase visibility throughout the industry. Programme managers attend industry forum meetings, which is a great platform for information sharing. Assuming this information is relayed to the organisational core and back, this concept is a valuable tool to ensure that the industry has a voice in decisions to be made.

Criterion 9: More concerned with the needs of clients than those of the service provider

As the study was not focused on service delivery per se, it is rather difficult to comment on whether the PPECB is satisfying the needs of their clients or not.

In the context of this study, the test would be whether the organisation is structured to accommodate clients' needs or to satisfy the needs of the organisation itself. By just reviewing what have already been discussed, the following aspects are instrumental in evaluating this point:

- The industry is well represented on the Board of the PPECB;
- The Minister of Agriculture and Land Affairs gets to appoint a member to serve on the Board;

- Although not clearly defined, there is evidence of a performance management system;
- There is evidence of a client survey questionnaire;
- The adoption of a programme management approach allows the organisation to be closer to the client;
- The regional management approach (in the form of service managers) allows for the service to be taken to the client; and
- The CEO's clear commitment to adapt to the needs of stakeholders and clients.

Having said this, although the success of the above has not been tested thoroughly, a definite attempt has been made by the PPECB to extend a hand to clients.

Criterion 10: The use of service contracts and public-private partnerships to reduce service costs

As discussed earlier, the PPECB is the sole provider that delivers a quality assurance and cold chain management service to the export industry. It is therefore difficult to benchmark the service cost of the PPECB. However, it can be argued that the PPECB and Department of Agriculture, Forestry and Fisheries, are in partnership, involving both private and public role-players. We have learned that the PPECB was assigned to deliver quality inspections on behalf of the Department of Agriculture, Forestry and Fisheries, in 1991. It should be remembered that by then the PPECB was a well-established organisation, delivering a cold chain management service to the export industry. It can be assumed that the organisation had an established infrastructure and was well known throughout the industry. Mandating the PPECB was most probably less costly than to establish new infrastructure or even keeping the service with the Department of Agriculture, Forestry and Fisheries. In this regard, the PPECB was therefore a good option to have as a partner.

### Criterion 11: Calls for responsive, efficient and effective service delivery

Although the study did not focus on the evaluation of the service delivered by the PPECB or Department of Agriculture, Forestry and Fisheries, the following aspects could not be ignored.

Responsiveness – compared to government, the PPECB with ± 330 employees is a relatively small organisation. The advantages of this are that communication is quick, decisions can be made and implemented with fewer bureaucratic stumbling blocks, and hence the response time of the organisation as a whole can be quicker compared to that of large bureaucracies.

Effectiveness – The PPECB is focused on delivering a quality assurance and cold chain management service. If the service was to be delivered by government itself, it would probably have been a section within a government department. This would have meant that the focus of such department would have been divided between its different sections. The PPECB as an organisation devotes its whole strategy and operations to deliver a quality assurance and cold chain service to the export industry. The organisation therefore has the edge in being more effective in its business compared to larger bureaucracies delivering the service as part of their business strategy.

Efficiency – One of the aspects that stood out was the way in which the PPECB utilises its human resources. Employees are moved between production regions following fruit seasons. Although this might be uncomfortable for personnel, by doing this the organisation uses its personnel to their full potential. This prevents the unnecessary appointment of additional personnel and amounts to a saving on personnel cost. Furthermore, personnel get more exposure and gain experience at the same time.

Having said all this, the question remains whether there is enough evidence to say that the relationship between PPECB and government as well as the manner

in which the service by the PPECB is delivered can be regarded as a phenomenon of public sector reform in a South African context.

Based on the analysis made, it is clear that there are certainly criteria counting in favour of the public sector reform debate and others counting against it.

The mere fact that the PPECB is established by an Act of Parliament is certainly one of the greater stumbling blocks in the argument in favour of public sector reform, especially measured against NPM. This statutory right of existence makes the PPECB the sole service provider for cold chain services and gives it the monopoly in delivering the services. This automatically prevents the promotion of competition and gives clients no alternative but to make use of the PPECB when they intend to export perishable products.

Furthermore, when compared to regulatory governance, the PPECB structure did not fit one specific agency type, but contained characteristics of all four recognised agency types. On face value, the PPECB may be seen as an entity operating totally independently from government. Investigation has shown that, although not obviously in evidence, the government has ensured that it does keep proper control by making the PPECB accountable to government and ensuring ex officio representation on the PPECB Board of Directors. Government is therefore controlling the PPECB closely.

It should also be remembered that, because the PPECB is mandated by legislation, it is obligated to fulfil this mandate at all costs. When reflecting on new governance, there is a strong belief that organisations should establish networks with stakeholders and create a culture of negotiation – as the PPECB rightfully did. It should be remembered, however, that the PPECB can negotiate with stakeholders only to a certain extent. The bottom line of the negotiation will be that the PPECB needs to honour its legislative obligations. It is therefore no secret that certain aspects are non-negotiable as they are prescribed by law.

The PPECB will go into a negotiation, provided that this is within its mandate, having the upper hand. When such negotiation fails, the PPECB will always have the benefit of referring back to the Act.

In addition, the PPECB's commitment to serve the client's needs is quite clear. It makes use of a structured system to keep in contact with clients and networks. This gives the organisation the opportunity to be responsive and address client needs accordingly.

The organisation measures the performance of its employees continuously by means of a performance management system.

The PPECB Board of Directors is represented by role-players from both the public and private sectors. It can thus be assumed that decisions on this level are therefore made to the satisfaction of both government and role-players from the respective industry.

On the financial front, the organisation is financially independent from government and does not receive government subsidies in any form. The author has learned that all service costs are recovered by means of a statutory levy.

Taking into consideration arguments counting both for and against this being a phenomenon of public sector reform, it can be safely argued that the PPECB is a hybrid between traditional public administration and public sector reform (defined as new governance, regulatory governance and NPM). The organisation will continue to face an identity crisis of being both a regulator and service provider to the export industry. The test will be whether the organisation can withstand the increased pressure of true reform. Government may in future be faced with calls for competition to the PPECB that will provide an opportunity to choose between service providers. Another alternative is also to explore the possibility of self-regulation by the export industry.

Although the current operation is functioning, it is recommended that a more defined model be developed that allow for competition in delivering a quality assurance service to the South African export industry.

## **CHAPTER 5: SUMMARY AND CONCLUSION**

### **5.1 Introduction**

As the world changes at an ever-increasing pace, society is forced to change in order to keep abreast with these developments. Public sectors across the globe have not been spared the need to adapt to such change.

As long as most of us can remember, public institutions have stuck to the traditional ways and means of addressing public needs. The traditional model of public administration came under attack during 1980s. It was said that the model is too slow, inefficient, ineffective and unresponsive to the needs of service users. Critics accused the model of being outdated and not suitable to address current needs. Slowly but surely it was accepted that perhaps the traditional model did have a few shortcomings and that the public sector was due for reform. Such reform is needed to ensure that the public sector become effective and efficient by adapting to the changes in society.

The foregoing pages investigated public sector reform under the umbrella of new governance, regulatory governance and new public management (NPM) as a substitute for traditional public administration.

It should be stated, however, that traditional public administration is well rooted throughout the public sector and will surely not be phased out overnight and without repercussions.

### **5.2 Public sector reform**

Calls for public sector reform have been around for some time and different examples of different models can be found throughout the world, surprisingly even in developing countries. We have learned that certain forms of public sector reform are fairly common in some developing countries and have even produced positive results by increasing the amount of revenue collected. The

drawback of such bureaucracies in developing countries is that they are often characterised by huge and clumsy bureaucracies, often still depending on centralised decision-making. In order for public sector reform to be a success, the public sector needs to redefine itself completely. Reform requires change in structure, skills and the way the public conducts its business. The question that needs to be asked is: how did reform evolve?

Not so long ago, the public sector was at the centre in providing societal needs. The public sector was then used to provide only the basic needs of the population. As time went by, the needs of society have changed and the public sector was forced to extend the services it delivers. This trend continued for some time and the services that were demanded by the needs of society have become so diverse that the public sector could not meet this demand.

In many instances government found itself short of expertise or even capacity, hence the need to involve outside actors to deliver such services. Although the actual delivery of such services could be outsourced, government remains accountable for such services. This called for some form of control over these outside actors, as the accountable authority and those responsible to deliver the service are now separated. It was noted that with the traditional administration model government had direct control over those delivering government services. Government was then in a position to easily dictate the way these services should be delivered and could intervene at any stage. With outside actors involved, the picture is a bit different. Government no longer has direct control over these actors as they fall outside hierarchical structure of government.

### **5.3 New Governance**

It is at this point where the principles of new governance become very prominent. It is said that when government reforms, it should not only adapt in structure, but also in the way they operate and importantly their approach. Amongst other things, some of the outstanding principles required by new governance are for

government to move away from a hierarchical approach to a network approach. Government needs to interact with third party actors and establish a network of players they can rely on to assist with service delivery.

Government also needs to regard private sector actors as a partner to reach the desired objectives, and not as competition. Government needs to narrow the gap between itself and the private sector. These two sectors must learn to work together and complement each other by bringing their respective expertise to the table. It is also said that government is so used to dictating and controlling that they need to adapt their approach to negotiation and persuasion. Government officials should also accept that they are not in a position to command private actors and decisions need to be based on consensus.

#### **5.4 Regulatory governance**

This is also where the phenomenon of regulatory governance becomes relevant. As government is no longer in direct control of the services they are accountable for, they need to put measures in place to regulate these services – such methods of control will depend on the situation, and may include legislation and the ratification of decisions by government personnel. Again government should realise that it is now in partnership with these third party actors and not in control of them.

#### **5.5 New public management (NPM)**

In addition, NPM focuses on customising techniques from the private profit sector and uses them in the public sector. The main objective of NPM is also to ensure that the public sector functions more effectively and efficiently. NPM also has a strong focus on feedback from service users. Government therefore needs to recognise the importance of client feedback and create a system where clients are afforded the opportunity to give feedback. Such feedback should be noted and, if valid, used to inform future service delivery. Furthermore, NPM regards the measurement of employee performance as important to ensure that the

service standards of the organisation are met. NPM is outcome driven and believes that the service should be close to the client.

Where the traditional public administration model was much concerned with the bureaucracy itself, public sector reform has a strong focus on involving outside actors and getting feedback from service users. It is believed, however, that successful public sector reform is fairly new and said to be uncommon in developing countries. This research study highlights the regulation of the perishable product exports in South Africa, based on the principles of public sector reform.

In order to distinguish between public sector reform and traditional public administration, the researcher has developed a list of qualifying criteria and characteristics for public sector reform, divided into the categories of new governance, regulatory governance and NPM.

When light is shed on the model on which the export of perishable products from South Africa is based, the model appears to be ahead of its time and rare for a developing country. The researcher analysed the structure and operation of the Perishable Products Export Control Board (PPECB), an organisation mandated to oversee the export of perishable products and the inspection of agricultural products.

## **5.6 The role of the Perishable Export Control Board (PPECB)**

It is stipulated in the Constitution of South Africa (Act 108 of 1996) that the responsibility of trade is that of government. Though it is widely speculated as to why this responsibility was already handed over to the PPECB back in 1926, the researcher can assume government wanted the service to be delivered by a body dedicated to dealing solely with exports – as times changed, so the economic and political environment of South Africa has changed drastically. Surprisingly the arrangement with the PPECB has been kept intact. Even more,

in 1991 the PPECB was mandated to deliver the quality inspection services on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF). Though it is again speculated as to why the PPECB was trusted to do so, it is safe to assume it was because the PPECB had an established infrastructure and proven success with regulating the export of perishable produce.

With the democratisation of South Africa the Constitution paved the way for government to be committed to service delivery and public participation, amongst other things – aspects which form some of the main building blocks of NPM.

The PPECB has been controlling perishable exports for more than 80 years and its familiarity with the business is definitely noteworthy. The model on which the export control service is based corresponds with quite a few of the requirements in the list of qualifying criteria or characteristics for public sector reform. The fact that the PPECB is a statutory organisation blurs many of these resemblances.

Although the PPECB is directly responsible for overseeing the export service, the South African government remains accountable to ensure that exports as a whole stay on track. It is said that the South African export industry makes up a massive 25 percent of everything produced locally, of which perishable exports amounts to R7 billion. It is therefore no surprise that government wants to keep a watchful eye on the services delivered by the PPECB. By having a ministerial representative serving on the PPECB board, government (in the form of the Department of Agriculture, Forestry and Fisheries) ensures that it forms part of decisions made on the highest level within the organisation.

Given the fact that the PPECB is established in terms of legislation, and that it has ministerial representation but is independent from government, it is a classic example of regulatory governance. Although the model consists of criteria that are indicative of all four of the familiar regulatory agency types, the objective of regulating an agency of state cannot be overlooked.

When reference is made to the services delivered by the PPECB, and more so the way these services are delivered, it should be noted that the organisation may find itself somewhere between being a regulator and a service-providing organisation.

It was noted that the PPECB is structured to take the service to its clients. The somewhat decentralised approach, by having regional managers spread across the country, is said to increase the response time as it allow for better flow of information. The needs of clients can be attended to almost immediately, without having to follow a long bureaucratic process so often synonymous with traditional public administration. In addition to the client-friendly structured design, the organisation uses a client feedback system to evaluate the service delivered to clients. These qualities, to mention only a few of them, are indicative of a new public management (NPM) style. Irrespective of its statutory mandate, the PPECB is almost bending backwards to serve the needs of its clients. As can be recalled, NPM was initially brought to life to focus more on the importance of clients.

When the PPECB is thus measured against the qualifying criteria or characteristics of NPM, the way that the PPECB does its business comes relatively close to meeting these requirements. In addition to the PPECB's core services being decentralised, it includes its major stakeholders in its decision-making, measures the performance of its employees and has a strong focus on excellent service delivery. Having said all this, however, it should be noted that one of the most important aspects of NPM is the promotion of competition and ensuring that service delivered represents value for money.

Because of the statutory nature of the PPECB, service users do not have an option when it comes to the export of perishable products other than the PPECB. This criterion appears to be the biggest stumbling block between the South African export model and NPM. When this aspect was unpacked, the point of

value for money seems to be established by the representation of the export industry on the PPECB board. The adherence to promotion of competition does not feature in any way; hence it is in contrast with the principles of NPM.

Notwithstanding the above, in order to determine whether the regulation of the South African perishable export industry represents public sector reform in any way, the answer will certainly not be bound to one simple factor. When looking at the functioning of the model from a macro perspective, certain aspects cannot be argued against.

The South African government does not regulate the export of perishable products itself, nor does it deliver the quality inspection service. Both these functions are delivered by a third party actor.

In the light of what was discussed in the study, it is clear that when the model is tested against the qualifying criteria for public sector reform, most of the arguments were in favour of the model showing resemblances to public sector reform. The breakthrough in establishing these resembles is both in how the model is structured and the methods used by the PPECB to deliver the service. A further major factor is the fact that, although the PPECB and DAFF do have a close working relationship, the PPECB is mostly left alone to dictate the delivery of the service, with the exception of the determination of quality standards for the season.

What stood out about the model is that it contains a mixture of the qualities of new governance, regulatory governance and NPM. When compared to regulatory systems, we have learned that the model even contains qualities of all four major agency types. With the exception of promoting competition, the model used to regulate the export of perishable products in South Africa is a hybrid between new governance, regulatory governance and NPM. The model displays enough qualities, both from a macro and micro perspective, to convincingly

qualify as public sector reform in its basic form. Though successful public sector reform appears to be fairly uncommon in developing countries, South Africa has been using such unconventional strategies successfully for a number of years.

The challenge of this model is whether it can continue to function successfully in its current form. Furthermore, it should also be asked whether the PPECB can keep on acting as referee and player by being protected by legislation to regulate the export industry and projecting an image of being a partner with industry stakeholders. The South African government will probably face calls for competition for the PPECB, if the financial pressure increases in the industry. In order to ensure the existence of successful perishable exports, government will eventually be forced to look at alternative models.

### **5.7 The road ahead**

This particular study did not look into possibilities for alternative models on which South African exports can be based. It is recommended, however, that the perishable product export environment be analysed to determine the needs of this influential industry. It should then be determined what the role of government should be and if the industry should be regulated in future. Also, it should be considered whether the solution would not be a clear separation between the mandate giver (government) and a service provider to the export industry.

The outcome of the investigation should then guide the design of a model, displaying the functioning of the South African perishable product export industry. This study leaves space for further investigation and research with endless possibilities.

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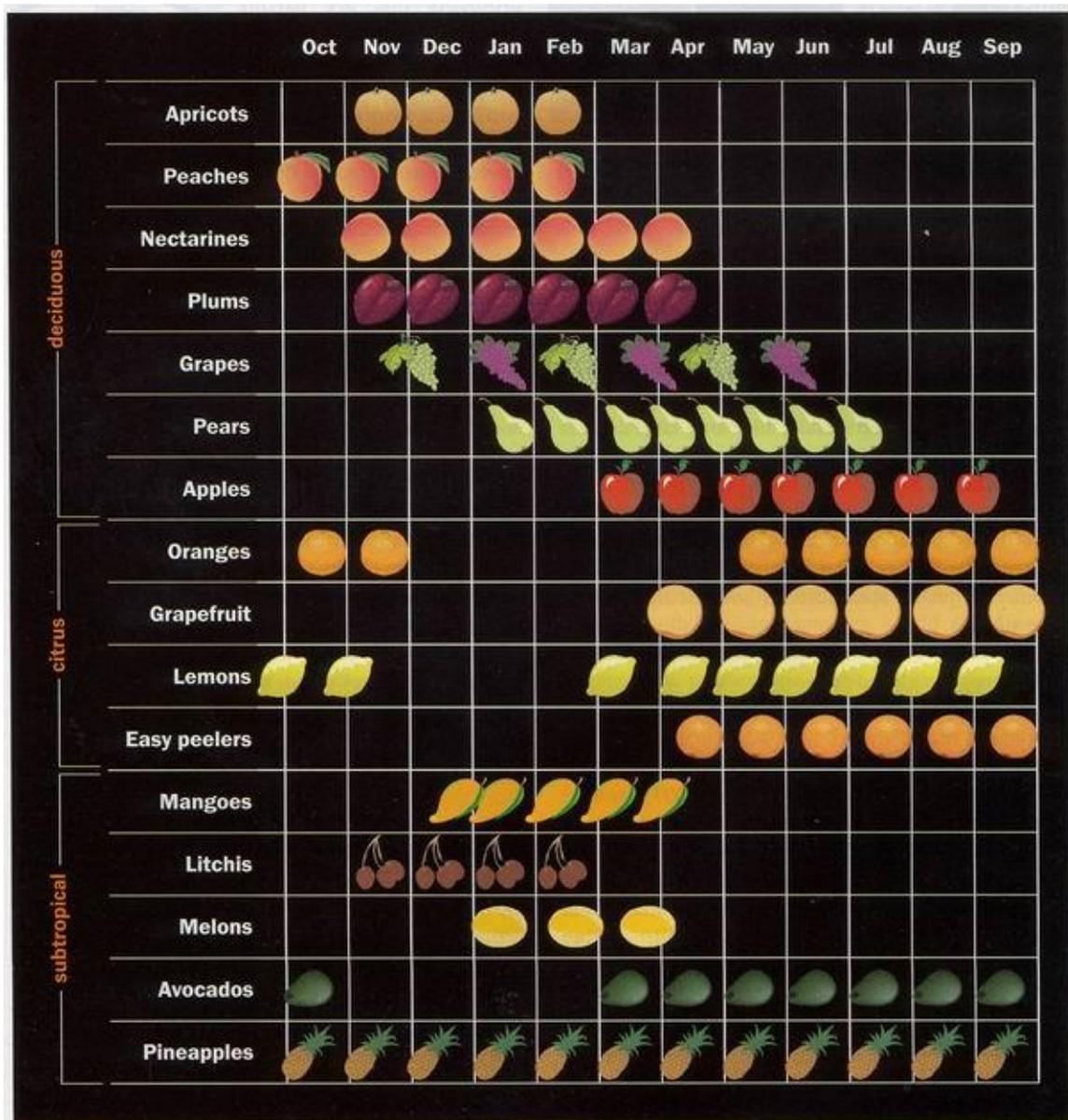
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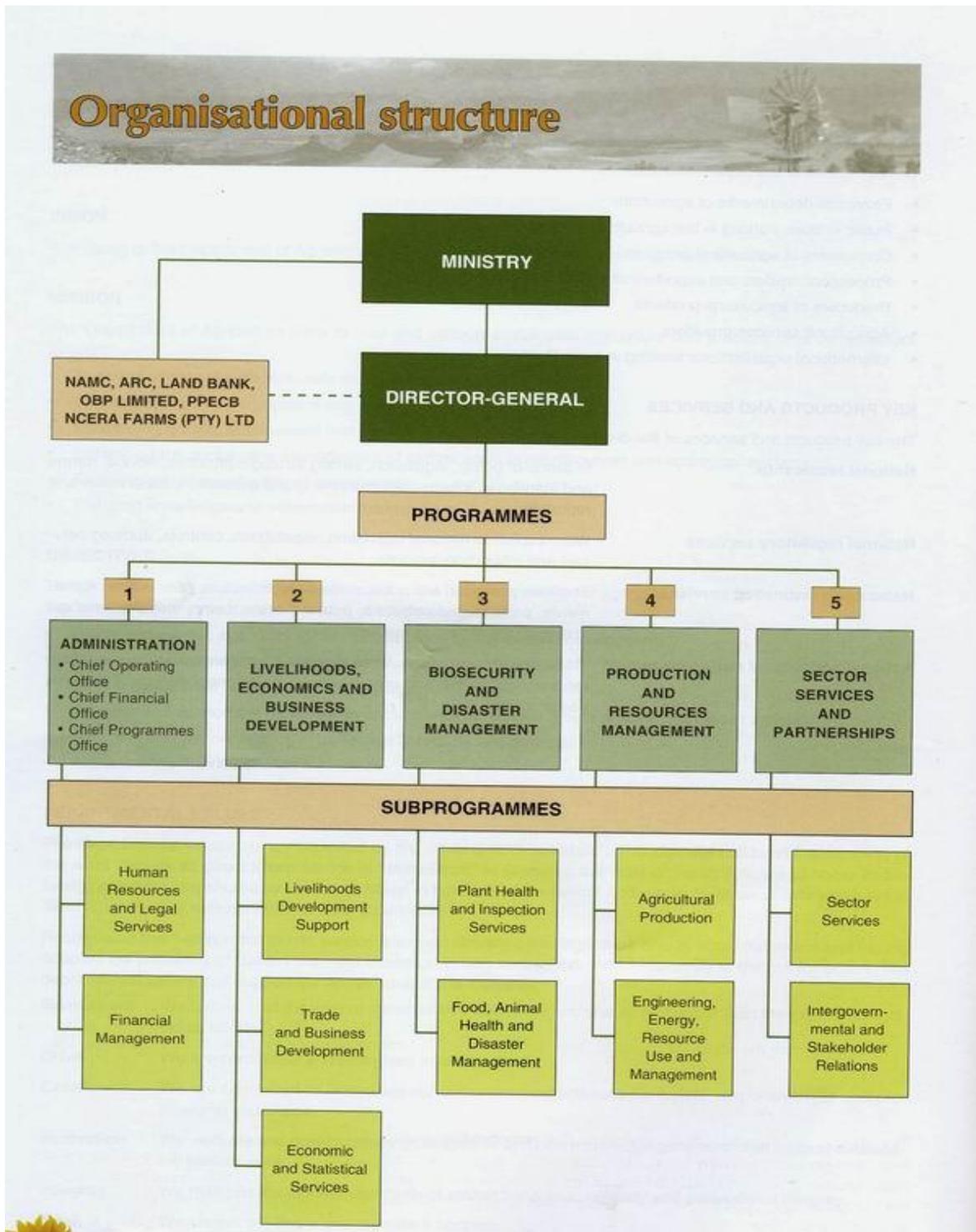
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# ANNEXURE A: South African Fruit Distribution Table



Source: Fresh Produce Exporters Forum (2003:8)

## ANNEXURE B: DAFF Macro Organisational Structure



**Source:** Department of Agriculture, Forestry and Fisheries (2006:24).