

**Contractualism, Decentralized Management and Autonomization:
A Critical Analysis of Value for Money and Democratic Governance in State
Owned Enterprise Reforms in Ghana**

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Abbreviations:

AFRC:	Armed Forces Revolutionary Council
APRM:	African Peer Review Mechanism
AU:	African Union
AVRL:	Aqua Vitens Rand Ltd,
CIMG:	Chartered Institute of Marketing Ghana
CWSD:	Community Water and Sanitation Division
CWSA:	Community Water and Sanitation Agency
DIC:	Divestiture Implementation Committee
ERP:	Economic Recovery Program
FDIs:	Foreign Direct Investments
GIC:	Ghana Insurance Company
GIHOC:	Ghana Industrial Holding Company Limited
GSE:	Ghana Stock Exchange
GWCL:	Ghana Water Company Ltd,
ICT:	Information and Communication Technology
IDC:	Industrial Development Corporation
IFIs:	International Financial Institutions
IMF:	International Monetary Fund
ISODEC:	Integrated Social Development Centre
MDGs:	Millennium Development Goals
NCWSP:	National Community Water and Sanitation Program
NIC:	National Insurance Commission
OECD:	Organization for Economic Co-operation and Development
PCSRC:	Postal & Courier Services Regulatory Commission
PNDC:	Provisional National Defense Council
PSP:	Private Sector Participation
PURC:	Public Utilities Regulatory Commission
SAP:	Structural Adjustment Program
SEC:	State Enterprises Commission
SIC:	State Insurance Company
SOE:	State Owned Enterprise
SSNIT:	Social Security and National Insurance Trust

Abstract

This study grew out of the observation that contemporary research on State Owned Enterprise (SOE) governance and reform evaluation is reductionist and, accordingly, tends to adopt a restrictive approach that narrowly limits organizational performance to economy, efficiency and effectiveness (3Es); marginalizes heterogeneous environmental contextual factors, such as economic, political, social and cultural; and circumvents the critical governance imperatives of accountability, transparency, equity, fairness and rule of law.

To examine the limitations of this approach, a multi-case study was made of the reform and restructuring of three SOEs in three different policy sectors in Ghana: the Ghana Water Company Ltd., the Ghana Post Company Ltd. and the State Insurance Company Ltd. Data was collected in Ghana in 2010 through organizational surveys and face-to-face personal interviews involving 20 policy makers, bureaucrats, regulatory agencies, and civil society organizations. In addition, an analysis of organizational performance and financial evaluation reports, annual budgets and audited accounts provided an objective basis on which to determine performance management and measurement efforts of reformed and restructures SOEs.

The findings speak simultaneously to the empirical, theoretical and conceptual aspects of SOE governance and reforms within a developing country's perspective. Empirically, the dissertation considers the broader range of issues — such as the bias of the financial or neo-liberal value for money (VFM) indicators, or both — that are often used to define SOE governance and performance. Theoretically, it goes beyond both mainstream neo-liberal theories and their narrow financial considerations of “letting the managers manage” to propose ways of addressing the “making the managers manage” component of SOE governance. Conceptually, it delineates the neo-liberal ideological context within which the debate over SOE reform has

arisen, and it offers an account of the impact of contingency factors and the concerns and experiences of policy makers and practitioners, especially from a developing country's perspective. The resulting findings support the hypothesis that VFM indicators and democratic governance imperatives are mutually inclusive in the SOE reform process and that one must not be achieved at the expense of the other. It concludes that real VFM, therefore, should and must include governance imperatives in the reform process if reform objectives are to materialize.

Practitioners, scholars and students of public administration can find copious and excellent stories about, and case studies on, SOE governance and reforms. Yet it is difficult to find readily comparable stories and cases within one country, while reform stories that are told from the perspectives of developing countries experiences are rare. This dissertation contributes to addressing this important gap in our knowledge and understanding of administrative reforms in developing countries.

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Introduction

Three main questions inspire this study. First, since there is a universal governance or neo-liberal model for administrative reforms, is an alternative model possible and what should its features be? Second, when adopting this alternative model, what different structural, institutional and democratic contingency factors are involved in different politico-administrative settings? And third, is the alternative model, so developed, more effective than the established neo-liberal or the governance models and, if so, why? In view of the impact and longevity of neo-liberal reform policies, especially in developing countries, these questions, both individually and collectively, are timely and important within the context of administrative reform. Given the consideration of longevity, few will therefore question that the time is ripe to evaluate these policies and their implications for the role of the public sector and public organizations in modern administrative reform and governance.

This study therefore critically examines the massive economic and financial reforms that the IMF and the WB imposed on most developing countries in the late 1970s to the early 1980s, which rejected state-centred economic and even political policies in favour of market-centred ones. Anchored in the Thatcherism and Reaganomics of the 1980s, concepts such as market liberalization, privatization, commercialization, and deregulation were all packaged and either sold to developed countries or attached to aid and loan conditions for all developing countries with the aim of reducing the bloated, status quo-oriented, budget-driven and monopolistic public agencies (Kernaghan et al., 2000). These efforts had one main objective: to fix the perceived broken and collapsed welfare state. These reformists were aided in their approach by the rise of neo-liberalism as a prominent economic and political theory that served as a powerful driver of

administrative and political reforms in both developed and developing countries (Harvey, 2005; Stiglitz, 2003).

However, in recent days the neo-liberal focus and its policies have come under attack by governance and bureaucratic theorists and scholars because of the need to protect critical social services and sectors that are at risk from market forces and the economics of demand and supply (Peters and Pierre, 2001; Denhardt and Denhardt, 2003). These governance critics emerged as a response to demands by students of modern public administration who care about efficiency and effectiveness but who, at the same time, want public agencies that are accountable, transparent and democratic. As Peters and Pierre (2001) have argued, in the administrative reform process the adoption of neo-liberal tools entails a narrow neo-liberal concentration on financial indicators and risks, sacrificing critical non-financial political and democratic governance imperatives on VFM's altar. Once again, this governance model also witnessed a sustained attack throughout the 1980s and 1990s with what can be described as the language of crisis being used to justify the creation of lean and mean bureaucracies and arm's-length public agencies (Goldfinch, 2009).

From these considerations, it is clear that neo-liberals prescribe the same reform policies under different brand names for all political, administrative, economic and even cultural systems without any regard to their differences and sensitivities. In the process, they ignore critical success factors such as context, governance, task specificity and creative adaptation of reforms upon which the success of reform policies depend (Minogue et al., 1998; McCourt, 2001). Similarly, governance scholars sometimes ignore the centrality and impact of value for money considerations in the reform process and post-reform performance evaluation of SOEs.

This study, however, takes the position that the success or failure of any administrative reform is contingent upon the impact of contextual conditions since the administrative state is interdependent and not an isolated entity.

The point the study seeks to make, therefore, is that right from the outset — and unlike private firms — public agencies have dual commercial and governance roles and objectives (Iacobucci and Trebilcock, 2012). Despite this fact, the neo-liberal approach to the reform of public agencies tends to adopt a narrow focus on their broader empirical and commercial objectives, or what we will refer to here as Value for Money (VFM) indicators such as effectiveness, efficiency, economy and profitability, while the governance approach is also limited to the normative aspect, or what is referred to here as democratic governance (DG) objectives like accountability, transparency, participation, rule of law and the equity/fairness of public agencies. The study finds both approaches to be limited and not comprehensive enough to address an issue that transcends both commercial and social objectives to include issues of governance and citizens' rights to engage and participate in the governance process.

In this study, the focus is on the impact of these policies in the State-Owned Enterprise (hereafter, SOE) sector. The selection of SOEs as a focal point is informed by their centrality to the creation and provision of public services and programs in both developed and developing countries, a centrality that has made them key targets of the Structural Adjustment Program (SAP) reforms (Rahaman et al., 2004; Uddin and Tsamenyi, 2005).

Why, then, is it necessary to rethink and contest these conventional neo-liberal and governance approaches to SOE reforms? The reason, expressed as arguments in the study can be summed up as follows. On the one hand, the neo-liberal state is expected to take a back seat and simply set the stage for the market and managerialist concepts to function in the delivery of

public goods and service. On the other hand, dogmatism to market enforcement in a democracy sits uneasily with the governance ideals of accountability, transparency and equity/fairness. Accordingly, the more the neo-liberal state veers towards its orthodoxy (the market and VFM), the harder it becomes to maintain its legitimacy and commitment to citizens in a democracy.

However, this balancing act (between VFM and governance imperatives) is further complicated when the instruments of SOE reform are Contractualism, Decentralized Management, and Autonomization¹ (hereafter, CDA) concepts drawn from the tool kit of neo-liberalism. These instruments can be conceptualized, on one hand, as ones of policy implementation that have socio-political objectives, or, on the other, as internal operation or management models, with increasingly devolved, autonomous policy design, implementation and evaluation functions that are heavily skewed in favour of the private sector. The choice of these models becomes more relevant the more it is realized that any instrument used to implement public policy will produce a certain power imbalance, especially between the actors involved. This thesis, therefore, deplores the assumption that efficiency gains (VFM) are trade-offs for democratic governance principles, when they should in fact be seen as complementary and, potentially, as two sides of the same coin.

What this study proposes, therefore, is a more comprehensive and holistic approach to SOE reform that is at its core aimed at entrenching the concepts of context, task-specificity and creative adaptation at the centre of the reform process. Empirically, the research speaks to a broader range of issues, such as the financial and quantitative elements, and aspects that are often used as justifications for a narrow financial approach to SOE reforms in developing countries (Uddin and Tsamenyi, 2005). Theoretically and ideologically, the dissertation goes beyond the

¹These concepts and models are fully defined, explained and analyzed in the main chapters.

narrow and simplistic arguments of trickle-down economics and rising-tides-lift-all-boats mantra of neo-liberalism to propose a theoretical model that recognizes that, in a democracy, such dogmatism sit uneasy with the concept of good governance. Conceptually, this dissertation seeks to discover the ideological context and arena within which the debate over SOE reform is structured and shaped, and to offer a historical account of the SOE reform process that leads to the emergence of the models listed above as preferred choices.

In sum, what is known is that if the neo-liberal-inspired model is followed to the later in the reform process, policymakers are expected to create agencies that have high degrees of autonomy and decentralized structures and that are controlled by performance contracts. What is not known is how these agencies will be transparent, accountable, equitable and fair to all stakeholders. Our objective is to specifically throw more light on the impact of the multiple aspects and layers of contexts, task specificity and governance in the reform and restructuring of public organizations using neo-liberal reform tools.

The endeavour is worth undertaking, because the approach adopted enables us to examine the contingent politico-administrative, structural and institutional cultures; the economic, social and path dependency of reforms in Ghana: and, even further, the differences in “implementation habitats” (Wollmann 2004) or “performance regimes” (Talbot 2008) in such a developing country. The challenge of synthesizing three different SOEs in three different policy sectors and using three different reform models is daunting, but the chapters in this study have been carefully structured to convey and clearly illustrate the concerns and aspirations just delineated.

Chapter One provides a brief historical account of the internal and external drivers of reforms. It offers an operational definition of SOEs and situates the SOE reform process within a

political continuum that includes references to neo-liberalism and economic and financial pragmatism. Chapter Two, on the other hand, has one main purpose: to propose a more holistic and comprehensive theoretical and empirical framework for examining, understanding and evaluating the reform and restructuring of public organizations in general and of SOEs in particular. The two broad commercial (VFM) and democratic governance (DG) objectives of SOEs are used as categories to distil ten critical variables and indicators of modern public administration reforms. These variables will then be used to developed and advance a more comprehensive and holistic third way, the Integrated Reform Model (IRM), for analyzing and understanding SOE reforms from a more nuanced perspective.

Chapter Three addresses the data collection methods and processes. The study is fundamentally a multi-case study of three SOEs in three different policy sectors — water, postal services and insurance — in Ghana. It examines the methods and processes that would be used to collect and analyze data from a wide variety of primary and secondary sources and material on SOE reforms. A valuable source of information was the use of semi-structured questionnaires and specialized face-to-face interviews with Senior Managers and Chief Directors of three SOEs, three regulatory agencies and three government ministries and civil society organizations in Ghana in the summer of 2010. Empirical data drawn from the analysis of performance evaluation reports, internal and external financial audits, annual budgets and quarterly reports also produced much relevant financial information.

Chapter Four critically examines the internal and external drivers and forces of SOE development and reform in Ghana. It is by examining these drivers that we will be in a better position to understand the effects of the neo-liberal approach to their reform and to better appreciate the structural, institutional, economic and political factors that can either enhance or

constrain the adoption and implementation of these reforms. The chapter therefore reviews and analyzes the circumstances that led to Ghana's approach to the WB/IMF in 1983 for the SAP assistance as a way of examining neo-liberalism in an historical perspective in Ghana.

Chapters Five, Six and Seven present the case studies and focus on the reform process and on the pre- and post-reform performance evaluation of the three SOEs using the democratic governance model (DGM) approach. On a wider scale, these chapters also seek to answer some basic questions, such as, Is there an empirical link between the adoption and implementation of these models and improved SOE performance?; and, even if there is such a link, do these models simultaneously guarantee both VFM and democratic governance?

These enquiries naturally lead to Chapter Eight, which contains the main theoretical, empirical and practitioner-based findings of the study. The overarching objective of this chapter is, therefore, to provide a summary of the key findings of the study. The main theoretical finding is that neo-liberal private sector-style tools (CDA) are limited and inadequate for reforming politically sensitive public agencies that offer critical social services such as water and postal services. The study further finds no empirical link between CDA and improved post-reform organizational performance. However, it does find that performance improved for one SOE, the State Insurance Commission Ltd. (SIC), that creatively adapts reforms to fit its structural, institutional, and even organizational cultural needs. The success of the SIC can be attributed to the fact that reformers got the context, task specificity and creative adaptation of their restructuring efforts right.

The final Chapter Nine returns to the beginning, to the key issues and debates that were introduced in chapter one. The chapter therefore begins by asking one main question. What has been learnt from this study and what is its contribution in relation to other recent research and

theories in modern public administration reform efforts? The main contribution of the study is that when it comes to public agency reforms using global neoliberal tools and approaches: context, agency task-specificity, and creative adaptations of reforms matter. Not only do they matter a lot, together, they represent the most important structural, institutional, political, and administrative contingency factors to consider when it comes to public agency reforms. The rest of the chapter elaborates on the significance of the study, its limitations and points out avenues for future research.

For students and scholars of modern public administration who are interested in VFM and also want participatory, citizen-centred, accountable and transparent democratic public organizations, the stories told in these pages have several implications and much significance. For instance, the positive assessment of an SOE reform experience, that of the State Insurance Commission, in a developing country like Ghana adds a breath of fresh air to an often-depressing literature that documents countless reform failures in developing countries. This particular example accordingly provides a ray of real hope to reformers and shows that real success can be achieved. But it also reminds us of the need for a creative adaptation of reform models in order to meet and address the specific structural, institutional and even cultural needs of public organizations.

Chapter One

Public Agency Reforms: Setting the Stage

“As the apparent crisis of government deepened into the 1980s and 1990s, one solution which became fashionable was to ‘unbundle government’: to break up [these] large ministries into smaller, more manageable, less rule bound, more flexible and responsive agencies. These new agencies, in this narrative, fit better than ministries with the consumer choice dominated, flexible, post-bureaucratic world of today.” (Pollitt et al., 2004, p. 32)

1.1 Introduction: Background Analysis

General questions about the capacity, role, and ideal size of the state have occupied the minds of political scientist, philosophers, and scholars of public administration for ages. In the study of public administration, these questions and concerns provided a rich fodder of reasons for reform minded politicians to look for ways and means of changing the nature and structure of the state to meet and suit their political and ideological orientations and leanings. As a result, reform and change have consumed the attention of policy-makers in particular as they explore and develop new ways to improve the capabilities of the state in order for it to fulfil its numerous and complex objectives in an increasingly integrated, competitive and globalized world. It is these attempts to improve the role and capacity of the state that have pushed administrative reforms to the top of the agenda in almost all countries and administrative systems as policymakers seek to get the state tight.

Yet administrative reforms are not for the faint-hearted or for cynics. Rather, they are a fertile field for optimists, who believe that the administrative state can do better and that superior ways can always be found to manage public agencies and improve the delivery of public goods and services. It is this optimism that — despite philosophical, ideological and even theoretical differences and approaches — drives reform efforts in both developed and developing countries. However, while reform efforts have intensified in the current era of fiscal constraint and austerity measures, their roots can be traced to the 1950s.

Pollitt and Bouckaert (2012) argue that administrative reforms in the 1950s and 1960s took place in two fundamental ways. First, they were kept out of the domain of political and economic matters and treated as legal and technical issues. Accordingly, this period placed special value on the role and contribution of the rational legality of command and control, and entrusted reform to be conducted by well-trained experts who were versed in the Weberian art and science of public administration. Recruitment into the public sector was based on expertise and skills, and it emphasized political neutrality since the bureaucratic state was regarded at that time as existing autonomously “as a form of vocation, with a distinctive ethos and status and strong notion of duty” (Goldfinch, 2009, p. 3). The second type of reform was subordinate to the first, and simply sought to buttress and to consolidate the gains it made. These gains were mostly limited to the national and even sectoral levels of individual countries and policy sectors, but were always subject to national laws. These two approaches to administrative reforms were limited by and “reinforced in many countries by the important role constitutional and administrative law played in administrative reforms” (Pollitt and Bouckaert, 2012, p. 6). Thus, the structural, administrative and managerial reforms of the 1950s and 1960s were aimed at strengthening the role of the bureaucratic state in the performance of its public duties and were based on the empirical and normative values that reformers wanted to advance at that time.

In the 1970s, however, views on administrative reforms began to change in many countries, especially in the U.K., France and the USA. This shift was the result of a more scientific, rational and strategic approach to policy making and evaluation (Pollitt and Bouckaert, 2012). This wave of change in reform efforts can be seen to be connected, at least in part, with the ideas of technicality, positivism and rationality that classical public administration theory and literature associated with the scientific management movement (Taylor, 1911). This wave also

reflected the prevailing mood of the 1970s and coincided with “a period of high modernism when rapid advances in science and technology seemed to hold out the promise of a more rational designed set of public policies and institutions” (Pollitt and Bouckaert, 2011, p. 6). As a result, nations now began looking to science and technology, instead of administrative law and political norms, as the best means to engineer efficiency and effectiveness in their administrative systems.

A deeper examination of this brief review of earlier reforms reveals that they were in fact driven by a number of empirical and normative values and approaches which can be grouped under two main schools of thought that came to dominate administrative reforms in the late 1970s.

1.2 Debating the State: Governance and Neo-liberal Arguments Compared

Administrative reforms of the 1970s have their roots in what will be referred to in this study as the democratic governance model (DGM). Also sometimes known by governance scholars as the bureaucratic or old public administration model, the DGM is characterized by a command and control system, defined hierarchies and jurisdictions all codified in law (Goldfinch, 2009; Kernaghan et al., 2000). Under the DGM, the “citizen was to be treated as equal under the law, and reference to rules and precedent was argued to decrease the likelihood of arbitrary and unjust decisions by officials and increase the transparency, stability, and predictability of decision-making itself” (Goldfinch, 2009, p. 3). The overriding goal of the DGM was the primacy of the state and the significance of the political values and norms of rule of law, accountability/transparency, participation and equity/fairness that shaped and defined the state, especially in a democracy (Peters and Pierre, 2001; Olowu, 2002). The DGM is therefore a

status quo and process oriented approach that placed a great emphasis on getting it right and conformity to due process.

Reform efforts of the DGM were accordingly aimed at enhancing the role and capacity of the state to successfully play these roles. The DGM became central in reforming and restructuring the war-ravaged economies of many states, and most large private organizations were based on its core tenets. The democratic governance model was therefore considered to be the best possible approach to performing the complex and multi-faceted roles of the administrative state (Goodsell, 2002; Lynn, 2006). In a comparative examination of the impact of governance on American and Westminster reform styles, the governance scholar Kettl (2005) argues that a commitment to the democratic governance model would help policy-makers better promote accountability and the public interest and, finally, would bridge the gap between citizen trust and alienation in the policymaking and implementation process.

But despite its success at restructuring the post war economies of western countries and being credited with building the largest middle class in modern democracies, the governance model has come under a barrage of criticism over the years by reformers who consider it inept, rule-bound, rigid and over-bloated (Kernaghan et al., 2000; Osborne and Gaebler, 1993). Many argue that the environment within which the DGM exists is changing at a rapid and dramatic pace and that this new environment calls for and expects innovative and creative approaches of a kind that are absent in the governance model. As a result, “several characteristics of the ... [DGM] seem inadequate to meet the new and anticipated challenges facing the public sector” (Kernaghan et al., 2000, p. 1). The DGM therefore was subject from the 1970s to a long period of sustained attacks by right-leaning and conservative scholars and critics using what Goldfinch

(2009) refers to as a “crisis language” (p. 5) to characterize its features. These criticisms led to and ushered in the neo-liberal model as a viable alternative in the late 1970s.

This period was the era of Thatcherism and Reaganomics and of “ideologically driven programs like privatization, deregulation, contracting-out and trade union reforms” (Savoie, 1994, p. 9). Thatcherism came to encapsulate the political and economic policies and ideologies of UK Prime Minister, Margaret Thatcher who came to power in 1979. Thatcherism rejected the state-centred economic and social policies of the DGM in the 1960s and 1970s and the political norms and values that drove earlier reforms because they expanded the size and role of the state. It also recognised the regulatory, process oriented, command and control roles of the state as stifling innovation, creativity and wealth generation. In other words, these core features of the DGM were crowding out private sector and its superior managerial and innovative ideas. At the same time in the USA, Ronald Reagan was preaching the same reform gospel in what became known as Reaganomics. Just like Thatcher, Ronald Reagan came to power in 1981 and immediately “regarded government as an important part of the problem he was setting out to fix, rather than as part of the solution” (Savoie, 1994, p. 9). Both leaders were singing from the same hymnbook when they argued that government itself was the problem and that state-centred, command and control approaches to economic development during the DGM era were the cause for the collapse of the growth rate of most countries that practised the state-centric Keynesian welfare economic policies system of the 1950s and 1960s (Gore, 2000; Inwood, 2012).

Consequently, economic and developmental theorists and politicians generally agreed that the time had arrived to limit the role and impact of the state by turning to the market and to private sector for ideas and solutions (Hall, 1993; Gore, 2000). In most countries, these arguments resulted in a paradigm shift that “involved a commitment to free markets, private

property, and individual incentives, and a circumscribed role for government” (Gore, 2000, p. 792). This paradigm shift and its attendant policies would be referred to in this study as the rise of neo-liberalism as a prominent economic and political theory that served as a powerful driver of administrative and political reforms in both developed and developing countries during the 1980s. Neo-liberalism promised results that the DGM could not provide: a limited and restrained government; the superiority of private sector ideas in managing public agencies; accountability for results, not processes and rules; and a commitment to efficiency, effectiveness, and economy (Harvey, 2005; Stiglitz, 2003; Hilgers, 2012). In other words, neo-liberalism and its advocates promised what the governance scholar, Donald Savoie (1995) referred to as ‘big answers’ to the woes and pathologies of the bureaucratic state.

The preceding overview describes two main schools of thought or models that have emerged to provide philosophical, ideological, and even economic ideas on administrative reforms in both developed and developing countries. These two schools have the same goal: to improve the performance of the state and to enable it to better perform its roles, whatever they might be. But they are sharply distinguished on many fundamental points by the empirical and normative values and norms that drive them, including the questions of the size of the state, the roles it should engage in and the need for private sector ideas and approaches. Knowing and understanding these distinctions is important to assessing current reform efforts and, more importantly, to determining why reform successes are so scarce, especially in developing countries.

1.3 Understanding the Research Problem: Moving the Debate Forward

These two schools of thought — neo-liberalism and the democratic governance model — have attracted their fair share of criticism in the literature on administrative reforms. For

instance, governance scholars charge the neo-liberal approach with prescribing the same reform policies under different brand names as a cure-all for every political, administrative, economic and even cultural system without any regard to their individual differences and sensitivities (Minogue et al., 1998). In the process, neo-liberals are held to disregard critical success factors such as context, task specificity and the creative adaptation of reforms to fit the needs of different policy sectors and countries. Furthermore, they marginalize important structural, institutional and other contingency factors upon which the success of reform policies depends (Minogue et al., 1998; McCourt, 2001). The point that proponents of the democratic governance school seek to make, therefore, is that, unlike private firms, public agencies in particular have dual commercial and governance roles and objectives and that the neo-liberal approach either ignores or trivializes this reality (Iacobucci and Trebilcock, 2012).

Despite this fact, the neo-liberal approach tends to adopt a narrow focus on broader empirical and commercial objectives, or what we will refer to here as value for money (VFM) indicators. As a result, the neo-liberal approach inevitably tends to be reductionist and universalistic, while emphasizing uniformity of adoption and implementation in all systems with little or no regard to the consequences of such one-size-fits-all policies and approaches. Governance scholars decry this approach and its results as an unfortunate development on the grounds that modern public administration reform should not be narrowly limited to matters of efficiency and effectiveness but should also include transparency, participation, accountability and empowerment as part of the debate (Kettl, 2005; Minogue et al., 1998).

Due to the complex nature of the question and the numerous considerations that affect administrative reforms, which usually depend upon the normative and empirical values that reformers want to promote in a particular context, general conclusions on which approach is

superior are not offered here. Rather, since the study is interested in the broader political, normative and empirical values and norms that drive administrative reforms, a deeper understanding of the arguments on both sides of the debate will be more helpful in exposing the weaknesses and strengths of either side. Through such a rigorous and meticulous process, the study hopes to arrive at a more comprehensive and holistic approach to administrative reform, without engaging in an endless theoretical debate that — although perhaps of interest to scholars and theorists — would be largely irrelevant to the needs of practitioners in different politico-administrative cultures.

Moreover, this study takes the position that single variable and linear theoretical explanations such as those discussed above are, by themselves, inadequate, given the interconnectedness of both empirical value for money claims and democratic governance model imperatives. The dissertation therefore subscribes to the view of (Verhoest and Lægheid, 2010) that, as a stand-alone model, each approach is flawed and fundamentally handicapped in explaining a reform phenomenon with such multifaceted driving forces, global dimensions and local impacts. There is therefore the need for comprehensive and multifaceted approaches and theories that can simultaneously address these competing and conflicting demands and values in a complementary manner to the satisfaction of citizens in a democracy. Because of the inability of either model to secure such a holistic approach to reform and post-reform evaluation, the study proposes what will be referred to as the Integrated Reform Model as a better analytical and explanatory model of administrative reforms especially in developing countries. This Integrated Reform Model (hereafter, IRM) will provide a framework for evaluating and examining public agency reforms that simultaneously address their governance and commercial objectives in an integrated and holistic manner.

1.4. The Research Questions

Most studies of these two schools of thought on administrative reforms treat them in isolation as stand-alone approaches and fail to consider their practical limitations from a comprehensive political, economic and governance perspective. The resulting critical concerns with these earlier methodologies can be summarized by three main questions, which this thesis attempts to answer:

- I. While a universal governance or neo-liberal model of administrative reforms exists, is the Integrated Reform Model proposed here feasible and, if so, what features should it have?
- II. When adopting the IRM, what different structural, institutional and democratic contingency factors are relevant in different politico-administrative settings?
- III. Is the IRM, so developed, likely to be more effective in practical terms than the neo-liberal or the governance models? In what ways?

These questions are fundamental, in view of the immediate impact and long-term effects of governance and neo-liberal reform policies, especially in the case of developing countries. They are also timely because of the repeated calls by students of modern public administration for a balanced approach to reforms. Given these two considerations, most would agree that the time has come to evaluate these reform policies and their implications for the role of public organizations in modern administrative governance.

1.5. Administrative Reforms: Understanding the Policy Problem

In this study, the focus will be on the impact of these two approaches in the State-Owned Enterprise (SOE) reform sector in Ghana. The selection of SOEs as a focal point is informed by their centrality to the making and provision of public services and programs, a position that makes such enterprises the key targets of both approaches, especially in developing countries (Rahaman et al., 2004; Uddin and Tsamenyi, 2005). What exactly are SOEs, and why do they

seem to have a special need for reform? A single or universally accepted definition of SOEs is lacking because of their complexity and wide variety in different countries. As a result, they are variously known: as parastatals, public agencies and enterprises in Ghana (Adjei, 2006; Appiah-Kubi, 2002); as Crown Corporations and Mixed Enterprises in Canada (Bozec, 2010; Kernaghan and Siegel, 1999); and as public agencies in most developed countries (Verhoest et al., 2010; Pollitt and Talbot, 2004). For the purposes of this dissertation, SOEs will be defined as “arm’s-length corporate entities established to pursue public policy and commercial objectives” (Bozec et al., 2004, p. 79). Similarly, Pollitt et al., (2004) have produced a concise model of what constitutes the core features of public agencies. In their classification, agencies, like SOEs:

- Have their status defined principally or exclusively in public law;
- Are functionally disaggregated from the core of its Ministry or Department of State;
- Enjoy some degree of freedom and autonomy which is not enjoyed by the core Ministry/Department; and,
- Are not corporate bodies with purely commercial objectives-they also have socio-political objectives.

While the above definition and core features of SOEs are unlikely to provoke disagreement, they underline a critical aspect of SOEs that the study believes is sometimes lost in the neo-liberal conception of their role and approaches to their reform: that is, as public policy and commercial implies, they have a dual personality and, therefore, potentially conflicting objectives. The foregoing definition thus allows a critical and curious observation to be brought to light, namely, that SOEs are (a) commercial entities with (b) governance/social objectives.

It is precisely these dual governance and commercial aspects of SOEs that make their reform particularly challenging, because these aspects are usually regarded as mutually exclusive in attempts to address the public policy and commercial objectives of SOEs. This condition, it is stressed, creates “a paradoxical situation” (Radin, 2006, p. 93) in SOE pre-reform efforts and, subsequently, in SOE post-reform performance evaluation, which is often lost in the neo-liberal

one-best-way approach. The paradox is that linear and narrow DGM of neo-liberal approaches are unable to fully explain and address these commercial and governance objectives. For this reason, they tend to present these objectives as antithetical and mutually exclusive in the reform adoption and implementation process. It is this narrow conceptualization of the values of SOEs that makes it necessary to rethink, reframe and contest conventional approaches to SOE reforms.

The need for Integrated Reform Model proposed here also emanates from the demands of students of modern administrative reform, who claim that reform “is not just about efficiency; it also involves ideas of democratic participation, accountability and empowerment” (Minogue et al., 1998, p. 17). On the contrary, by ignoring VFM concerns, governance scholars also risk financially bankrupting SOEs, which will then render these public agencies incapable of performing their social and policy roles, especially in this era of financial austerity inspired reform measures. The above scenario therefore provides challenges and opportunities for students of administrative reform to approach it in a balanced manner.

The arguments of the study can now be summed up as follows. On the one hand, the neo-liberal state is expected to take a back seat and simply set the stage for the market and managerialist concepts to function in the delivery of public service goods and service. On the other hand, this dogmatic view on market enforcement in a democracy sits uneasily with the governance ideals of accountability and transparency. As a result, the more the neo-liberal state veers toward its orthodoxy (the VFM approach), the more difficulty it has in maintaining its legitimacy and its democratic commitment to citizens (Haque, 2008). A clear need therefore arises for a balanced and integrated approach that takes into consideration the advantages of both approaches. The Integrated Reform Model (IRM) approach presented here attempts to meet this need.

1.6. Objectives of the Dissertation

The main objective in this study is to develop a framework for understanding, analyzing and evaluating the reform and restructuring of SOEs in developing countries. What we have in mind is a more comprehensive and holistic approach to SOE reform that has the fundamental aim of entrenching the state and governance at the centre of the reform process by synthesizing the two dominant schools of thought outlined above. The two broad commercial (VFM) and social (DGM) objectives of SOEs will be used as categories from which to distil ten critical variables and indicators of modern public administration reforms. These variables will be synthesized and used in Chapter Two to develop and advance the IRM. Ultimately, if the Integrated Reform Model presented here successfully integrates the two models of neo-liberalism and governance, the study may be within “touching distance of a holy grail: a global model of [reform], with universal application” (Minogue et al., 1998, p. 7) that addresses the needs and expectations of students of these issues in modern public administration. In other words, an Integrated Reform Model that is feasible in practical terms will provide a realistic alternative — or even a counter-hegemony — to the well-established neo-liberal and governance constructs.

In sum, if public sector reformers follow the neo-liberal-inspired model, it create agencies that are controlled by performance contracts and have a high degree of autonomous, decentralized structures and managed by private sector ideas. On the other hand, if agencies follow the governance model exclusively, they may well face financial challenges that will threaten their very survival and render them incapable of performing their social roles (see further Chapter 4). What is not known is how these two schools can be synthesized and what the effect will be on public agency reforms. The objective therefore is to use the Integrated Reform

Model — which is more comprehensive, holistic and multifaceted, compared with the two other schools of thought — to throw more light specifically on the impact of the multiple aspects and layers of contexts, task specificity and governance on the reform and restructuring of public organizations.

1.7. Scope, Limitation and Organization of the Dissertation

The study will focus on SOE reform efforts in Ghana, a developing country and one of the early testing grounds of neo-liberal reform policies in Africa. The examination presented here takes the form of a multi-case study of three SOEs in different policy sectors, namely, the Ghana Water Company Ltd. (GWCL), the Ghana Post Company Ltd. (GP) and the State Insurance Company Ltd. (SIC). These SOEs have been the subject of massive reforms and are among the largest SOEs in Ghana, making them ideal candidates for examination.

For neo-liberals, the route to curtailing the role and impact of the state as a way of ensuring efficiency and effectiveness starts with managing public agencies like private firms and, to that end, limiting the power of bureaucrats in the provision of public goods and services. Three tools are typically used for this approach: Contractualism, Decentralized Management and Autonomization (hereafter, CDA).² For governance scholars on the other hand, these same tools fundamentally redefine the relationships between citizens and their governments, deprive citizens of a say in how public organizations are managed and services are delivered and, finally, serve the narrow profit motives of private firms. It can therefore be said that while CDA has its fair share of supporters among neo-liberals, it also has an equal share of opponents among DGM scholars. This study on the other hand believe that a middle ground can be found, one that

²For more on these models and tools, see Chapters 2, 5, 6 and 7.

integrates the two approaches and combines them in a way that maximizes their strengths and minimizes their weaknesses. In this study, attention will be focused on the CDA tools, which are critical to the execution of the neo-liberal reform agenda and have regularly provoked strong opposition and heated controversies from governance scholars in the literature on the reform of public agencies.

This line of endeavor is particularly promising since it enables scholars in administrative reforms to examine the contingent politico-administrative cultural structural and institutional factors in Ghana, as well as the economic, social and path dependency of reforms in that country. Furthermore, this approach enables researchers to examine these reforms in connection with “implementation habitats” (Wollmann, 2004) and “performance regimes” (Talbot, 2008), and thus to acquire a first-hand understanding of the context and impact of these reforms. While the task is complex, the following chapters have been carefully structured to clearly address the aims and interests outlined above.

Chapter Two has one main purpose: to develop and offer a more holistic and comprehensive theoretical and empirical framework for studying, understanding and evaluating the reform of public organizations, especially in developing countries. Accordingly, the chapter will outline the theoretical underpinnings, dimensions and contours of this alternative model, together with its limitations. Chapter Three examines the multiple methods and processes used to collect the relevant data. Highly valuable sources of information in this regard are the semi-structured questionnaires and specialized face-to-face interviews with Senior Managers and Chief Directors of three SOEs, three regulatory agencies and three government ministries and civil society organizations in Ghana. Empirical data has also been drawn from the analysis of

performance evaluation reports, and much financial information was obtained from internal and external financial audits, annual budgets and quarterly reports.

Chapter Four on the other hand provides a critical examination of the internal and external drivers and forces of SOE development and reform in Ghana. This examination is undertaken for two purposes: to more fully understand the effects of the neo-liberal approach and to better appreciate the particular structural, institutional, economic and political factors that can either enhance or constrain the adoption and implementation of reform.

Chapters Five, Six and Seven are multi-case studies and focus on the reform process itself and on the behind the scenes pre- and post-reform performance evaluation efforts. By directly applying the neo-liberal tools to these SOEs, the study examine the organizational and managerial changes and the policy adoption and implementation process, together with the capacity challenges faced by practitioners as they strive to implement policies imposed on them by external agencies. This analysis is important for understanding the real impact of these policies in reforming public agencies in developing countries.

Chapter Eight presents the main findings of the study. It summarizes the research and offers answers to the questions raised in Chapter One. The Final chapter None on the other hand discusses the impact and contributions of the study to the field of public administration and points out directions and avenues for future research efforts.

Chapter Two

Theoretical and Conceptual Framework

“Improving processes [is] frequently an important step towards achieving improved outputs and outcomes. It is also the case that process improvements may have a value of their own in a democratic state, where how things are done may be as important as what the operational results are (engaging values such as ‘due process’, fairness, transparency and participation). For both of these reasons, therefore, changes in processes merit attention.” (Pollitt and Bouckaert, 2000, p. 115)

2.1. Introduction

The overarching objective of this chapter is to develop a comprehensive and holistic framework for understanding, analyzing, and evaluating the reform and restructuring of public organizations in developing countries. Such a holistic approach has become necessary because many of the reform changes that are stripping “citizens of their social and economic rights and slashing the state’s size and role are ideologically determined” (Shields and Evans, 1998, p. 37) and wrong in their approach. Moreover, such approaches to reform are limited in scope and insensitive to the particular structural, administrative and even cultural needs of different political, economic, administrative and social systems. The challenge of every reform effort, therefore, is to find a creative way to adapt and implement reforms to meet and suit the individual needs of specific policy sectors and administrative systems while at the same time providing useful incentives to spur on superior performance. The proposed alternative model developed in this chapter is expected to provide useful insights into this balancing act.

The chapter begins with a review of the literature and theory on the neo-liberal model as a major economic and political theoretical approach to administrative reforms. Section two critically examines the instruments (CDA) used to pursue the neo-liberal agenda; analyze the major theoretical underpinnings that drive them; and, based upon this analysis, develop a VFM model for SOE reform and post-reform performance evaluation. Section three examines the opposing governance (DGM) approach to administrative reforms, identifying its main ideas,

strengths, and weaknesses. The section will also distil the core variables of the governance approach and use them to perform a post-reform evaluation of the three SOEs. In Section four, the study proposes a theoretical model for the reform and post-reform evaluation of SOEs that will synthesize these two opposing models to develop the Integrated Reform Model (IRM) alternative. The section also identifies the core components and key indicators of the IRM for SOE reforms and shows why its normative appeal is self-evident and superior to the narrower traditional approaches. The final section provides a summary and a conclusion.

2.2. Neo-liberalism: Scaling Back the Frontiers of the Administrative State

Harvey (2005) defines neo-liberalism as a “theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade” (Harvey, 2005, p. 2). Neo-liberals accordingly argue that the administrative state, at its basis, is overextended and involved in activities that are not its concern and that it should consider withdrawing from (Haque, 2008; Harvey, 2005). With regard to public agencies in particular, neo-liberals argue for a structural separation of their ownership from management and the injection of competition into their operations in order to engineer superior performance.

Many scholars draw a direct link between neo-liberalism and what ought to be the proper size and scope of the state. Haque (2008) for instance, has argued that “it is possible to characterize a neo-liberal state by the following: the minimal scope and diminished role of the state sector; the increased alliance between the state and private capital; the withdrawal of the welfare programs and adoption of market-led goods and services” (p. 14). This conception of the neo-liberal state also entails that public agencies and institutions must be reformed and

restructured in order to meet the new and anticipated demands of neo-liberalism, macroeconomic stability, free trade and the supremacy of the market in a minimalist state. Writing on the contentious subject of *The Size and Scope of the Public Sector*, Jackson (2009) argued that while “the development of the welfare state in the late 1960s and 1970s resulted in an unprecedented growth of the public sector in most Organizations Economic Co-operation and Development (OECD) countries, the late 1980s and 1990s were marked by concerns and attempts to reduce the size of the public sector” (Jackson, 2009, p. 27). In addition, Pollitt et al., (2004), have argued that the dominant neo-liberal reform argument and approach are simple and appealing to policy makers in both OECD and developing countries. It states that:

“Government got big, very big, in the post-second World War expansion to produce what has become commonly known as the Welfare State. Huge ministries were built, employing millions of people producing standardized products and services for (at first) a grateful population. These bureaucratic monoliths became gradually more cumbersome, rule-bound, inflexible, inefficient and unresponsive.” (Pollitt et al., 2004, p. 32).

While the central premise of the neo-liberal argument — namely, that government has gotten so large and therefore needs to be scaled back — has remained intact, its presentation and approach has changed with time. As a result and over the years, neo-liberalism has taken different forms and appearances in developed and developing countries. In most developed OECD countries for instance, these policy prescriptions and ideas of neo-liberalism came to be grouped under the general rubric of the New Public Management (NPM), a term coined by the governance expert Christopher Hood in 1991. He argues that “NPM” is a loose term whose “usefulness lies in its convenience as a shorthand name for the set of broadly similar administrative doctrines which dominated the bureaucratic reform agenda in many of the OECD” (Hood, 1991, p. 1). He lists the core components of the NPM as a shift to disaggregation of units in the public sector, the encouragement of greater competition in the public sector, an emphasis on private sector styles of management practice and, finally, greater discipline and parsimony in public resource use

(Hood, 1991). Additionally, the publication of David Osborne and Ted Gaebler's *Reinventing Government* in 1993 also proved advantageous and provided a tool kit of ideas, models and motivation for administrative reforms such as contracting-out, focusing on results and outcomes rather than rules, and privatization. Adherents of NPM therefore argue that such a process will not only result in efficiency and efficacy within the public sector; it will also reduce costs, and give value for taxpayers' money (Berzaley, 2001; Ferlie et al., 1996). In line with this view, structural, institutional, managerial and even behavioural changes that will enhance efficiency, economy, effectiveness and profitability (VFM) — such as structural separation and competition in the management of public agencies and provision of public services — became the core objectives and incentives of neo-liberalism and the reform process in the OECD.

On the other hand, and in developing countries, other scholars and theorists refer to these same neo-liberal reform ideas and policies as the Washington Consensus and the Structural Adjustment Program (Williamson, 1993; Clift, 2003; Gore, 2000). Developing countries that approached the WB/IMF for assistance to improve their public sector finances that had been devastated by the global economic and financial conditions of the 1970s and 1980s were compelled to adopt and implement the neo-liberal policies as a condition for assistance (Hilgers, 2012). In coining the concept Washington Consensus (WC) in 1989, John Williamson originally limited the term to designating a ten-point economic and financial reform package for resuscitating the collapsed economies of Latin America in the 1970s and 80s (Williamson, 2004). According to Clift (2003), the phrase described a specific set of “market-oriented reforms that the sluggish state-directed economies of Latin America could adopt to attract private capital back to the region following the crippling debt crisis of the lost decade of the 1980s” (p. 1). These policies were therefore represented as a new paradigm, one that differed from the state-centred

policies and was instead based on private sector ideas in developing a country's economic condition (Gore, 2000). Structural Adjustment Programs (SAPs), on the other hand, promised macroeconomic stability through currency devaluation, reduction of government services through public spending cuts/budget deficit cuts, privatization, contracting, decentralization and deregulation policies (Hilgers, 2012; Hague, 2008). If the WC was originally intended for Latin America, the SAP was its component for the rest of the developing world, especially the economies of Africa. Proponents of neo-liberalism have argued that through the adoption and implementation of SAP reforms, "the public sector is being reduced, public organizations are being re-engineered, and public management is being reinvigorated" (Caiden, 1999, p. 815) to spur on growth and economic prosperity. Privatization, contracting and decentralization were therefore presented by the architects of the SAP as the tools to achieve the reform agenda.

Other scholars and studies make a direct link between the SAP and the social safety net that many citizens in both developed and developing countries came to depend upon. For Jinkings (2011), SAP involves programs for financial stabilization which might lead to the dismantling of the social safety net as a condition for loans and aid. Writing on the history of the neo-liberal state in Africa, Hilgers (2012), for instance, agrees with Jinkings that neo-liberalism is a political project championed by the IMF/WB through macroeconomic and stabilization policies that "led to waves of deregulation, privatization and institutional reforms" (Hilgers, 2012, p. 82) to improve the efficiency and performance of state agencies. However, these policies had a negative effect on governance because they led to a decline in the ability of the state, which has "favoured patrimonialism, weakened accountability measures and promoted corruption, including the acquisition of illegal sources of income and advantage in the civil service" (Hilgers, 2012, p. 84). From this perspective, an inverse relationship in the adoption and

implementation of neo-liberalism on governance can be established. Neo-liberalism, at least in the SOE reform process, has led to the weakening of governance structures through its incapacity to effectively regulate and monitor the markets while fulfilling its social objectives at the same time.

Unlike most OECD countries, SAP policies were adopted and implemented by developing countries “in response to coercive pressures” (Harvey, 2005, p. 3) from the WB/IMF. These institutions used their loans and aid conditions as powerful financial levers in negotiations with developing countries that approached them for financial and economic assistance to rehabilitate their economies (Goldfinch et al., 2009; Schiavo-Campo and McFerson, 2008). Due to poor and precarious financial situations, leaders of poor countries found “it difficult to resist inappropriate policy packages because of their need for the financial support which comes from these packages” (Minogue 2001, p. 36). These leaders were therefore compelled to adopt and implement these policies even though some of them were unsuitable and not creatively adapted to meet the structural, institutional and politico-administrative culture of the particular countries. These actions are likely to result in square pegs in round holes, creating misfits that in the medium to long term might prove unproductive.

In general, neo-liberalism gained its popularity and acceptance among policymakers, academics and members of the WB/IMF who argued that the neo-liberal political and economic promises of using private sector expertise and approaches to fix the finances and economies of these collapsed states offered the correct approach (Hague, 2005; Stiglitz, 2003). Prominent business schools,³ think tanks and private consultancy firms also emerged to champion the course of neo-liberalism. Even though efforts to reform and restructure the administrative state in

³ The Chicago School with its economic ideas in opposition to Keynesianism is a clear example.

both developed and developing countries are continuous, what is new under neo-liberalism “is the combination and application in a particular focused and intensive form of the principles of market-oriented reform of state structures and practices” (Minogue, 2001, p. 21). In other words, what is new is the fixation on empirical VFM ends to the neglect of other equally important political values and motives. An emerging international convergence has therefore occurred among scholars of public administration reform, who hold that “public sector reforms have been neo-liberal in nature, favouring government downsizing, deregulation, and dismantling of the social security component of the modern state” (Minogue, 2001, p. 34) without due regard to other critical governance and political concerns. Some of the dominant tools used to propagate and implement the ideas of the neo-liberal orthodoxy — specifically, Contractualism, Decentralised Management and Autonomization (CDA) — are examined below.

2.3. CDA As Instruments of Neo-liberalism: A Review of the Literature

It must be stressed right from the onset that these models (CDA) are generic and mutually inclusive. That is, they are tools for engineering the structural separation of public agencies and for inducing competition in their management as a way of attaining improved performance and VFM. They are also tools used to separate public policy-making from public service delivery roles of the state as a way of curtailing bureaucratic power which neo-liberals claim was getting very powerful and out of control. The intention here, therefore, is to present them as emanating from the stables of the same neo-liberal ideas and the tool kit of public agency reforms.

2.3.1. Contractualism:

Contractualism is a key component of the managerialist and neo-liberal idea of shrinking the size of the administrative state (Gregory and Christensen, 2004; McGuire, 2004; Romzek and Johnson, 1999). The scholar, Lane (1999) defines contractualism as a situation where public

agencies, policy sectors, personnel and other resources of the public sector are to be managed by private agents through a series of contracts. He argues that such contracts “will cover not only the employment relationship but also be used for the clarification of objectives and tasks for service delivery” (Lane, 1999, p. 180). From this perspective, contractualism serves as a crucial tool for the structural separation of public organizations where contracts will provide the road map for competition in private markets. The primary reason for the increasing adoption of contracting is the belief that it obviates the rules, processes and red tape of bureaucrats and instead maximizes the expertise of private agents and firms in public service delivery, and thus leads to better utilization of public resources through the infusion of private sector ideas (Lane, 1999).

Contractualism will be used in this study to refer to a long-term (at least five years) financial, managerial and organizational arrangement between a public organization and a private firm in which certain functions of the public organization are transferred to the private firm for management purposes, usually for a fixed period of time and a for a guaranteed fee (Hubbard et al., 1999; Ghandan and Eberhard, 2007). Normally, the contract contains provisions for its extension or conclusion at the end of the stated period, usually based on the attainment of certain pre-determined and agreed-upon performance targets. These targets are set in order to ensure that managers of these public agencies focus on results and outcomes, not inputs and processes, a key condition of the NPM. In this study, the attainment of these performance targets will be used to determine the success or otherwise of the contractual relationship and reform effort in the public sector.

Osborne and Waterston (1994) have identified the main elements of contractualism as: (a) an arrangement made for the production and delivery of a specified output and (b) an amount to

be paid for the services being agreed on with the client prior to the start of the contract, which is (c) legally enforceable against the client or contractor under the contract. These elements are expected to among other things, reduce the role and impact of the state in the direct management of public agencies and provision of public services. Further, and more generally, they speak to another fundamental principle of neo-liberalism: the willingness of the state to use its coercive legal power to enforce property rights and protect markets if need be (Hague, 2005).

Contractualism therefore seems to be a very strong and unbending tool for the dismantling of the welfare state in most developing countries. The fundamental features of a contract that separate it from other public policy tools are, therefore, that it is very specific; involves payment for the benefits received; and contains an enforceability clause, including an obligation to pay compensation for contractual failures (Lane, 1999). It can therefore be said that contractualism thrives on the expectations that government programs and services can be very specific, with outputs and outcomes clearly identified and measurable, and with an agreed-upon penalty for failure (Johnson and Romzek, 2004).

Contractualism also fundamentally reshapes the relationship between citizens and their government along strictly defined legalistic, business and contractual lines, just like between a private firm and its clients (Osborne and Waterston, 1994). Such a fundamental reshaping of the relationship between citizens and the state could be highly problematic: because even though citizens want better and improved services from the state, their desire is even stronger to be treated as citizens who have a voice, respect and special rights protected and defended by the state (Verhoest et al., 2012; Bovaird and Löffler, 2009). Moreover, and in order to be effective, a “contract needs to specify delivery (what, when, how and by whom — technical agreement) and payment (how much, when, by whom and with what guarantees — the commercial agreement)”

(Hubbard et al., 2007, p. 157) between the principal and the agent. These requirements, however, can be challenging because in the public sector it is difficult to delineate the boundaries between technical and commercial agreements, especially in the provision of vital social services. It can therefore be extrapolated from this theory that contractualism translates political questions into managerialist concerns of the ability to measure and quantify empirical targets and accountability for clearly stated outcomes.

An inherent problem with such a strict financial managerialist approach is that political commitment — which is critical to the success of reforms in the public sector — is difficult to measure or quantify. This difficulty poses managerial challenges to the successful implementation of contracts in the SOE sector in particular because of the duality of the tangible and intangible objectives of these contracts. Furthermore, Lane (1999) raises questions that deal with two fundamental concerns: that is, whether contractualism “is suitable for all kinds of public sector activities, as well as under what conditions contracting actually promotes efficiency” (p. 180). These questions are critical to the discussion of the IRM because they speak to the concerns about the suitability of contractualism and the task specificity of different public organizations.

Unfortunately, the verdict on contracts in the public sector is not yet in. As Johnston and Romzek (2004) explain, “advocates see benefits such as increased efficiency, reduced size of government, greater program flexibility and more transparent accountability” (p. 108) under contractualism. Opponents, by contrast, “bemoan contracting reforms as misdirected — either as prone to abuse by contractors, or thinly veiled excuses to reduce government and diminish the capacity of government” (Johnston and Romzek, 2004, p. 108) to provide critical services to the most vulnerable in society. But despite the controversy about contractualism, it has become a

very common approach in both developed and developing countries that seek to inject efficacy and increased performance into their public sectors and service delivery mechanisms. It can also be extrapolated from the above analysis that contractualism comes with a “buyer beware” label attached to it, by which is meant that most recognize that its professed benefits are not guaranteed but highly dependent upon the government’s ability to negotiate a good contract and to regulate and monitor the parties to the contract in order to reduce, if not eliminate, opportunistic behaviours and cheating (Dollery, 2009). What is not open to question, however, is the increasing use of contractualism —as both a managerialist and a governance tool — as a preferred form of public service delivery.

2.2.2. Decentralized Management:

Decentralized Management (DM) is central to the NPM administrative and managerial argument of bringing services closer to citizens, improving service delivery in a timely fashion, and empowering lower units through greater managerial control and involvement. DM can be defined as the shifting of decision-making discretionary powers and policymaking roles from Parent Ministries and central government to public agencies with regard to the policy pursued, economic/financial-related variables, and human resource management. Decentralized public organizations are usually functionally disaggregated from the core of their Parent Ministry and have some degree of freedom and independence that is not enjoyed by the core Ministry/Department and non-decentralized agencies (Sakyi, 2008; Pollitt et al., 2004). Central to the above characterization is the belief among neo-liberals that in order to re-engineer change, innovation and superior performance, the management of public organizations must be separated from their political owners and put in the hands of experts, preferably private firms, to induce

competition. These experts will then use private sector ideas as incentives to improve efficiency and increase performance.

From this perspective of structural separation of the ownership and management of SOEs, Larbi's (2001) core features and conceptualization of DM can be seen to be very insightful in this analysis. Accordingly, the analysis in this study will be based on Larbi's (2001) conceptualization of DM.

- a. Replacing traditional "tall bureaucracies" with flatter and more responsive structures formed around specific processes and tasks;
- b. Delegating economic, financial and operational authority to the Board of Directors (BOD)/Senior Management of public organizations, but with a clear responsibility and accountability relationship for results, not inputs;
- c. Adopting new forms of corporate governance and moving to the BOD/CEO model, performance contracting; and,
- d. Devolving specific policy, budgets and human resource control to decentralized units as incentives to induce superior performance (2001, p. 378).

Such a separation of roles, responsibilities and duties is expected to 'let managers manage', by allow them to use their newly attained freedom, flexibility and decision-making discretionary powers to move public organizations from their current environments of underperformance to higher and increased performance environments in accordance with the tenets of the NPM (Kernaghan et al., 2000).

The driving force behind DM is the neo-liberal and right-wing ideological argument that centralization, hierarchies, rules/processes, and bureaucratization through state control and the "web of rules" (Lepine, 2007, p. 4) not only over stretch and extend the state, they also stifle innovation and change in the public sector. This situation therefore prevents public agencies from achieving their full potential with overregulation and a commitment to rules and processes, instead of focusing on their core role, which is the efficient and effective delivery of public and services (Pollitt et al., 2001; Pollitt et al., 1998; Taliencio Jr., 2004). Several scholars, including

Pollitt and Talbot (2004), argue that the adoption and implementation of DM enables SOEs to focus on what matters (results and outcomes), rather than on how many rules and regulations to apply. In this way, DM becomes a neo-liberal tool that kills two birds. First, by moving the management of these public agencies away from their parent ministries, the role of the state is limited in their day-to-day control and management. Second, by utilizing private sector managerial practices, such as BOD/CEOs, it creates quasi-markets that are more acceptable than the status quo to the neo-liberal economic and political theory (Talbot, 2004).

Many developing countries have adopted and implemented the concept of DM in their SOE reform efforts with the hope of replicating perceived superior results (Larbi, 2005, 1998; Talbot, 2004; Caulfield, 2004). With regard to developing countries in particular, Caulfield (2004) argues that DM “implies a change in the character of political supervision and accountability; the assumption is that quality management will be increased by distancing activities from central and often politicized departments” (p. 230). She further argues that the “creation of agencies with clearly specified tasks will, it is assumed, increase transparency and better link goals and means in achieving policy objectives” (ibid.). DM is, therefore, expected to lead decentralized public agencies to have full control over the nuts and bolts of modern management, such as flexibility and freedom in hiring and firing, remuneration, training and continuous learning (Bouckaert et al., 2002; Wilson, 1994; Pollitt et al., 1998).

Despite these promises, Caulfield (2004) has noted that DM raises serious challenges, among them:

- a) a structurally disaggregated public sector, which raises the issue of accountability to parliament and the public. If the work of government is to be put at a political distance (BODs and Senior Management), no one is to be held responsible and accountable for the decisions, actions and quality of services of agencies;
- b) a focus on outputs and outcomes rather than inputs, which demands analytical and methodological sophistication of the organization in establishing appropriate systems of

- performance measurement (targets, indicators and so on), customer surveys, feedback loops and system linkages, all of which require resources of skills, time and money; and
- c) managerial (and financial) autonomy, which is itself a questionable idea in the public sector, especially in policy-sensitive areas or functional areas dependent on government budgetary allocation, which might be absent or insufficient (p. 231).

Caulfield's criticism of DM is stinging, and it goes beyond the challenges of adoption and implementation to include public accountability and transparency in the management of public agencies and other critical issues. She fears that DM tends to treat public agencies like private firms, and thereby misses the main reason for which these public agencies were created in the first place, as policy instruments to serve the public interest.

Finally, Verhoest et al., (2004) stress that with regard to the reform of public agencies, renewed attention has been given to the primacy of politics and that "within the context of this primacy, the existence of external decentralized public bodies is questioned and calls for recentralization of their tasks are heard" (p. 102). These calls for recentralization are an attempt to address not only the empirical expectations of VFM but also the normative democratic governance concerns of public agencies, which can easily be sacrificed under the rubric of effectiveness and efficiency. Similar to the concerns of Caulfield (2004), these calls also raise questions about the potential and real circumvention of DG imperatives in the rush to adopt and implement DM.

In administrative reforms, therefore, DM is a double-edged sword. On one hand, it may grant increased policy freedom to managers of public agencies, which can translate into improved performance and accountability for results. On the other, it risks sacrificing accountability, transparency, and citizen participation in the management of public organizations in the name of financial performance. Moreover, DM has yet to address the question of who to hold accountable in the event that a decentralized or empowered agency fails. This situation

therefore raises legitimate questions of accountability in the adoption and implementation of DM. Batley and Larbi (2004) accordingly caution that DM “reforms tend to ignore the specificities of sectors and the institutional contexts of poor countries often characterized by state dominance, weak market institutions, fiscal crisis, poor incentives and political sensitivities” (p. 81). This criticism goes to the heart of the argument of this study that the adoption and implementation of public sector reforms must be sensitive to the context and to task specificity, and thus must be creatively adapted to meet the needs of specific organizations and countries. A more holistic approach that factors in the sensitivities and specificities of particular political, institutional, structural and governance concerns would therefore go a long way to improve the reform and post-reform performance of public organizations. In the light of these concerns, the search for an optimal model continues.

2.2.3. Autonomization:

The concept of agency autonomy is frequently used in the study of public organizations and involves the art and act of devolving discretionary, legal, financial, policy and structural freedom from micro-management and control from the centre to public agencies (Carpenter, 2001; Christensen and Lægreid, 2007; Yesilkagit, 2004a). Under the NPM, the use of autonomization as a reform tool has surged as the result of the belief that certain effects — primarily, superior performance (VFM) — will accrue due to the sense of specialization and the consequent superior performance, but only if performance incentives for public sector agencies are present and sufficient (Verhoest et al., 2004; Verschuere, 2007; Yesilkagit, 2004). This belief is reflected in a number of studies that examine the types and impacts of autonomization on organizational reform and performance under the NPM. For instance, some studies focus on the concept of autonomy as a complex continuum founded on the structural, financial and legal

autonomy of public agencies (Christensen et al., 2007; Christensen, 1999). Such studies see the granting of structural, administrative, financial and legal freedoms for public organizations as incentives to engineer superior performance. Other studies argue that autonomization includes human resource management, financial management and policy autonomy (Christensen, 1999; Yesilkagit, 2004a). Under this type of autonomization, public “agencies are given a great deal of managerial autonomy in order to be able to act more or less independently of their core government departments. The goal is to improve and allow modern management and decrease waste” (Verhoest et al., 2010, p. 19). These studies therefore focus on how public organizations use financial, managerial and policy autonomy not only as incentives but also as what some authors refer to as management and decision-making competencies (Verhoest et al., 2004). Yet, other studies see agency autonomy as relative to the distance from and relationship between an agency and its parent Ministry/Minister (Verhoest et al., 2004; Verschuere, 2007). From this perspective, agency autonomy is defined as the granting of “discretion or the extent to which an agency can decide for itself about matters that it considers important” (Verhoest et al., 2010: p. 19,) for its own internal and policy operations.

The preceding review clearly shows an overlap in the conceptualization and use of autonomization both in the literature and in types of NPM reform. It is therefore possible to develop a more holistic and integrated conceptualization of agency autonomy using two main variables: managerial and policy autonomy. Thus, autonomization will be used in this dissertation to refer to Verhoest et al., (2010) concept of:

- Managerial autonomy; and,
- Policy autonomy

Managerial autonomy refers to situations where public organizations are exempted from “certain rules and regulations concerning input management which traditionally enhance the legality and

economy of government transactions and constrain managerial discretion” (Verhoest et al., 2010, p. 19). Under the NPM, most of the bureaucratic rules that were supposed to ensure political accountability, transparency and due process of law are considered as constraints that hinder and impede managerial discretion in the use of organizational inputs and resources (Verhoest et al., 2010). Managerial autonomy is therefore expected to engineer and facilitate efficient managerial behaviour and improve the decision-making competencies of managers of public organizations (ibid).

Within the NPM, managerial autonomy refers to the concept of the freedom to manage, flexibility, discretionary decision-making capabilities and accountability for results, not processes and rules (Osborne and Gaebler, 1993; Hood, 1991). With regard to SOEs in developing countries, managerial autonomy is expected to provide incentives for SOE BODs and Senior Management to improve their decision-making competencies, capabilities and focus on results and outputs. Managerial autonomy is therefore expected to enable BODS/Senior Managers of SOEs to make better decisions with regard to finance, budgets and human resource management based on rationality and competence, not political calculations (Verhoest et al., 2004; Verschuere, 2007).

Policy autonomy, on the other hand, refers to the degree and extent to which a public agency can independently make final decisions on: (a) the (sub) processes and procedures it has to conduct to produce the externally prescribed goods or services; (b) the policy instruments used to implement the externally set policy and the quantity and quality of the goods and services to be produced; and (c) the target groups and societal objectives and outcomes that are to be reached by the policy (Verhoest et al., 2010, p. 19). Policy autonomy, therefore, indicates that the public “can take decisions on individual cases within externally set regulations and laws”

(Verhoest et al., 2010, p. 19). From this perspective, policy autonomy refers to the relationship between an agency and its external broader policy environment. This external policy environment is made of broader policy rules and regulations that are usually established by parent Ministries/Ministers, national constitutions and regulatory bodies. Policy autonomy is therefore expected to grant discretionary powers to public agencies from these bureaucratic constraints of control, rules and regulations (Verhoest et al., 2010). In some instances, policy autonomy involves innovation and creativity for self-regulation and monitoring by the agency instead of an external body, in so far as national constitutional laws are not breached. As most governments seek to reform their public agencies, they have increasingly looked to and adopted autonomization as a feasible to the status-quo of over centralization and under performance (Verhoest et al., 2010; Pollitt and Bouckaert, 2011)

What is known is that under the NPM, autonomization is supposed to lead to the devolving of more freedoms and discretion and, in the process, improve the decision-making abilities of arm's-length organizations (Pollitt and Bouckaert, 2004). What is not clear is whether any causal relationship exists between agency autonomy and superior organizational performance. In other words, autonomization might be a useful tool, but not sufficient in and of itself for the superior organizational performance of reformed and restructured SOEs. Because of this uncertainty, and despite the fashionable trend in the use of autonomization in the public sector, a number of scholars have continued to express serious concerns about its efficacy as a reform approach (Talbot, 2004; Pollitt and Bouckaert, 2011).

Most of these concerns centre on how to simultaneously subject public agencies to effective political control and ensure accountability while at the same time granting them increased autonomy to manage and perform (Pollitt and Bouckaert, 2004, 2011). Other concerns

— the lack of capacity to successfully implement autonomization; the inadequacy or unavailability of required and increased sophisticated methodologies to adopt, implement and evaluate public agencies in developing countries — are also legitimate. Autonomization might also “distance senior politicians from awkward or potentially unpopular activities and enable them to avoid responsibility” (Pollitt et al., 2004. p. 20) and, by implication, accountability to citizens. Agency autonomy might also be viable for public agencies that are not politically sensitive, in non-critical social sectors and whose inputs and outputs can be quantified and measured (Talbot, 2004). As a result of this political sensitivity of public agencies, the degree and extent of agency autonomy depend to a large extent on its task specificity and the context of its reform. As Talbot (2004) reminds us in the UK Next Steps process, agency autonomy “may have improved management in agencies, [but] whether it has improved management in government is much more doubtful” (p. 111). We can expand on Talbot’s concern by stating that autonomization might have the potential to secure VFM objectives of SOEs, but whether it can also secure their DG objectives is doubtful.

In conclusion, a number of common denominators, themes and convergences can be extrapolated from the foregoing discussion of the neo-liberal CDA reform models in the SOE sector. All these approaches converge on an overly dependent, neo-liberal, pro-market and private sector-inspired VFM approach to SOE reforms. They also subscribe to several preconceived ideological and even philosophical positions: a narrow performance mentality that is suspicious of the role of government in the provision of public services; a falsely assumed neutrality and uniformity of adoption and implementation approaches; and a trivialization of democratic governance concerns because they expand the role of government in the state. In

order to fully understand the features common to these approaches, there is the need to first examine the theoretical approaches that undergird their adoption and implementation.

2.4. Theoretical Underpinnings of CDA

The popularity and evolution of CDA can be associated with the rise and prominence of two theoretical schools: Public Choice and Principal Agent.

2.4.1. Public Choice Theory: Structural Separation and Competition in Agency Reform.

As one of the earliest theoretical attempts to directly introduce economic theory and principles into politics in general and into public administration in particular, public choice theory has had a significant impact in modern administrative reforms. At its core is a fundamental mistrust of the motivations and intentions of bureaucrats in public agency management and service delivery (Buchanan, 2005; Tullock, 1965). Consequently, it provides a strong theoretical and intellectual impetus for understanding modern theories of reform, especially on the question of how to curtail the policy advisory role and the power of bureaucrats in the management of public agencies and the provision of public goods and services.

The public choice paradigm for agency reform is based on two main undergirding and mutually inclusive principles. First, it advocates for a structural separation at the individual bureau level of the broader policy advice function from the policy implementation role. The objective of this separation is to prevent or reduce the empire-building, rent-seeking and budget-maximizing tendencies of individual public bureau managers (Downs 1967; Niskanen 1971; Buchanan and Musgrave, 1999). The second main principle stresses the “beneficial effects of the introduction of competition into public service provision” (Dollery, 2009, p. 31). In sum, the public choice school sees manifest benefits in public agency reforms when agencies are “structurally separated in terms of a purchaser-provider split to facilitate the independent

monitoring and evaluation of service delivery as well as to ferment competition between potential and actual service providers” (Dollery, 2009, p. 30).

The public choice theory thus argues that “just as consumers seek to maximize utility in consumption or firms attempt to maximize profits in production, so too people are presumed to maximize welfare in other institutional settings, including the public sector” (Dollery, 2009, p. 30). A chain therefore exists of rational self-interest calculating and maximizing behaviours by which politicians “strive to maximize votes, bureaucrats seek to maximize personal utility in public organizations, and citizens attempt to maximize the receipt of government outlays” (Dollery, 2009, p. 30). Hence, a structural separation of bureau policy and service provision functions, together with free market competition rather than bureaucracy, is better equipped to deliver better results. This reasoning falls squarely within the thinking in CDA, which is that public service provision should not be left in the domain of self-interested bureaucrats but rather be opened to competition in the market place. As Wallis et al., (2007) state, “public-choice ...advocates private production (of public goods) where possible using competitive tendering processes in order to reap the benefits of competition in terms of price and quality” (p. 59).

To achieve this, “public choice economists prescribe the construction of artificial or quasi-markets to stimulate competitive markets” (ibid.). It can be inferred from this perspective that CDAs are a perfect example of the artificial or quasi-markets proposed in public choice theory. They are an artificial managerialist creation, and employ the concept of competition between the public and private spheres and also between various private sector firms to partner with governments in the provision of public services through various contractual arrangements. CDAs are part and parcel of the alternative forms of quality service delivery and a text-book

definition of competitive public markets for the advancement of the neo-liberal policy agenda on public sector reform.

Despite its impact in administration reforms over the past decades, public choice theory has been subjected to an avalanche of criticisms in the literature (Fredrickson and Smith 2003; Boston et al., 1996). Specifically, classical humanist and organizational theorists disagree with the fundamental tenets and arguments of public choice theory that public servants are motivated by their own self-interest and not the public interest or social justice (Maslow, 1943; Bernard, 1938). In addition, Stretton and Orchard (1994) have argued that public choice theory is fundamentally flawed on three main grounds. First, it negates or does not portray a deep understanding or appreciation of the concept of public interest, which is a fundamental value of the public service. Second, it exhibits a basic misunderstanding of the concept of political and democratic autonomy with market liberation. Third, it does not differentiate between needs and wants. Similarly, Kernaghan (2004, 2008) and other scholars stress the importance and relevance of public sector values and ethics, such as fairness, equity, public service, accountability, high professional standards and the respect of laws, as being the hallmarks of personal and professional conduct in the public service and public sector reform process. In short, public choice theory does not take into consideration the political, democratic and public service norms, values and ethics that are so central to the operations of the public service in any jurisdiction.

Despite these criticisms, it can be argued that from a theoretical point of view that the broader objectives of the CDA approach can be directly traced to the public choice school and its prescription for the production and delivery of public services. CDA constitutes a tacit admission and acknowledgement of the public choice philosophy. With regard to public agency reforms,

therefore, CDA seeks to turn budget-maximizing bureau heads into revenue-hungry entrepreneurs (Chan and Xiao, 2009).

2.4.2. Principal-Agent Theory: Separating Policy-Making from Service Delivery Functions

Compared to the public choice school, principal-agent theory is neutral with regard to whether a public or private agent should deliver public services or manage public organizations. It simply argues that, irrespective of the agent chosen, in any contractual situation “fundamental agency problems are bound to emerge” (Lane, 2005, p. 30). At its base, therefore, principal-agent theory is concerned with what motivates entrepreneurial and human behavior especially in a contractual relation for the provision of public services and management of public agencies (Jones and Butler, 1992). In the study of principal agent theory, principals are the citizens, represented by their elected officials and government, and agents are private organizations or managers of arm’s-length public organizations who are engaged by the principal to manage a public agency or provide a public service (Wallis et al., 2007).

In a democratic state, two main forms of principal-agent relations exist that are of relevance to this analysis. In the first, a principal-agent relationship exists between citizens and their government. This relationship is created by sovereign citizens who through periodic electoral processes put in place a government to manage their affairs through the instrument of the bureaucracy (Lane, 2005). This is the type of administrative and structural arrangement that forms the core concept of the Weberian model in classical public administration theory. In the second form, a principal-agent relationship exists between a government and its arm’s-length public bureaus or private firms. This second form of the principal-agent relation is of prime interest here because it demonstrates the dominant approach to public agency reforms in modern public administration where a government either (a) creates an arm’s-length public organization

with devolved managerial and policy autonomy and discretion to deliver public services and programs or (b) engages a private firm for a specific fee, time period and performance indicators to manage a public organization with the aim of benefiting from perceived superior private sector expertise and ideas.

Whatever forms the government chooses, the common denominator that binds both approaches together is the contract (Lane, 2005). In the former scenario, the contract is implied since it is part of the bureaucratic ethos and functions in modern government operations. In contrast, in the second scenario there must be an explicit contract that defines tasks, time periods, payment levels and circumstances under which the contract might be renewed or terminated. As a result, and depending upon the task specificity of the agency in question and the political sensitivity of the agency involved, the agency approach in public sector reforms might be mundane or very complicated.

When the government creates an arm's-length public agency to provide public services (SOEs), reference can be made to a mundane agency situation because of the primacy and supremacy of the public interest and values in such an arm's-length public organization so created. The approach can also be regarded as mundane because the government can use its appointment authority and ownership rights to motivate the public agency to behave in harmony with the economic, social, political, and even cultural interests of the principal (Wallis et al., 2007; Eisenhardt 1989). It is therefore relatively easy for the interests and values to align between the government and agents in such a scenario involving the entrepreneurial and human behaviours of public managers of SOEs (Fong and Tosi Jr., 2007; Jones and Butler, 1992).

A complicated agency situation, on the other hand, arises when the principal engages a private firm to provide public services that were the exclusive domain of the public sector. This

scenario can be regarded as complicated because we know that the sources of motivation for the provision of goods and services are potentially problematic due to the classical value and interest differences between the public and private sectors. Private agents will want to maximize their profit imperatives, while principals will want to defend and protect the public interest. Apart from the clash of values, interests and motivations in the use of private contracts and firms to deliver public services, it is difficult to delineate these boundaries between the technical, commercial and social interests and motivations, especially in the provision of vital social services.

A major criticism of agency theory is that it assumes power in the contractual relationship is evenly distributed and that it is only the agents that opportunistic, suspicious and prone to cheating through the use of information asymmetry (Boston, 1991). In reality, however, power relations in contracts vary depending upon the contribution of each party to the contract. In most developed countries, governments or public sector organizations tend to have more power than private organizations due to their financial and regulatory clout. Another criticism of agency theory is the concept of information asymmetry between principals and agents. Due to the lack of perfect information in the market, information asymmetry “opens the way for agents to exploit principals by engaging in shirking or opportunistic behavior directly contrary to the interests of principals” (Dollery 2009, p. 37). In order to address information asymmetry and its attendant problems, agency theory proposes that incentives alignment, monitoring, controls and regulations should be employed and enforced to keep the agent under control. Herein lies the principal-agency conundrum in public agency reforms. For instance, neo-liberals call for the shrinking of the administrative state, reducing its supervisory, regulatory and monitoring roles in order to induce superior performance. The question, then, is how such a reduced and limited state

can at the same time adequately monitor, control and regulate contractual relationships between the principal and agent to prevent shirking and opportunistic behaviors.

From the above, all both theoretical perspectives operate from an understanding that answers to the questions of how to improve, restructure and reform the public sector should be borrowed, adopted, or transferred from the private sector or the market. Conversely, the provision of public services could be transferred as a whole to the private sector since bureaucrats, because of their personal interests, cannot be trusted to serve the public interest. In other words, they subscribe to the small and minimalist government rationality of neo-liberalism and seek ways and means of limiting and shrinking the role of the state in the provision of public services and managing public agencies.

2.4.3. Administrative Performance (VFM) Indicators

Taken together, these theories provide a useful understanding of how CDAs are to be conceptualized, implemented and evaluated. Reforms based on these theoretical perspectives are mostly presented in terms of a comparative superior performance mentality of VFM. Within this narrow perspective, if the adoption and application of CDA results in achieving VFM then, it can be concluded, it has achieved its intended objective. In practical terms, the concepts of efficiency, economy and efficacy in public management usually refer to timeliness, quality, impact, level of service and the process of delivering these services (Bouckaert and Halligan, 2008; Fredrickson and Fredrickson, 2006). Efficiency is usually considered as close relation between organizational inputs and outputs, while effectiveness refers to the outcome and impact of these inputs (Pollitt and Bouckaert, 2012). Economy, on the other hand, usually refers to the concept of financial savings in one year compared with the results of previous years (Radin, 2006). Ultimately, if a public organization is efficient and effective, and if it reduces inputs,

maximizes outputs and makes financial savings, it is expected to return a profit or, in the neo-liberal reform parlance, to recover costs. Profitability, especially of public organizations that are collapsing, is a major determinant of their reforms.

Concerns for VFM are the motivating factors for the creation of numerous formal evaluation systems such as Kaplan and Norton’s (2001) Balanced Scorecard Framework,⁴ which will be useful and adapted in this analysis to assist in developing a VFM model for evaluating SOE reforms. The balanced scorecard specifically measures the financial, operational and managerial activities of firms to determine their current and future status (Norreklit, 2000; Kaplan and Norton, 1996). It has the analytical advantage of being able to capture and examine VFM performance indicators of SOEs. Table 1 shows the determinants and indicators of VFM in SOE reforms.

Table 1: Determinants of VFM Indicators in SOE Reforms

Indicators	VFM Concerns
Efficiency	<ul style="list-style-type: none"> • the highest output possible for the lowest quantity of input
Effectiveness	<ul style="list-style-type: none"> • ability to meet the set objectives and achieve the maximum impact
Economy	<ul style="list-style-type: none"> • the procurement of goods and services at the lowest possible cost
Profitability change	<ul style="list-style-type: none"> • differences between an agency’s profits in successive years

Nevertheless, as was stated in Chapter One, VFM and neo-liberalism alone remain inadequate to fully address the multiple facets of the SOE reform process and principles of governance in public administration values. Such a neo-liberal reinvented state will be poorly equipped to protect the political, social and economic interest of citizens in an economy. It is this concern that drives the search for reform ideas beyond neo-liberalism.

⁴Originally developed for private sector firms, its ability to capture the information most relevant to managers of firms in succinct form makes it a preferred VFM model here.

2.5. Beyond Neo-liberalism: A Normative Governance Approach to Public Agency Reforms

Many studies have examined the concept of governance in public agency reforms from different perspectives. Nevertheless, the concept has remained elusive and difficult to concisely define. Even governance scholars such as Bovaird and Löffler (2009) have argued that trying to define governance “seems to open a Pandora’s Box” (p. 8). They reason that this has come about because “although there is a general acknowledgement that public governance is different from public management, the academic literature on governance offers a myriad of definitions” (p. 8). Despite this theoretical challenge, the objective here is to determine the core themes and indicators of what constitutes governance in the literature. For the purposes of this dissertation, governance will be defined using Olowu’s (2002) idea that governance should be conceived from a “process perspective with emphasis on rule of law, accountability, participation, transparency and human and civil rights” (p. 4). These concepts are even considered as critical values and norms that constitute and separate private from public management and administration.

Other scholars link democratic governance to the concept of networks between governments and civil society, NGOs and private firms. Farazmand (2004), for instance, describes it through the concept of a chain of network of institutions that seek to blend market-type principles with political ideals. He regards governance as a form of government that is entrepreneurial, market-like, economic, enabling, participatory, regulatory, interventionist and steering. This perspective contextualizes democratic governance as a form of collaboration and networking among the public, private, stakeholders, civil society and NGO sectors and the rules that govern them. This view of governance differs slightly from Olowu’s concept of public sector values and ideals. It places emphasis on networking and a blurring of the lines between the public, private and civil society interface for the mutual benefit of all parties. This concept of

governance subscribes to the theory of pluralism in public policy making, which argues that there is a never-ending competition between interest groups in society with the sole aim of influencing public policy to suit their individual and collective interests (Dahl, 1961; Brooks and Miljan, 2003; Rochon and Mazmanian, 1993; Schneider and Ingram, 2007).

Other studies see governance from an organizational management and performance perspective, and equate it to “how an organization works with its partners, stakeholders and networks to influence the outcomes of public policies” (Bovaird and Löffler, 2009, p. 6). This school reasons that “public governance pays a lot of attention to how different organizations interact in order to achieve a higher level of desired results — the outcomes achieved by citizens and stakeholders” (p. 9). This understanding governance means that it is possible, on the one hand, to be efficient and effective while, on the other, engage stakeholders and citizens to create a participatory and inclusive democratic system and organization.

Another school of thought sees governance from a public ethics and values perspective, one that is concerned seeks to address issues of fairness, equity, social justice and responsiveness in the public sector reform process (Kernaghan and Langford, 2004; OECD, 2005). Democratic governance may thus include values, procedures, equity, public participation, checks and balances, networks and stakeholder collaborations that define and separate the public and private sectors. Such a conception is particularly important in public sector reform processes because of the presence of different players (public and private) with different motives (public good or profits) and practices (public law or business practices).

From the above conceptualization, critical core principles and variables of the governance model can be distilled as a commitment to the entrenchment of transparency, accountability, fairness/equity, participation, rule of law and strategic leadership. These concepts are generic and

generally accepted in the literature and in theory as constituting democratic governance (Olowu, 2002; Pierre, 2000; Pierre and Peters, 2000). According to governance scholars, adherents to these democratic processes and principles should be at the very heart of SOE reform. Operational conceptualizations of these governance variables are provided below.

2.5.1. Democratic Governance Imperatives: A Conceptual Clarification

In this study, accountability refers to Romzek and Ingraham's (2000) concepts of legal and professional accountability. Legal accountability "involves detailed external oversight of performance for compliance with established mandates under which managers are obliged to work" (Romzek and Ingraham 2000, p. 242). Since the CDA involves a certain amount of autonomy, devolution of power and performance contracting, legal accountability relates to how managers deal with and use such powers in the public interest. Professional accountability, on the other hand, "is reflected in work arrangements that afford high degrees of autonomy to individuals (and organizations) who base their decision making on internalized norms of appropriate practice" (ibid.). Legal and professional accountability therefore strives to establish accountable public organizations that respond to the needs of citizens in a democracy for an efficient and accountable public sector management.

Similarly, transparency is used in this study to mean the extent to which public organizations are open and make available qualitative and quantitative information to their stakeholders. Transparency is a major democratic concern and addresses what the OECD (2005) refers to as the "open government" concept. This concept goes beyond traditional demands for openness to include accessibility and responsiveness in navigating the interface between the government, private business, civil society organizations, the media and citizens and other agents in the reform and governance process (OECD, 2005). The publication of departmental annual

reports, financial planning and reporting narratives, and budgetary information in a timely and accessible manner all constitute transparency (Talbot, 2004).

The concept of equity/fairness also relates to accessibility and responsiveness in the reform, delivery and reform of public service and the reform of SOEs. Specifically, CDA reforms in critical social sectors, such as water services, are usually accompanied by full cost-recovery demands and automatic price adjustments that can price out the most vulnerable in society. As Denhardt and Denhardt (2003) argue, the idea of citizens as clients as envisaged under the NPM presents both practical and theoretical challenges to policymakers and practitioners. The main determinants of equity/fairness will therefore be responsiveness, accessibility and lack of discrimination in the distribution of limited and contested state resources where price is not used as a discriminatory barrier. The acceptance of equity/fairness as a value in the management of public organizations is also an indicator.

Rule of law denotes compliance with various formal laws, rules and regulations, some of which are enacted to protect the public interest and enhance social justice (Olowu, 2002). Its core indicators will therefore be the extent to which organizations adhere to these laws and abide by the legislative mandates they enforce in the protection and preservation of the public interests. Public participation refers to the clearly stated policies and practices that aim at engaging stakeholders in the reform process and giving citizens a voice in how affairs of the state are managed, especially on issues that directly affect them. Critical indicators include NGO, citizens, and civil society and stakeholder engagement and consultation before, during and after the process (Van Thiel et al., 2012).

Finally, strategic leadership to refer to the broader policy roles of policymakers, government Ministers/Ministries and to the capacity of Boards of Directors and Senior

Management of SOEs who are responsible for the management of public agencies. Strategic leadership is vital for sponsoring, endorsing and even providing critical political support for the reform process. Wart (2003) argue that strategic leadership is intended to provide a sense of direction and vision, an alignment with the environment, a healthy mechanism for innovation and creativity and resources for invigorating organizational culture. It is self-evident that the role of leadership in administrative reforms is crucial because of its presumed ability to understand and apply the sometimes ambiguous intentions of policy makers in the implementation process (Donaldson, 1995). The unique functions of leadership in creating an enabling environment and culture in organizations for higher performance have also been emphasized by Schein (2004). Such leadership must be creative and have the skills to translate government's broad policies and intentions into programs that can be implemented to achieve intended targets. The results of the analysis of this governance model can be conveniently summarized in Table 2.

Table 2: Determinants of Governance Indicators in SOE Reforms

Indicators	Governance Concerns
Rule of Law	<ul style="list-style-type: none"> ▪ Respect of the various laws, rules and regulations that are applicable in a given administrative context
Transparency	<ul style="list-style-type: none"> ▪ Easy access to and availability of full and complete information disclosure to all stakeholders in order to build trust
Accountability	<ul style="list-style-type: none"> ▪ Focus on obedience to organizational directives and on holding managers accountable for outputs and outcomes
Public Participation	<ul style="list-style-type: none"> ▪ Ability, degree of involvement and engagement of affected stakeholders impacted in the reform ad post-reform evaluation process
Equity/Fairness	<ul style="list-style-type: none"> ▪ Accepting responsiveness, equity/fairness as core values in the distribution of limited and contested state resources
Strategic Leadership	<ul style="list-style-type: none"> ▪ The role and capacity of SOE BODs/Senior Management in the reform process. Sector Ministry/Minister influence.

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Against the widespread acceptance of the relevance of the governance model in contemporary public administration, Fredrickson (2008) offers a rather blistering critique of the concept and its relevance to students of modern public administration. His main criticism can be summed up in the question: “Does the governance concept bring anything particularly new to the public administration table”? (p. 289). The next section ponders this question as part of the effort to develop a broader understanding to administrative reforms.

2.6. The Integrated Reform Model (IRM): A Framework for Assessing and Evaluating SOE Governance and Reforms

Frameworks and models are frequently used in studies in public administration. According to Lindquist (2010), a framework encompasses the conditions and values that animate a system while identifying the forces affecting key variables within that system. He further postulates that a framework should facilitate the monitoring and evolution of key variables, practices and principles of the subject being studied; show how different influences, factors, and elements relate to each other; and allow a debate on which norms, values, and even ideas to project and why (Lindquist 2010, p.4). Table 3 below has been developed based on this general construct and ideas. It shows the variables and principles underpinning the pre- and post- SOE reform process and performance evaluation.

The IRM framework serves as a snap shot of and provides a general outlook of the values, norms, and motives that reformers seek to project in the SOE reform process. One of the benefits of frameworks is that it enables reformers, scholars and different intellectual traditions and ideological orientations to be selective in emphasizing and projecting certain variables, norms, and values above others in the reform process (Lindquist, 2010). This chapter, however,

does not take sides in this debate. On the contrary, the framework has been developed because it has the analytical advantage of simultaneously capturing the ambiguous nature of SOEs as public policy instruments, with their social objectives, and the multifaceted reality of SOEs as commercial tools, with their VFM objectives. From this perspective therefore, it provides a comprehensive and holistic approach to the SOEs reforms compared to the linear prior approaches like those discussed above.

Table 3: Normative and Empirical Framework for Evaluating SOE Reforms Using CDA

Indicators	Integrated Reform Model
	Democratic Governance (DG)
Rule of law:	<ul style="list-style-type: none"> • Respect of the various laws, rules and regulations that are applicable in a given administrative context
Transparency:	<ul style="list-style-type: none"> • Easy access to and availability of full and complete information disclosure to all stakeholders
Accountability:	<ul style="list-style-type: none"> • A focus on obedience to organizational directives and on holding managers accountable for results
Public Participation:	<ul style="list-style-type: none"> • Degree of involvement and engage affected stakeholders impacted in the decision-making process and outcomes
Equity/Fairness:	<ul style="list-style-type: none"> • Accepting responsiveness, equity/fairness as core values in the distribution of limited and contested state resources
Strategic Leadership:	<ul style="list-style-type: none"> • The role and capacity of SOE BODs/Senior Management in the reform process. Sector Ministry/Minister influence.
	Value For Money (VFM)
Efficiency	<ul style="list-style-type: none"> • The highest output possible for the lowest quantity of input
Effectiveness	<ul style="list-style-type: none"> • Meeting set objectives and achieving the maximum impact
Economy	<ul style="list-style-type: none"> • Procurement of goods/services at the lowest possible cost
Profitability change	<ul style="list-style-type: none"> • Differences between an agency's profits in successive years

Apart from the above variables, the undergirding principles that the IRM framework seeks to project in public agency reform are importance of context, creative adaptation of reforms and task-specificity of individual agencies. Context means the sensitivity of reform models and their tools to the needs of specific politico-administrative cultures and systems

(Pollitt and Bouckaert, 2012). Task specificity refers to critical roles and sectors that SOEs are engaged in that pose unique challenges to their reforms. Finally, the creative adaptation and implementation of reforms means that the reform adoption and implementation process must be creatively adapted to fit and suit the administrative and operational cultures of individual public agencies.

The three IRM principles of context, creative adaptation and task specificity are critical to the SOE reform process because, even though the concept of improved performance drives reforms, “no single dimension of performance is as paramount in the public sector” (Andrews et al., 2006). It is therefore imperative to seek tools and working hypotheses that are capable of capturing the multiple facets of performance while responding to unique, multi-level governance challenges. The IRM captures the complexities and ambiguities inherent in the ethos of the reform process and tools in a single representation.

But despite its advantages, the IRM framework has one main limitation: its sensitivity to the environment in which reform policies and models are adopted and implemented means that it is not a one-size-fits-all approach. This limitation is an important one because, as Minogue (2001) notes, “national administrative cultures are unique and distinctive and in various ways resistant to the application of one best model or blueprint” (p. 35). In view of this uniqueness, cultural variation and resistance to ready-made solutions, it is imperative for reform models to be able to admit major creative adaptations and other customizations to suit environmental contingency factors. The reality is that “without such flexible adaptations to local conditions, reforms will not become rooted and will create empty façade reforms which will be inefficient and do little more than create new bureaucratic layers” (Caiden, 2001, p. 36). If there are any lessons that we can learn from contingency theory in administrative reforms, it is that “to secure

the desired outcomes... [and] better organizational performance... reform initiatives have to be adapted to prevailing local circumstances” (Polidano, 2001, p.63). In this regard, the special value addition of the IRM framework is its flexibility to suit the needs of most politico-bureaucratic cultures and public organizations.

2.7. Summary and Conclusion

The objective in this chapter was to develop a framework for studying, understanding and evaluating SOE reforms, especially in developing countries. It began by examining both the neo-liberal and governance arguments for public sector reforms. It noted that each approach as a stand-alone model is limited and inadequate at ensuring comprehensive reforms of public agencies. Nevertheless, each approach has some attractive features, and some core variables of neo-liberalism and governance were distilled to develop the IRM. This new model was therefore developed as a means of improving upon the weaknesses of the other two while simultaneously offering a more holistic approach to reforms. The IRM’s strengths lie in its sensitivity, responsiveness and ability to be creatively adapted to address unique organizational and managerial challenges as well as politico-administrative cultures.

The IRM framework will be used to perform a pre- and post-reform and performance evaluation of three multi-case studies in Chapters 5, 6 and 7. The next chapter however describes the process for collecting and analyzing the data.

Chapter Three Methodological Approach

3.1. Introduction

This chapter describes the methodology used in the multi-case study of CDA reforms in different policy sectors in Ghana. It describes the subjects of study (SOEs), the data collection techniques and the procedures selected for data analysis. The chapter has four main sections. The first is a detailed description of the design and administration of the multiple data collection methods. Section two presents an argument for the appropriateness of the case-study approach. Section three describes the relevant details of Ghana's politico-administrative culture and environment and explains how these factors have directly or indirectly influenced — and how they continue to affect — SOE governance and reforms in Ghana. The final section provides a summary and presents conclusions.

3.2. The Data Collection Methods

Three main data collection methods were used in the dissertation: organizational surveys, specialized face-to-face interviews and documentary analysis.

3.2.1. Organizational Surveys

The first step in data collection was the selection of the organizations to be studied. Guidance on this point was found primarily in the definition of SOEs given in Chapter One: namely that, among other things, that they are established by public law; are public policy vehicles; have commercial and social objectives; and are owned fully by the government or jointly with private partners (Iacobucci and Trebilcock, 2012). The SOEs surveyed were chosen through purposive sampling (Northrop and Arseneault, 2008). This approach was more

appropriate and practical than others because it enabled the selection of suitable cases that bear all the features of SOEs and, at the same time, provide answers the research question. The selected cases are owned fully by the government (the Ghana Water Company Ltd) and the (Ghana Post Company Ltd) or jointly with individuals and private businesses (the State Insurance Company Ltd). Also, they are typical public agencies that offer critical social services and policies that are important to national development and social cohesion (GWCL/GP) and to the financial sector (SIC). These cases also represent SOEs that are monopolies (GWCL/GP) or function in competitive environments (SIC). Combined, these features are typical of SOEs in “most important respects,” while corresponding to “key population differences” (Singleton Jr. and Straits, 2010 p. 174) peculiar of SOEs in public administration. Studying three SOEs in three different policy sectors has two main benefits. A broader and more comprehensive understanding and knowledge can be gained from three cases, compared with examining single cases in single sectors. Additionally, it is possible to examine and compare the impact of these neo-liberal inspired reform tools in different policy sectors.

Similarly, all these SOEs take their initial reform inspiration from the Structural Adjustment Program (SAP) approach of the mid-1980s (see Chapter Four) and are information-rich cases “from which one can learn a great deal about issues of central importance to the purpose of the inquiry” (Patton 2002, p. 230). These SOEs thus offer a window through which it is possible to glean “insights and in-depth understanding” (Patton 2002, p. 231) not only of their pre- and post-reform process and performance but also of the various contingency factors that have impacted, and continue to drive, their reform. Also, these cases are most appropriate to the present study because they have used, and continue to use, different approaches and tools (CDA) for their reform and governance, thereby fitting well into the theoretical context proposed in

Chapter Two. Finally, they also fit Singleton Jr. and Strait's (2010) concept of “typical and extreme instances” (p. 174), because two of them (GWCL/GP) are monopolies in the social sector while the third (SIC) operates in a competitive environment in the financial sector. It therefore seemed appropriate to study and compare SOEs in monopolistic and competitive environments in order to understand the drivers and determinants of change and the variables that help to explain such outcomes.

It should be noted that, compared with other data collection approaches, purposive sampling has two basic weaknesses: a lack of control for investigator bias in the selection of organizations and the calculation of sampling error (Singleton Jr. and Straits, 2010). Yet the benefits of using the purposive sampling approach here far outweigh its weaknesses. For instance, it grants more control, freedom and influence over the choice of organizations that suit the needs of the research. Furthermore, I happen to have prior, first-hand knowledge of these organizations and am thus fully familiar with their adoption, implementation and performance evaluation habitats and environment.

3.2.3 Specialized Face-to-Face Interviews

The second method of data collection was the use of specialized face-to-face interviews. Also known as in-person interviewing, this approach involves directly engaging and talking to respondents in the interview process (McNabb, 2010; George and Bennett, 2005; Singleton Jr. and Straits, 2010). After the organizations were selected, recruitment for the interviews was done by mailing letters⁵ to the CEOs of the chosen SOEs and to the Chief Directors⁶ of the relevant government ministries, departments and regulatory agencies. These letters explained the research

⁵For a copy of the interview letters, see Appendix A.

⁶Chief Directors at government ministries in Ghana are equivalent to Deputy Ministers in Canada and are the bureaucratic heads of their ministries.

and requested that the CEOs and Chief Directors: (a) volunteer to be interviewed for the study and (b) recommend personnel within their organizations to be interviewed. The letters also stated that to be included in the interview process, a participant had to be a CEO/CD or a Senior Management member or Head of a Department within the organization and have at least four years' experience.

The face-to-face interviews were conducted in Ghana in the summer of 2010 on the premises of the SOEs, external regulatory agencies and government ministries. They lasted for an average of one and a half hours and were recorded on a tape recorder with the consent of the respondents, who were each given a copy of a consent letter⁷ provided by the research ethics office of the University of Ottawa. Throughout the interview, notes were also taken in longhand and some of the respondents consulted various documents in order to provide more accurate information. Responses from the interviews were compared during editing to determine bias and exaggeration, thereby ensuring the reliability of the information (Giannatasio, 2008; Gabrielian et al., 2008; Robbins, 2008; Noy, 2008).

This face-to-face interview approach was chosen because of its high response rate (Singleton Jr. and Straits, 2010 p.283). A total of 20 interviews were conducted. Of these, six were at the three SOEs, thus representing a 100% response rate since the aim was to interview two people from each SOE. There were also four interviews with four public regulatory/oversight agencies — like the State Enterprise Commission (SEC) — and four with civil society organizations and NGOs (the Integrated Social Development Centre [ISODEC]), the Ministries of Public Sector Reform, Communication, Finance, Water Works and Housing and,

⁷See Appendix 3 for a copy of the consent letter.

finally, the Public Services Commission. At least, one person was interviewed in all the organizations chosen for the study. Another rationale for face-to-face, specialized interviews was the need to personally listen to the reform stories, experiences, failures and successes of practitioners in the real world. These experiences are critical not only to the adoption of reforms but also to their post-reform evaluation and governance. Listening to and watching these practitioners therefore give a full picture of reforms that few approaches can provide.

3.2.3. Design and Administration of the Questionnaires

The actual interview process deployed can be described as tailored and semi-structured interviewing. What this means is that while certain themes were common to all interviewers, care was taken to direct particular questions to individuals and organizations based on their tasks, policy sectors, roles and positions in the organizations. Each questionnaire⁸ was made up of open-ended questions, loosely structured and flexible (Czaja and Blair, 2005; Fowler, 2002; Punch, 2003). The questions were therefore used as instruments or tools to draw out responses and information from the respondents and to enable them to reflect on the broader themes, instead of being pigeonholed. The flexibility of the approach also encouraged participants to dig deep into their personal experiences in answering the questions. The purpose of this self-examination was to discover the respondents' work history and to seek clarifications of their roles and of their work environment in general. The flexibility of the interviews, therefore, was aimed at affording the participants the freedom to volunteer information and to provide explanations and details that would otherwise not be possible with a rigid process conducted in an established and structured order (McNabb, 2010; Berg, 2004).

⁸Appendix 2 provides a sample of the questionnaire.

There were few interjections or follow-up questions to seek clarification or more information during the interviews. This approach was especially advantageous when participants were discussing their political experiences and when they were required to present a view that might be politically sensitive. Respondents were also encouraged to refer to documents if they needed to, while answering questions or in preparation for the interview.

In addition, the face-to-face interviews and open-ended questions enabled and elicited fuller responses to questions asked while also making it possible to skip certain questions that did not apply to a particular organization or respondent. For instance, during the interviews at GP, questions on contractualism and autonomization were ignored and the emphasis shifted to decentralized management, and so on. Such a degree of flexibility is useful in the field since interviews must sometimes be cancelled at the last minute and the interviewer must move on to a new organization.

Yet in comparison with a more structured questionnaire and closed-ended questions, face-to-face interviews and unstructured, open-ended questions have the major weakness of giving respondents an opportunity to exaggerate or embellish their responses and experiences (Yin, 2003, 2010; Berg, 2004). Control of the process can even pass into the hands of the respondents, who may wish to present only their own bias views and organizational talking points. Other challenges of this approach include timing constraints, poor recording of interviews and bias on the part of the interviewer or respondent (Singleton Jr. and Straits, 2010). Also, unnecessarily long, inarticulate and semiliterate responses are common (Singleton Jr. and Straits, 2010).

These concerns are valid, and extra care was taken to address them in the field. For example, to address the problem of poor recording, a digital tape recorder was used, and the recordings were later transcribed, allowing the transcription and editing stages to be used to

check for bias, exaggerations and factual inaccuracies. Comparing two responses to the same question formed part of the robustness of the process used to address any potential weakness of the questionnaire and interview process. The flexibility of the process also made it possible to steer the discussion away from irrelevant issues to the more important questions about the adoption of policies, the respondents' experiences with implementation and whether they had appropriate political support and the necessary financial, human and technological resources. This type of information is largely absent in the literature but is worthy of consideration, since speaking directly to practitioners provides a direct route to learning about real experiences with reforms and their impacts on citizens.

The questionnaire itself had three main parts. The first focused on the empirical financial or VFM aspect of these SOEs and was similar across all the SOEs. It contained questions on what the SOEs considered to be performance, how they defined their performance indicators, who determines performance targets and what innovations they have developed to improve overall effectiveness and efficiency. Their policy-making and implementation processes, and decisions on human resource management with regard to hiring, compensation, and promotions were also explored. The objective of these questions was to generate comparable data that could be used to assess and compare the VFM of all three SOEs (Yin, 2003; McNabb, 2010).

The second part of the questionnaire, as explained above, was uniquely structured and contained key questions on the adoption and implementation of CDA in the respective SOEs. These two approaches were complementary, and using them, it was possible to generate similar and comparable data across all the cases, while at the same time identifying data and information unique to each organization.

The final part of the questionnaire addressed normative democratic governance concerns and originated primarily in democratic governance theory discussed in Chapter Two (Van de Walle, 2006; Wise, 2002). The questions were the same for all the organizations and for the oversight and regulatory agencies. Some questions covered their information management and reporting systems and the impact of environmental, political, social and cultural factors on their operations. Others dealt such issues as policy, managerial autonomy and relationships with their political authorities, as well as their social obligations. The final set of questions centred on the clarity of their legal mandates, chain of commands, transparency, accountability and the quality of the policy directives from the government (Peters and Pierre, 1998; Hyden and Groan, 2004). Responses to these questions were used to assess and analyze their democratic governance imperatives and the capacity constraints of regulatory agencies.

Furthermore, with regard to the utility of face-to-face interviews, many conceptual ambiguities and definitional challenges relate to the issues that the research addresses. For instance, as was indicated in Chapter Two, there is neither a universally acceptable definition of VFM in public administration nor a consensus on what constitutes democratic governance (Pierre and Peters, 2005). The interviews therefore provided a broader platform on which to understand these concepts, especially from the perspective of policy makers and practitioners. In this way, unexamined assumptions and general claims of what ought to be VFM or democratic governance were avoided. In contrast, a real assessment of how policy makers and managers of these organizations comprehend, adopt and implement policies and programs to meet specific local factors was possible and, indeed, was the overriding objective. Apart from face-to-face interviews, other information was obtained through the review of both published and unpublished documentary data relating to agency performance.

3.2.4. Documentary Analysis

The specialized interviews discussed above were supplemented with written records/data that address issues of organizational performance. Empirical financial data on these organizations was collected from 2005 to 2010. This period was chosen because it led up to the field research work, which was conducted in 2010, and because data was available for all the SOEs during this timeframe.

McNabb's (2010) two broad categories of published texts and formal/informal documents were used. The published data, which was mostly used in Chapter Two, include secondary sources such as books, academic articles, journals and other published materials (McNabb, 2010). This information is normative in nature and instrumental for the definition and construction of the DG aspect of SOE reform. It was also vital for establishing an alternative (IRM) to both the neo-liberal and governance construct of the state and approaches to reform.

The second broad category of data consists of formal/informal documents such as organizational annual audited accounts, quarterly reports, performance reports/audits and external performance evaluation reports (McNabb, 2010). Other types of documentation in this category include company internal financial budgets and statements, monitoring and evaluation reports, and performance appraisals. This informal/formal data was highly important for the analysis of the VFM performance of the organizations. A major impact of these reforms was the demand on public agencies to report on their activities as a way of ensuring both transparency and accountability.

Some doubt has been raised about the value of this kind data on public agency performance material, especially the ability of performance measurement results to engineer and lead to efficiency and superior performance (Greiling, 2006; Adcroft and Willis, 2005).

Nevertheless, Talbot (2004) has argued that, “while the quality of some of this reporting may be questionable, and some of the performance data might be suspect, it nevertheless amounts to a significant step forward” (p. 109) in attempts at infusing accountability for results which is a core demand of the NPM. For the purpose of the study, this published information by the SOEs was used to critically examine, classify and organize the data. Informed inferences were therefore made from these textual documents for the purposes of the coding or categorization of the information (McNabb, 2010; Berg, 2004). For example, by scrutinizing contractual agreements, performance evaluation and monitoring reports, annual budgets and financial statements, a clear emphasis on empirical, financial, quantifiable data to the detriment of non-financial imperatives was established.

For instance, as will be seen in Chapter Five, it was discovered that the main objective of the consultant reports for the reform of the water sector was the VFM concerns of full cost recovery, efficiency and economy. Managers of SOEs were focused on producing tangible results such as profits and increased sales to appease their political masters and the general public. During the field visits to the SIC for instance, respondents were content to simply refer to their annual financial reports and margins of profitability as proofs of success. Similarly, the neo-liberal argument for reform — especially the concept of full cost recovery and automatic price adjustments — was evident from analysis of the documents, especially those pertaining to the GWCL (Chapter Five).

Monitoring, regulatory and oversight agencies, on the other hand, were focused on using tangible financial data to determine agency compliance and improved performance in their annual performance evaluation reports. This is a major challenge of the NPM in general and the performance management and measurement movement in administrative reforms in particular

(Adcroft and Willis, 2005; Bouckaert and Peters, 2002). For instance, respondents at the State Enterprises Commission (SEC) almost always based their analysis and conclusions on tangible VFM. In the resulting maze produced by a disproportionate emphasis on financial documents, non-financial concerns were pushed to the background. Therefore, in the specific case of this research, documentary analysis was helpful in determining how both policy makers and practitioners approach the concept of SOE reforms from the perspective of VFM and democratic governance imperatives as mutually exclusive.

3.2.5. Data Categorization and Classification Method

The information collected during the review of published/unpublished texts and interviews and the analysis of primary and secondary documents was later categorized and classified for purposes of comparison and analysis (George and Bennett, 2005; McNabb, 2010). The first category of information that was based on financial and quantitative documentary sources is VFM. Quarterly reports, audited accounts, draft budgets, performance contracts and dividend payments are the indicators that are mostly used to describe SOE performances. The data collected is varied and addresses diverse performance issues, and is captured in Table 4 below. This information is comparable for all the SOEs and applicable to them, because the attainment of these empirical financial indices was, and is still, an essential reason for the neo-liberal approach to reform and restructuring them. A comparative VFM analysis of the three SOEs is made in Chapter Eight.

The second major category of information used is normative, and is based on democratic governance imperatives. The main indicators collected under this category were the result of face-to-face interviews with policymakers and practitioners in the field. These interviews proved to be very productive in generating this qualitative information about the governance imperatives

of SOEs. Accountability/transparency concerns about the timely submission and publication of quarterly reports and audited accounts; participation/consultation demands for holding annual general meetings open to all stakeholders; leadership concerns about political interference; and much more were all gleaned from these interviews. The full list of indicators under this category is captured in Table 4 below. These are qualitative in nature and, as explained in Chapter Two, form the social objective component of SOEs.

Table 4: Clusters of Information Derived from Interviews/Documentary Analysis

VFM Performance Concerns	Political/Governance Concerns
Making returns on investment	Top-down policy imposition
Profitability change	Political leadership/interference
Increase revenue	Accountability/Transparency
Improve quality of services	Consultation/participation
Expand access to services	Rule of Law
Training and motivation of workforce	Equity/Fairness
Efficiency, Effectiveness, Economy	Good corporate citizenship
Improved service conditions	Lay-offs, retrenchment

These two main clusters of information form the core units of analysis in subsequent chapters. It is noteworthy that this information is similar to that used to develop the IRM in Chapter Two.

Once the data was categorized, simple mathematical calculations and statistical analysis were used first to determine and measure the annual and quarterly financial performance changes within an organization and secondly, to compare the results for each of the organizations to determine their VFM performance trend and change over time. Below, the case study approach is discussed.

3.3. The Case-Study Approach and the Cases Studied

A number of scholars have used the case study approach in public administration studies, making its use here very appropriate. The case-study approach has been used here to analyze SOE reforms in Ghana because it provides a good platform for an intensive and a holistic

analysis and description of practitioner and stakeholder experiences of the adoption, implementation and evaluation of CDA tools in their natural environments and contexts (Yin, 2010). Also, this approach is best suited to the subject of enquiry because it allows for a detailed, focused, intense and nuanced analysis of key DG and VFM variables. In general, the case study offers a rigorous method for conducting research and does not pigeonhole the researcher (Yin, 2003; Flyvbjerg, 2006; George and Bennett, 2005). A special advantage of the case study approach that determined its use for this dissertation is its high level of conceptual validity, which enables researchers to “identify and measure the indicators that best represent the theoretical concepts the researcher intends to measure” (George and Bennett, 2005, p. 19). In this case, these indicators are the VFM objectives and the democratic governance imperatives.

The case-study approach is especially well suited for this dissertation because there is no question that local variables, including social, political and economic factors, usually influence public management reforms, the types of reforms and the mode of reforms. Furthermore, reforms in any jurisdiction “require a detailed consideration of contextual factors, which is extremely difficult to do but is common with case studies” (George and Bennett, 2005, p. 19). Thus, the case-study method provides the freedom to do a more comprehensive study of the specific contextual variables — such as the political and bureaucratic culture and the economic and financial factors — that pertain to public management reform within the SOE reform sector in Ghana. Such a nuanced and detailed examination of the local contextual factors that impact reforms helps ensure the rigour of the research process. Similarly, because the case study allows for the generalization of results, it is particularly good for verification and generates valuable practical, as well as theoretical, knowledge that can be generalized (Flyvbjerg, 2006).

The potential for generalizing the results is strong because not only is the SOE concept similar in both developed and developing countries, but the neo-liberal approach to reform has also been the dominant in both settings. Furthermore, most developing countries adopted and implemented a measure of the SAP to reform their SOEs roughly at the same time as Ghana and under similar circumstances. The experiences of Ghana can therefore be generalized to other countries with similar circumstances. Another advantage of the case-study approach is that because the intentions of policy makers and practitioners are vague, unclear and often difficult to discern, conducting case studies helps us to uncover the actual aims of policy makers in their natural contexts rather than in their formal written form (George and Bennett, 2005; McNabb, 2010).

Nevertheless, despite its benefits, the case-study approach has some methodological weaknesses. For instance, Flyvbjerg (2006) identified five weaknesses or misunderstandings of the case-study approach, including the assertion that “one cannot generalize on the basis of an individual case; therefore, the case study cannot contribute to scientific development” (p. 421). Similarly, it has been suggested that “it is often difficult to summarize and develop general propositions and theories on the basis of specific case studies” (Flyvbjerg, 2006, p. 421). Other limitations of the case-study approach include case selection bias and potential concessions, along with any benefits, in terms of parsimony and richness (George and Bennett 2005).

Despite the foregoing criticisms and limitations, however, the method has been chosen for its great flexibility and ability to “serve as an example of what public administrators ought not to do as well as what should be done” (McNabb, 2010, p. 287). It was this flexibility that was exhibited in the choice of cases in three different policy sectors. Moreover, the unique ability of

case studies to “provide general understanding about similar individuals, groups and events” (Berg 2004, p. 256) makes the advisability of its adoption self-evident.

Moreover, the thinking in this study is that evidence from a single case would be insufficient to effectively illustrate the relevant core issues and calculated losses in the balancing act between neo-liberal VFM and DG; hence a multi-case approach was selected here in order to provide a broader sample of evidence that will be more representative of real conditions. It stands to reason that results from a single case might be incapable of providing a holistic picture or describing a deep underlying problem within SOEs with multiple and complex challenges. Indeed, results obtained in a single case may well even be a fluke and entirely unrepresentative of the broader policy and SOE sector. On the contrary, the successes or failures found in multiple cases — in this case, three — would surely provide a statistically truer account and a more realistic and holistic picture, one that is more likely to serve as a useful model for others to emulate (McNabb, 2010).

That, of course, is the scientific basis for the use of multi-case designs, which “involve analysis of more than one case collectively in an effort to attain even greater understanding of the phenomenon of interest” (McNabb, 2010, p. 55). By adopting the multi-case approach, therefore, the present study seeks to compare the reform process and the post-reform performance analysis in order to develop and identify potential best practices that are relevant to both practitioners and theorists. Ultimately, the results from these three cases can be expected to tell a more holistic story and paint a clearer, more detailed picture than any one example could not be trusted to do, and thereby can make a real contribution to a better understanding of the SOE reform process not only in Ghana but also in other countries with similar public agencies.

The multi-case approach also offers the ability “to look at the details of a few cases in order to probe the mechanisms of change, the details of the process and the presence of specific factors” (Little 1991, p. 32) that can account for different outcomes. In view of this approach’s ability to expose the particular effects of larger forces, the present thesis specifically adopted a form of Mill’s (1950) method, which argues that if there is a given outcome present in a particular case but absent in another, there must be one or more causal factors, either present or absent or insufficient. It is from this perspective that the significance of context, task specificity and creative adaptation becomes critical elements of the reform process and important in explaining the differences in outcomes between the three cases.

The case-study method further made it possible to tease out the relevant differences and similarities and to analyze how these factors affect the reform process and the post-reform performance evaluation. This, in turn, made it possible to determine the underlying issues that impact the uniformity of or differences in adoption, implementation and performance evaluation. It was therefore possible to see at first-hand how these factors directly impacted the reform of these three SOEs while determining reasons for the different outcomes in Ghana.

3.3.1. Description of the Cases Selected

The analysis now turns to a description of the three case studies. The first case was a five-year Management Contract (hereafter, MC) between the Government of Ghana and a consortium of private firms (the operators) that covers about 80 urban water systems and was financed with a grant of \$103 million (U.S.) from the World Bank (World Bank, 2004). An MC can be described as a long-term financial, managerial and organizational contractual arrangement between a public organization and a private firm in which certain functions of the organization are transferred to the private firm for management purposes for a fixed period of time and a

guaranteed fee (Hubbard et al., 1999; Ghandan and Eberhard, 2007). Under the terms of the proposal, a (private) operator was responsible for operating the existing and future assets of the Ghana Water Company Ltd. on a day-to-day basis to deliver potable water. Of primary concern for this research, however, is the operational and managerial challenge of this particular contract in the water sector reform process.

The second case is a decentralized management arrangement between Ghana Post Company (GP) Ltd. and the Government of Ghana. Under the terms of the arrangement, GP was created as a quasi-autonomous public agency, which involves the creation and establishment of a board of directors; a chief executive officer, who leads a management team; and increased managerial and institutional autonomy. The overarching objective was to move GP away from the direct political control and bureaucratic supervision of the Minister of Communication. Doing so has led to major operational changes at GP, which have enabled it to operate like a private business and thus to be free to enter into contracts, to sue and be sued, and to be financially sound. The policy objective is to ultimately wean GP from government subvention and hold it accountable for its outcomes and performances.

The third case can be described as an autonomization of the State Insurance Commission (SIC) Ltd. Similar to GP, the legal instruments of the SIC were changed and enhanced to enable it take on new roles and structures, such as an independent board of directors and a management team led by a CEO. These changes are similar to the ones with GP, except that the SIC does not enjoy monopoly status in Ghana. On the contrary, it is a market leader in the liberalized and competitive insurance industry.

The analysis of these cases in the subsequent chapters will be undertaken in a systematic sequence of steps based on a framework developed by Batley and Larbi (2004). The core features of their step-by-step framework are:

- An analysis of the reform history of these organizations and the stakeholder forces that sustained them in order to identify the real motives for change;
- An analysis of their organizational arrangements upon the adoption and implementation of the appropriate CDA model in order to raise questions about the applicability and suitability of the reform concept adopted and implemented;
- A post-reform VFM performance evaluation of the organization, focusing on its attainment of VFM reform objectives;
- A post-reform governance performance evaluation of the organization, also focusing on whether it has attained its governance objectives; and finally,
- An overall comparative VFM and DG post-reform assessment of the organization using the IRM.

A comparison of these differences and similarities could illuminate and widen our understanding of the various contingent and contextual factors that affect these organizations' performance and, further, could provide critical lessons for improved performance in the future. Jreisat (2005), for instance, has argued that by comparing multiple cases, it is possible to "extend our knowledge of how to explore, reflect and better understand universal administrative attributes instead of being confined to ethnocentric views" (p. 232). Other scholars have arrived at similar conclusions with regard to the value of comparing multiple cases (Baaklini, 2002; Considine and Jenny, 2003; Hyden, 2002). Similarly, Sartori (1991) has argued that "the comparisons in which we sensibly and actually engage are thus the ones between entities whose attributes are in part shared [similar] and in part non-shared" or dissimilar (p. 246). Ultimately, the intention is not simply to explain CDA but to look for factors that help account for the focus on financial VFM to the neglect of governance imperatives on SOE reforms, and consider why this focus is wrong. The explanation and the testing of theories therefore have the purpose of improving our

understanding and of contributing to our knowledge of democratic governance issues and concerns in SOE reforms (McNabb, 2010).

3.4. The Research Setting: Politico-Administrative Culture and Environment in Ghana

Since administrative reforms are not adopted and implemented in a vacuum but within a political, economic, social, cultural and even, legal setting, it is appropriate to consider the question: Why Ghana? Within the context of economic, social and political reform, Ghana has stellar credentials among its peers both geographically in sub-Saharan Africa and also in the broader context of developing countries and emerging democracies in general, making it especially appropriate as a subject for this dissertation. Politically, it was the first country in sub-Saharan Africa to gain independence through non-violent means from the British. It was, therefore, a pacesetter of independence from colonial rule in Africa in general (Rothchild, 1991).

In addition, Ghana was one of the first countries to implement the most comprehensive IMF/WB-sponsored neo-liberal SAP public sector reforms, and it has been acclaimed as “the biggest reformer in Africa” (Herbst 1993) because of its enthusiastic application and implementation of the SAP⁹ in 1983. Although the reviews of these programs are mixed, what is not in contention is that the longevity of these reforms in Ghana presents an ideal platform on which to examine SOE reform in general, especially since most of these reforms were aimed at the public sector in general and at SOEs in particular (Hutchful, 2002; Chazan, 1991; Konadu-Agyeman, 2001; Ninsin, 1991).

Likewise, in the contemporary geopolitics of Africa, Ghana was the first country to undergo the African Peer Review Mechanism (APRM)¹⁰ initiative adopted by the African Union (AU). With regard to the country’s performance in the areas of democracy and governance, the

⁹For more on the SAP, see Chapter Four.

¹⁰The African Peer Review Mechanism (APRM) is a mutually agreed on instrument to which members of the African Union (AU) have voluntarily acceded as part of an African self-monitoring mechanism.

APRM country review report concluded that since its return to democratic rule in 1992, “Ghana has moved increasingly towards consolidating and strengthening liberal democratic principles, structures and processes” (APRM, 2004, p. 13). State-owned enterprise reforms in Ghana are part of this ongoing movement.

In contemporary times, Ghana has moved ahead of other developing countries to consolidate its democratic credentials. Since 1992, it has held multi-party democratic elections deemed by international observers as free and fair and have seen two incumbent governments defeated. The freedom of the press, judiciary and other organs of state is respected and upheld. Similarly, there is a free press and very vibrant civil society sector that operates freely both in their criticism, opposition and or support of government policies and programs.

3.5. Summary and Conclusion

This chapter has described the methods, processes and successive phases that were employed to gather, create and analyze the data needed to comprehensively address and answer the research questions. In addition to providing a detailed explanation of the various methods adopted and the reasons for their adoption, this chapter also examined some of the challenges involved in using these methods, while at the same time justifying their selection and that of Ghana as setting for the research. Through these methods and approaches, several important tools were discovered that proved vital in the analysis of these cases.

Chapter four examines in detail the role of neo-liberalism in the IMF/WB SAP reforms in Ghana and how they have impacted the SOE sectors.

Chapter Four: Development and Evolution of SOE Policy and Management in Ghana

“If the administrative culture remains hostile to the spirit of the reforms, then the new process may be observed in a minimalist and ritual way, but no real change may follow” (Pollitt and Bouckaert, 2000, p. 116)

4.1. Introduction: Internal and External Drivers of SOE Reforms in Ghana

The task of this chapter is to present a critical examination of how SOEs became mainstream vehicles for economic, social and political development organizations in Ghana. Rather than presenting a comprehensive political history of Ghana, this chapter places the SOE reform process within the context of the wider role of how the IMF/WB have consistently acted as what Common (1998) refers to as “policy transferors” (p. 59) of neo-liberal reforms in Ghana. The chapter does not intend to examine in detail the SAP per se, since there are several brilliant accounts of this topic on Ghana elsewhere (Roe et al., 1992; Brydon and Legge, 1996; Rothchild, 1991). Instead, the objective is to learn something about the backdrop against which the dramas of the neo-liberal economic and political theories, policies and approaches to SOE reforms were being played out in order to understand how flawed these approaches are. The discussion will also refer to the more detailed works cited above, the literature on administrative reforms, politics, governance and development in Ghana as and when appropriate.

The chapter is grouped into four intertwining sections. Section one will address the pre-independence to the immediate post-independence period in Ghana, when the development of SOEs was gathering momentum. Section two examines the circumstances that led to the need for SOEs reforms and the reasons why the government, despite initial hesitation and reluctance, had to approach the IMF/WB for help in the first place. Section three considers the adoption and implementation of the Structural Adjustment Program (SAP), especially those aspects that

directly relate to the SOE reform process in Ghana. Section four provides a summary and conclusion.

4.2. SOEs in Ghana: A Brief Historical Perspective.

SOEs in Ghana can be grouped into two main typologies. The first type can be referred to as SOEs of exploitation. These were created in the natural resource rich sectors of the country to help facilitate the extraction of valuable resources like gold, diamonds and cocoa. For example, the Cocoa Marketing Board (CMB), established in 1947, and the Agricultural Produce Marketing Board (APMB), also established in 1949, were both created to facilitate the production, extraction and export of cocoa, palm kernels and coffee (Danso, 2008). The second type of SOEs can be described as social service delivery SOEs and were created to provide vital public services like water, postal and telegraph services, and electricity to urban centres (Danso, 2008). From this perspective, SOEs were policy instruments in the hands of governments to make and implement public policies.

The above typologies are important in understanding the development and use of SOEs in Ghana. This section is divided into four periods for purposes of clarity and analysis. Each period coincides “with a change in government and the relative position of the public sector in Ghana” (Danso, 2008, p. 341) with regard to the SOE sector in economic, social and political development. These changes served as powerful drivers and what Kingdon (1995) refers to as ‘policy windows’ in SOE development and management in Ghana.

The first period began in the immediate post-independence era from 1957-1966. During this period, SOEs helped to answer a broader and critical question for Ghana: What role should the modern state play, if any at all, in economic and social development? This question was of the highest importance because SOEs provided opportunities that responded to and fit local

circumstances better than any other alternative economic or even political program, policy, and theory or approach available at the time. To put the immediate post-independence period in the appropriate political, economic and social context, it can be described as one dominated by local contingencies that included “weak market institutions and indigenous entrepreneurs, which means that only SOEs were capable of investing in social and economic services” (Batley and Larbi, 2004, p. 2). For the new political elites in Ghana, therefore, using SOEs to advance the idea of state-led economic and social development was most attractive and “offered a way of satisfying popular expectations and demonstrating a concern with social justice and development” (Batley and Larbi, 2004, p. 2) in the newly independent country.

This explains why the late 1950s to mid-60s saw an expansion of SOEs in the economy, because the government at the time of independence, the Convention People’s Party (CPP) under Kwame Nkrumah, looked to SOEs as vital tools for the establishment of a socialist state and the attainment of socialist goals (Gyimah-Boadi, 1991). Indeed, as part of the broader plan to establish a socialist state-centred state, the government proposed a Seven Year Development Plan for accelerated development and industrialization in the country. The plan, which has been described as a “socialist blueprint” (Dzorgbo 2001, p. 151) for economic development, resulted in the creation of a number of SOEs in different sectors of the economy — such as water, transport, mining, construction, postal services and commerce. They were created to provide critical social services and employment for an expectant citizenry.

By the time the Nkrumah government was overthrown in 1966, 56 SOEs had been created (Gyimah-Boadi, 1991; Killick, 1980). Moreover, between 1957 and the end of 1966, employment in the SOE sector had increased more than tenfold, from 11,052 to 115,826 (SEC, 1995). And by the end of 1966, vital areas of the economy, such as the cocoa, mining, insurance

and financial sectors, had been virtually monopolized by SOEs of exploitation. SOEs also gave the CPP an avenue by which to compensate its political allies through political patronage and to extend vital services — such as schools, hospitals, water and postal and telegraphic services — in order to integrate rural communities in the most deprived and hinterland communities into the country (Killick, 2010). Thus, to all intents and purposes, SOEs gave the CPP a powerful platform on which to use economic vehicles, tools and instruments for non-economic ends.

Yet despite these efforts, a “host of factors came to bedevil the SOE sector,” among them “poor project planning, shortages of working capital, over-manning, inadequate technical and managerial skills, corruption, trivialization of political control, and multiple objectives” (Danso, 2008, p. 341). These difficulties contributed to the poor performance of SOEs, and the overall poor economic order played a role in the overthrow of the CPP government in a coup d’état by the National Liberation Council (NLC) in 1966. As a result, the rapid development and acceleration of SOE creation slowed slightly during the regime of the military government of the NLC. SOEs were no longer considered as key to social and economic development, and other options, including dependence on market models, were considered and flirted with (Gyimah-Boadi, 1991).

The second period of SOE development coincided with the NLC, which governed from 1966 to 1969, introduced a ‘Ghanaianization Policy’ which sought to put more trust in private business and entrepreneurs as an alternative political and economic model. Its core tenet was that “Ghana’s economic strength depends on how vibrant indigenous entrepreneurs are and how effectively their economic activities are mobilized by the state to contribute to the development process” (Dzorgbo, 2001, p. 205). Economic austerity measures were introduced to reform not only the SOE sector but also the core civil service (Danso, 2008). The Electricity Corporation of

Ghana (ECG) and the National Lottery Corporation (NLC) were both created during this period (SEC, 1995, 1998; Danso 2008).

The changes that took place under the NLC should be put in context. On one hand, there was a purposive attempt on the part of the new government to place a greater emphasis on the private sector; reduce the role of the state in the economy; employ private sector financial and monetary policies, including devaluation; and pursue macro- and microeconomic stability measures (Killick, 2010; Danso, 2008). This approach marked an ideological difference from the previous government. On the other hand, a number of SOEs critical to the Ghanaian economy — and still are today — were created, including the Ghana Post, Ghana Telecom and the ECG (Danso, 2008). For the NLC, the SOEs themselves were in poor condition financially, providing only negligible returns to government from their operations (SEC, 1995). This poor financial performance was attributable to such factors as “lack of managerial skills, overstaffing, inappropriate pricing policies and under-capitalization” (SEC, 1995, p. 4). It was therefore in response to these problems that the NLC became the first regime to make any genuine attempt at SOE reforms in Ghana (Gyimah-Boadi, 1991; SEC, 1995; Danso, 2008). Among these reforms, the government sold off a number of SOEs and closed down others (Danso, 2008, p. 342). All these efforts were in tune with the flawed neo-liberal theory of reducing the extent of the state’s involvement in the economy in order to enable the markets to improve their performance.

In October of 1969, the NLC handed over power to a civilian administration after general elections. Its rule saw the emergence of the Progress Party (PP), led by Dr. K. A. Busia, as the Prime Minister. With regard to the SOE sector in particular, the PP’s stated policy was that new SOEs were to be created to ensure that “state participation would be undertaken when private

capital was unavailable” (Danso, 2008, p. 342). It is from this position and the wider context that the stand of the PP government’s policy on SOE might be properly understood. SOEs under this regime were necessary insofar as the private sector and, by implication, private capital was unavailable or incapable of delivering important public services (Danso, 2008). This rationale is consistent with the reason for the creation of most SOEs in developed economies, including Canada (Bozec et al., 2004; Bozec and Mohammed, 2007). Differing from neo-liberal orthodoxy therefore, the PP government believed that the state has the power and should serve as the last resort to market failure, especially in the SOE sector. Despite an initial improvement in the performance of SOEs in response to these policies, the economy got weaker and the government implemented the first-ever devaluation policy in Ghana to reverse the situation (Dzorgbo, 2001; Killick, 2001; Hutchful, 2002). The devaluation resulted in a sharp rise in the price of consumer goods and services and the government lost a lot of public support as a result.

The PP government was eventually overthrown in a coup d’état in 1972 by the military, ending the Second Republic and initiating the second military government, the National Redemption Council (NRC), led by Col. I. K. Acheampong, an officer in the Ghana Armed Forces. This change of government also signaled the third period of SOE development in Ghana. The change of government gave birth to the third period of SOE development in Ghana. Acheampong’s NRC, which later metamorphosed into the Supreme Military Council (SMC I and II), had a stated agenda to use SOEs to capture the commanding heights of the Ghanaian economy (Gyimah-Boadi, 1991; Danso, 2008). Ideologically, the formation of the NRC marked a return to the state-centered and expansionist views of the of the 1950s (SEC, 1995, p. 4). This strategy was championed by the Capital Investments and Mining Operations (Government

Participation) Decrees of 1972, which gave the government the power to acquire a majority share in well-established private firms (SEC, 1995). The three-point strategy involved:

- Partially nationalized private firms, such as Ashanti Goldfields Corporation, Consolidated African Selection Trust and Ghana Bauxite Company;
- Fully nationalized foreign-owned companies, such as the Loyalty Group of Companies, Fattal Brothers and R.T. Briscoe; and
- New, government-established SOEs, such as the Meat Marketing Board and the Ghana National Procurement Agency (Gyimah-Boadi, 1991)

Economic gains were made as a result of these policies, but they were eroded from 1975 to 1979 by major economic shocks, including hyperinflation, in which faith in the local currency, the cedi, was almost lost (Dzorgbo, 2001; Killick, 2010). These economic difficulties contributed to the overthrow of the regime by the Armed Forces Revolutionary Council (AFRC) in 1979, thus ushering in the fourth period in the SOE development program.

The AFRC is famous for having launched what it described as a “house-cleaning exercise”¹¹ upon the assumption of office. It articulated two main objectives:

- To eradicate *kalabule*¹² — sharp practices and con artistry — and corruption in general from the Ghanaian political system, and bring its perpetrators to justice.
- Instill the notion of public accountability, and make Ghanaians conscientious of their rights and duties before restoring democratic rule

By default, the AFRC “widened the network of SOEs by confiscating the assets of several privately owned companies for committing economic crimes against the state” (Danso, 2008, p. 342). In 1979, however, the AFRC, as promised, handed over power to the third democratically elected government in Ghana’s history after general elections saw the People’s National Party (PNP) win the election and its leader, Dr. Hillia Limann, sworn in as President. But as Chazan

¹¹The analogy of a house cleaning was very popular, and used for the urgent need for cleaning up the “mess” created by corrupt politicians and soldiers who had institutionalized corruption in the body politic of Ghana. As for the process itself, it was achieved through property seizures and summary executions of military officials.

¹²The main aims of the house-cleaning exercise were to wage a war against *kalabule* in all its forms and shapes and to punish those who institutionalized and benefited from it.

(1992), an expert on politics in Ghana, has noted, the PNP was handicapped by inheriting “an economic morass of monumental proportions, governmental institutions in disrepair and a public suspicious of all government,” (p. 126). Eventually, in 1981, the PNP government was overthrown in a military coup d’état by the Provisional National Defense Council (PNDC), forebears of the AFRC. Its leader, Jerry John Rawlings, became the Chairman and Head of State.

Upon taking over political power, however, the PNDC found an economy in terrible condition. Hutchful (2002) argues that between 1982 and early 1983 the Ghanaian economy was in an extremely precarious mode due to a number of internal and external circumstances. Killick (2010), a scholar on Ghanaian politics, summarized this period as follows:

“On top of all this came a triple blow of external shocks. A serious drought hit food production and caused extensive forest fires in cocoa-growing areas. Second, the world cocoa price, which had been particularly buoyant in the late-1970s, slumped to its lowest level for a decade with a consequential deterioration in the country’s terms of trade. Finally, Nigeria expelled what were said to be more than a million Ghanaians, and these had to be succored and absorbed into an economy already in desperate plight.” (Killick, 2010, p. 404).

It was indicated at the beginning of this chapter that SOEs were policy instruments used to prosecute state developmental agenda. As a result, they contributed in one way or the other to the challenges described above, and they also suffered accordingly when things changed.

With regards to their creation, management, and governance, all SOEs in Ghana are established by a Legislative Instrument of Incorporation either under the *Statutory Corporations Act* or the Companies Code for Limited Liability Companies (Gyimah-Boadi, 1991; SEC, 1998, 1995). The government’s regulatory and control authority over SOEs has generally been delegated by the President to a Sector Minister. The Sector Minister then has ministerial responsibility to appear before and answer to Parliament and by extension citizens for the SOEs under their jurisdiction. Since the SAP reform efforts in 1983, the State Enterprises Commission (SEC) has emerged as an important player in the SOE sector and is mandated with supervising

and monitoring performance targets of SOEs on behalf of the government. In accordance with the tenants of the NPM, the SEC becomes an external supervisor and enforcer of performance contracts, management and measurement efforts within the SOE sector (SEC, 1995; Læg Reid and Verhoest, 2010). Apart from the Sector Minister and the SEC, the Board of Directors (BOD) is the highest decision-making body in the governance of SOEs. In most cases, Chief Executive Officers (CEOs) of SOEs are simultaneously members of the BODs and are directly in charge of the day-to-day operational management of the SOEs (Larbi, 1998; SEC, 1998). While CEOs enjoy patronage appointment, their Senior Management is appointed based on merit. Below, the analysis turns to examine the factors that led to SOE reforms in the 1980s.

4.3. Things Fall Apart: Why SOE Reforms and Why Now?

Gyimah-Boadi (1991), a governance expert in Ghana, has argued that SOEs in Ghana were “plagued by poor feasibility studies and project planning and, after their establishment, by shortage of critical staff, overstaffing, inadequate capitalization, undue political interference, mismanagement, corruption, and inefficiency” (p. 195). Thus, instead of being effective tools for national development and capable of achieving the commanding heights of the Ghanaian economy, SOEs “constituted a drain on national budgets and have failed to contribute to the country’s rapid social and economic development (ibid.). As a result, by the mid-1980s, there emerged a “sorry picture of poor performance, corruption, and mismanagement of government agencies in general and SOEs in particular” (ibid.). Among other things:

- SOEs were unable to meet their tax obligations and pay social security contributions on behalf of their employees;
- SOEs were unable to service government guaranteed loans contracted for them; and
- About eighteen SOEs were indebted to the amount of ₵40 billion¹³ to government and ₵5.2 billion to themselves in the mid 1980s (Gyimah-Boadi, 1991)

¹³ The exchange rate of the dollar to the cedi is: US \$1=₵2.

Similarly, between 1983 and 1984, SOEs in both the minerals and the manufacturing sectors “declined to their lowest index level of 50.2” (SEC, 1995, p. 5). In the manufacturing sector, SOEs experienced a greater than average production decline (SEC, 1995). Combined, these conditions applied additional pressure on an economy that was already teetering on the brink of collapse. By 1982, SOEs were clearly in crisis due to mismanagement and mounting debt, and immediate action was necessary. Such a state of affairs fits well with the neo-liberal description of the bureaucratic state. Life support, in the form of financial and monetary rescues, was needed to stem the financial and economic hemorrhaging that was so pervasive that it almost sank the economy.

Writing on the contribution of SOEs to economic development in Ghana, the political historian, William Adda (1989), has argued that the main reason for the reform effort was that SOEs had become a drain on the economy, incurring huge debts and verging on bankruptcy thereby rendering them incapable of performing their commercial and social objectives. Other sectors of the Ghanaian economy at this time were also in similar precarious stages. For example, Kraus (1991) has argued that “animated by low food growth, droughts, increasingly massive budget deficits during the 1970s and 1980s, and external oil price shocks, Ghana experienced a debilitating and socially destructive inflation that averaged over 50 percent a year between 1976 and 1981, 116.5 percent in 1981 alone” (Kraus, 1991, p. 121). This precarious economic environment, together with the issues raised above, clearly had a cumulative negative impact on the SOE sector.

For instance, between 1982 and 1983, SOEs incurred a total deficit of over 3% of GDP, with financial support from the government increasing to about 10% of total government expenditure (Adda, 1989; Tangri, 1991). Furthermore, as Akuete (1992) notes, by the start of the

SAP reforms in 1983, SOEs received a 9% subsidy from government expenditure and accumulated an external debt of 18.5% of the total national foreign debt. As well, employment in the SOE sector rose astronomically compared with the rates in other sectors as a result of political patronage. Similarly, in 1984 SOEs employed 4.5% of the total workforce and 27.6% of the workers in the formal sector (SEC, 1995). With regard again to labour and employment, Yahaya (1999) reports that between 1975 and 1982, Ghana's public employment, a large part of which was the SOE sector, grew "at a rate... five times faster than the growth of the labour market" (p. 39). Uddin and Tsamenyi (2005), in their study of accounting controls of SOEs in Ghana, claim that in most cases budgeting was heavily politicized, delayed, without direction and, in general, ineffective. Similar concerns about the financial and budgetary practices of SOEs in Ghana point to their mismanagement (Tsamenyi et al., 2002; Tsamenyi et al., 2004; Rahman et al., 2004)

These financial and budgetary constraints made it impossible for the sector to continue with business as usual and, as was indicated, are the prime reasons advocated by neo-liberals for economic and financial reforms. In addition, most of these SOEs had become too big and overregulated, with the attendant afflictions of political patronage and institutional corruption (SEC, 1995). The main catalyst for their reform, however, was that they had become financially and economically unprofitable, with the result that their huge losses had become a major drain on the national economy and were threatening to drag the country into bankruptcy (Appiah-Kubi, 2001; Christensen, 1998; Tangri, 1991; Adjei, 2006). The main cause of financial worry for these SOEs was the numerous economic and non-competitive incentives — annual subventions, soft loans, tax reliefs and others — that were heaped upon them in the hope of spurring them on to higher productivity and performance (SEC, 1995). Under these circumstances, SOE could not

even pay the salaries of their workers, let alone produce returns for government and achieve their social objectives. It therefore seems that the very purpose for which they were established, to pursue and achieve economic and social objectives, was being defeated.

It was clear that by 1980 the financial, economic and even social state of SOEs had become so precarious that keeping them functioning meant that “government subventions to SOEs moved from ₵1.1 billion in 1982 (10% of government expenditure) to ₵7.35 billion in 1986 (8% of government expenditure) [while] outstanding government loans to SOEs increased from ₵500 million in 1980 to ₵1.9 billion in 1985” (Danso 2008, p. 343). Even though external forces and the unevenness of the world economic order — for example, lower producer prices for the country’s exports — contributed in no small way to the financial, economic and balance of payment challenges in Ghana, there can be no denying that, internally, SOEs and their management was a major part of the problem (Rothchild, 1991).

The SOE sector at this juncture can be fairly described as being in a state of malaise, or of financial and economic hibernation, and in serious need of massive reforms and restructuring if it was to survive and continue to play its critical roles in the economy. The economic figures painted a bleak picture. From 1980-85, the country’s GDP fell by 19.7% and went on to drop a further 21.2% in 1983; exports and foreign direct investment (FDI) declined sharply; the manufacturing index plunged; agricultural production plummeted by an average of 40%; and cocoa¹⁴ exports declined a further 40% (Hutchful, 2002). Furthermore, there was a \$690 million total deficit on recurrent capital combined with a \$615 million rise in public expenditures

¹⁴Cocoa is the mainstay of the Ghanaian economy, and its exports account for a significant proportion of the country’s earnings. Ghana is currently the second-largest producer of cocoa in the world.

(Killick, 2010). On the basis of these figures, the Ghanaian economy could be described as being in a catastrophic fall while the SOE sector was in a state of disarray.

Before moving on, however, it will be helpful to address an important caveat in order to put the state of these SOEs in a proper context for the purposes of analysis. In the view of this study, even though the problems of SOEs described above have been expressed in financial and economic terms, it is important to state that SOEs in Ghana were seen as instruments of state power that should be spread throughout the country, have impressive structures, create new jobs, benefit consumers through low prices, and reward party loyalists with patronage appointments (Killick, 2010; Gyimah-Boadi, 1991). As was indicated in Chapter One, this multi-faceted view of SOEs in Ghana clearly illustrates the conflicting economic and social objectives that were used to justify their creation and that constitute the reasons for which narrow neo-liberal reforms remain inadequate. In reality, “what has been signaled here, then, is a problem of multiple, potentially inconsistent and irreconcilable objectives” (Killick, 2010, p. 237) for SOEs in Ghana.

Below, the analysis shifts to the adoption and implementation of the SAP in the SOE reform process.

4.4. Re-engineering the Ghanaian State: A ‘U-Turn’ To Neo-liberalism

Jon Kraus, an early observer of the SAP in Ghana, has argued that the PNDC government, which adopted the SAP, “confronted in 1982 an economy in an advanced state of collapse. Soaring prices and terrible scarcities had made life desperate for many. Ghana actually had negative per capita growth in the 1960s. Per capita GDP fell more rapidly, by about 3.2 percent per year, during 1970-1981” (Kraus, 1991, p. 121). Similarly, Killick (2010) argues that by 1982, and in order to help salvage the SOE sector and the whole economy, “outside help would be needed — and that meant turning to the IMF and World Bank, which would be

anathema to the more strident ideologues in the PNDC” (p. 404), which from the onset was suspicious and doubtful of the motives of the IMF/WB. What was lacking at this time was leadership and the courage to adopt and implement the right policies to salvage the sector. A power struggle within the PNDC between would-be pro-Western (IMF/WB) reformers and radical ideologues, who can be described as die-hard opponents of neo-liberalism, resulted in an attempted coup d'état that saw the ideologues defeated, thereby clearing a path for the neo-liberal reformers.

The defeat of the radical ideologues offered the government an important policy window to pursue serious reforms in the SOE sector. This was because, unlike the anti-neo-liberal ideologues, the neo-liberal reformers came “to regard many state enterprises as wasteful, socially inequitable, and sources of corruption and inefficiency” (Kraus 1991, p. 125) and therefore supported the SAP reforms. They therefore saw the mismanagement and precarious financial state of SOEs as the problem, not the solution to the economic woes of the state. Short of dismantling the SOEs, reforms were needed immediately. These reformers were pragmatists and had at this time bought into the economic and ideological justification of the IMF/WB.

By approaching the IMF/WB for help, therefore, the government was finally acknowledging “the need to undertake a comprehensive reform of the SOE sector whose poor performance imposed substantial and budgetary costs on the economy and government” (SEC, 1995, p. 7). SOE reform was thus focused on “the development and implementation of policies that will strengthen the incentive frameworks for savings, investment and production for both public and private enterprises” (SEC, 1995, p. 7).

The PNDC’s 1983 Budget and Financial Statement, presented by the Finance Minister, Kwesi Botchwey, was the clearest indication of the tectonic ideological shift, not only in the

PNDC but also in Ghana's economic and political progress. Compared with the prior economic, social and even political policies that had been adopted since independence, the 1983 Budget and Financial Statement can be described as a major turning point in Ghanaian political and economic history. The budget "suggested a fundamental break with not only the PNDC's previous policies but also from the thrust of economic practice since independence" (Herbst, 1993, p. 29). Packaged as the Structural Adjustment Program (SAP), its "SOE reform component marked a move away from the strongly interventionist role characteristic of most governments of the preceding 35 years" (SEC, 1995, p. 4). It therefore represented a sharp departure — even a reverse of direction — from the interventionist state policy on SOEs that had dominated the country since before independence. These policies, together with others that aimed at reforms in the core civil service, soon became known as the most "comprehensive economic reform program on the continent" (Herbst, 1993, p. 30) and, by default, in most developing countries outside of Africa. But, as we indicated in Chapter One, these policies were imposed as a condition for financial and economic assistance from these external international financial institutions (IFIs).

For this reason, the policy reversal must be put in its proper structural, institutional, economic and political context. Apart from the aforementioned dire domestic economic conditions, global events also contributed to the situation. As mentioned in Chapter One, the period from the late 1970s to the early to mid-1980s witnessed the emergence and global economic dominance of neo-liberalism and pro-market economic policies, ideologies and governments, and approaches championed by the IMF/WB in what has come to be known as the "Washington Consensus" (Williamson, 1993; Gore, 2000; Haque, 2008). What this means is that the state-centred policies of the SOEs were also bound to change to the proposed neo-liberal and

pro-market ones. The WB/IMF immediately adopted these pro-market and incorporated them into the SAP and made them key conditions of their lending policies, especially with regard to social policies (Weaver and Park, 2007; Vatterlwin, 2007). For Ghana, accepting these conditions became a *sine qua non* for badly needed aid and loans to resuscitate a battered economy. It was into these neo-liberal waters that the PNDC would venture through its 1983 budget. From the above, it is clear that these economic policies were externally imposed in order to justify and propagate the neo-liberal logic.

Writing on leadership commitments in Ghana at this time, Jeffries Richards (1991) argued that in order to create room for the adoption of these policies, the PNDC had to eviscerate all forms of opposition to its totalitarian rule and in the process silenced all dissent. By so doing, it also eliminated public contributions, stakeholder consultations and any form of collaboration in the adoption and implementation of the SAP. Even the public and civil servants who were to ultimately implement the policies were excluded from the process because the government could not tolerate any form of dissent unless it was from the IMF/WB. The process was therefore monopolized between the IMF/WB and the PNDC's Economic Advisory Committee (EAC) led by the Finance Minister, Kwesi Botchwey and the de facto Prime Minister, Paul, V., Obeng, who dominated economic and financial policymaking with the support of the Head of State and did not need to build any networks, alliances or consult any other stakeholder outside government in their negotiations with the IMF/WB..

The EAC and these individuals in particular became members and strategic agents of the IMF/WB, and they became “major participants in policymaking and have provided the regime with major resources that have helped it to manage political and economic life” (Kraus, 1991, p. 150). Important stakeholders — such as market women, students, food farmers, workers unions,

traditional chiefs, religious leaders and academics — were seen as enemies of the regime and excluded from the process. Thus, for neo-liberals, limiting the role and impact of the state means effectively creating a dictatorial regime that cannot allow any form of political discourse and democratic participation in the making and implementation of policies.

Furthermore, Martin Matthew (1991), who examined the behind-the-scene negotiation of the PNDC with the IMF/WB on the SAP, has revealed that “PNDC staff members spent a great deal of time compiling data requested by the (IFIs) which left little time to draft arguments about political, administrative, or economic feasibility of measures” (p. 236). This act was a deliberate ploy by the IMF/WB to reduce, if not eliminate, any opposition to their theories and policy prescriptions. It was in this non-democratic, non-transparent and non-participatory environment that the SAP was forced down the throats of Ghanaians with the active connivance of an illegitimate military government (PNDC).

4.5. The SAP in Ghana: Programs and Policies

The SAP that was adopted and implemented had two major components: monetary and structural (Killick, 2010). Under the monetary component, the SAP proposed various policies and initiatives to shift relative prices in favour of productivity; restore fiscal and monetary discipline; rehabilitate the economic infrastructure of the country; and establish meaningful incentives for private savings and investments. The SAP’s structural component, on the other hand, focused on reforms relating to macroeconomic stability policy issues involving trade and exchange rate management and the restoration of fiscal and monetary discipline (Killick, 2010). It is instructive to note that neither aspect of the SAP at this stage was concerned with accountability, rule of law, transparency or equity/fairness. Rather the dominant concerns were

the attainment of economic and financial objectives and the creation of conditions to secure and create the neo-liberal state.

Through a succession of International Development Authority (IDA) credits (SAC I, 1987; SAC II, 1989; SAC III, 1991) and the public enterprise reform project, SOE reforms became an integral part of the SAP. Each of these credits was targeted at achieving specific objectives. The SAC I in particular was to effect exchange rate reform, the removal of price controls, monetary and fiscal policy reforms, an export sector rehabilitation program and a public sector investment program (Hutchful, 2002). The SAC II, on the other hand, was an adjustment phase aimed at consolidating the reforms in SAC I. With the final credit, SAC III, the objective shifted from economic recovery to accelerated growth (Hutchful, 2002).

Later, in 1986, the emphasis shifted to pro-growth structural initiatives, including major SOE reforms (SEC, 1995). In fact, each of these credits made specific demands on SOE reforms and included reforms from the financial, accounting and managerial to the outright divestiture of SOEs. These credits were therefore aimed at reforming and restructuring the underperforming SOE sector, which had been threatening financial and economic viability and the survival of the country. The main objective of SOE reform at this time was to address the realities of SOEs' institutional capacity and capability challenges. Prior to the SAP, while reform objectives in the SOE sector remained constant, the search for effective and efficient solutions was characterized by trial-and-error measures. To deal with this unsustainable approach to SOE reform, a special task force was set up under the ERP, specifically for the SOE sector, in 1984-1986.

4.5.1. The SAP Task Force for SOE Reforms: 1984-1986

The Task Force for SOE reforms was made up of local consultants, mainly from the Ghana Institute of Management and Personnel Administration (GIMPA), who were mandated to

collect data for analysis on about 100 SOEs. It was necessary to use this preliminary process as a starting point for developing a more comprehensive diagnostic survey of SOEs in order to determine and assess their problems and to recommend solutions. To these ends, the United Nations Development Program (UNDP) provided initial funding for the diagnostic study, while in 1984 the International Development Authority (IDA) approved co-funding of US\$400,000 in 1984 for related project preparation activities (SEC, 1995). Unlike the preliminary study, this one was carried out by Berenschot-Moret-Bosboom (BMB), a private foreign consultant, and was completed in 1985 (SEC, 1995).

Subsequently, in 1985, the government set up another Task Force to review the report of the BMB consultants and make recommendations for the SOE sector. In 1986, barely seven months after it was set up, the Task Force submitted its report to the government. Its findings and recommendations have been the basis for the SOE reform program in Ghana ever since. The Task Force concluded that “the inadequate performance of most SOEs over the past decade [could] be attributed to inadequate policies and institutional weaknesses at the government level, as well as weak management within SOEs” (SEC, 1995, p. 9). The major factors that contributed to this state of affairs were:

- i. The poor SOE policy background;
- ii. The lack of competent SOE managers, which was caused by poor wages, delays in appointments, the absence of clear objectives and targets;
- iii. Superior pay levels in the private sector, making it difficult to attract the right skills and expertise into the SOE sector; and
- iv. The inability or ineffectiveness of government central and regulatory agencies to play their roles efficiently in the SOE sector, resulting in a lack of managerial accountability for results and performance. (SEC, 1995).

Using these policy suggestions and recommendations as a starting point, the government formulated a comprehensive SOE reform program with reforms to ensure that SOEs operate in a commercial manner, institutional and legal reforms to ensure that SOE managers have autonomy

in their day-to-day operations, while strengthening their accountability to government, a rationalization of the SOE sector through divestiture and an improvement of the capacity of SOE managers through training, capacity building, lay-offs, improved management information systems and so on (SEC, 1995).

Two informed conclusions can be drawn from these recommendations. First, they were all aimed at achieving the economic ends of macroeconomic stability, which is the core concern of neo-liberalism. Secondly, they were silent on issues of equity/fairness, accountability and transparency, which ought also to be the core concerns for SOEs. Of all these recommendations, it was the divestiture option that most greatly affected the SOE reform process, because it sought to dramatically reduce the role and influence of the state in the economy as a whole and in the management of SOEs in particular.

4.6. CDA, Divestiture and SOE Reforms in Ghana

The SAP package came in three IDA credits. Under the first, the government was mandated to identify 30 SOEs for divestiture; establish the SEC under a new legislative authority; and take definitive steps to reduce staffing levels in the SOE sector (SEC, 1995). The government generally complied by establishing the SEC; approved 30 SOEs for divestiture; created a Divestiture Implementation Committee (DIC) to manage the SOE divestiture program; announced a moratorium on the creation of additional SOEs; and prepared corporate plans for priority SOEs (SEC, 1995). The second SAP condition called for the divestiture of 45 additional SOEs and the preparation of corporate plans and performance targets for an additional 14 priority SOEs (SEC, 1995). Most of these conditions were met.

The final SAC III emphasized “measures to improve efficiency and financial performance and the continuing shrinking of the sector through planned divestitures” (SEC,

1995, p. 13). The government generally complied with the entire divestiture request and with the ultimate establishment of the DIC to oversee it. Thus, from the post-independence period immediately following 1957, when the state's interventionist role dominated mainly through the vehicle of SOEs, divestiture had become the most commonly prescribed option for SOE reforms. This policy proposal from the IMF/WB should not come as a surprise because, as we indicated, privatization moved public assets into private hands and helped to create private markets, which are critical to the neo-liberal state. The SAP recommendations specifically settled on divestiture as one of the most radical means of “reducing the financial and managerial burden on government” (SEC, 1995, p. 11), limiting the role of the state and modernizing SOEs with private sector expertise.

Over the years, the concept has been defined differently by different scholars in the field of public administration, and there is still no consensus (Hodge, 2000). Privatization can be construed as any means of transferring or shifting the functions, responsibilities and authority of public organizations to the private sector for management and implementation. The aforementioned financial, budgetary, managerial and regulatory state of SOEs therefore led to the privatization of a number of the SOEs that were perceived to be the largest contributors to these economic imbalances (Tangri, 1991; Adjei, 2006, Tsamenyi et al., 2010). For example, from 1981 to 1998 about 313 SOEs were privatized (Conteh and Ohemeng, 2009). They were classified into two main categories: core and non-core (SEC, 1995). The core ones were to remain in full public ownership, or at least as joint ventures, while non-core SOEs were eligible for full privatization or mergers, or to have some shares sold to private firms and individuals. Among the core SOEs were the former Post & Telecommunications Corporation and the Ghana

Water and Sewerage Corporation, which are two of the three SOEs selected for examination in this dissertation.

Despite the cogent financial and economic arguments in favour of privatization of SOEs, privatization as a reform option for SOEs in Ghana has been controversial because of a perception among nationalist elements that it amounts to selling state assets to foreigners and disparaging the abilities of local talent in the management of national assets (Amenga-Etego, 2004; NCAPW, 2001). Thus, for example, “for many Ghanaians ... [SOEs] are a symbol of national sovereignty; [therefore] their divestiture to foreign buyers is perceived in nationalist idioms as selling ‘our patrimony’ and ‘our heritage’ to outsiders” (Tangri, 1991, p. 529). Similarly, in the view of Ghanaian nationalists, privatization is a “petit bourgeois, compradorial, pro-imperialist strategy to open up new opportunities for foreign investors and transnational corporations to extract resources and capital and further erode the prospects for economic self-reliance” (Danso 2008, p. 347). Such sentiments are mostly expressed as a resentment of privatization, precisely because the selling to foreigners of SOEs runs the risk of sacrificing public interest for market wants. While such sales can be justified economically, due to the inability of any local firm to raise the asking price for these SOEs, the argument might be lost on the social, political, cultural and nationalistic fronts because, as explained earlier, SOEs since their inceptions have always been more than just economic, financial and commercial entities.

The unpopularity of privatization and the resultant opposition to it as an SOE reform model led to a shift in government policy toward the use of other models that did not always involve selling the SOEs. The government’s goal in moving in this direction was to ameliorate public anger against privatization but, at the same time, continue with the reform process using neo-liberal private sector ideas and principles. CDA therefore emerged among these consensus

tools for SOE reforms not only in Ghana but also globally in other public administration reforms. Even though these models have a private sector bias, they were preferred because — apart from their perceived managerial superiority — they are less controversial than typical privatization since they do not involve the sale of public assets and thus still remain the property of the government. They can therefore be described on one hand as consensus models that address economic and managerial expectation and, on the other, as expressions of nationalistic sentiment. Their impact of these models as preferred reform tools therefore merits critical scrutiny and analysis, which will be undertaken in the following chapters.

4.7. Summary and Conclusion

This brief descriptive overview has reinforced one of the cardinal arguments in this study: that a narrow focus on VFM indicators of governance imperatives as stand-alone approaches to SOE reforms will not produce the desired results. Governments in Ghana from 1957 to 1983 have focused more on the governance model and the social objectives of SOEs, which resulted in the precarious financial situation of the SAP era. Then, from 1983, the focus shifted to economic/financial, macroeconomic stability and neo-liberalism in general. The agitations against the neo-liberal prescriptions, especially privatization, also shows how sensitive citizens are to the management of the public organizations on which they have come to depend for critical social services. The analysis have also revealed administrative challenges — such as inadequate competence and low skill levels of management — that contributed in no small way to the mismanagement and ultimate indebtedness of SOEs.

From these findings — the sensitivity of SOEs to the politico-administrative culture and system; the determination to use them as policy instruments to create a state-led economy; and their obvious financial implications for the entire financial health of the country — it follows that

broad, integrated, multi-purpose administrative and governance approaches are needed for SOE reforms. The primacy of context, governance, task specificity and creative adaptation is therefore of high importance in the reform process because of the competing drivers of reforms and the multi-purpose nature of SOEs, which makes them particularly sensitive to the aims of different political and administrative regimes.

The next chapter will begin the pre and post reform performance evaluation of the Ghana Water Company Ltd (GWCL) using the IRM developed in chapter two.

Chapter Five: Contractualism as an SOE Management and Governance Reform Tool: The Case of Urban Water Sector Reform in Ghana

“An important element in contractualization is performance... In any contract-like arrangement it is obviously important that the principal has information about how well the agent is producing the contracted-for services. It could be expected, therefore, that any form of contracting within government would include a substantial element of performance.” (Pollitt et al., 2004, p. 40)

“History [is] merely repeating itself. Most administrative reforms disappoint. They start off with much fanfare and promise so much (too much, of course) that they are bound to disappoint when the realities set in. Even successful reforms (and many are more successful than believed) disappoint.” (Caiden, 1999, p. 819)

5.1. Introduction

This chapter will use the Integrated Reform Model (IRM) to evaluate and critically analyze the pre- and post-reform and restructuring of the urban water sector in Ghana. Such an evaluation will enable us to develop a deeper understanding of the weaknesses of the limited neo-liberal and governance approaches to water sector reforms and, as a result, to adopt better approaches to meet the needs and expectations of citizens in a democratic society. The main interest in this chapter is the reform and restructuring of the urban water sector in Ghana involving a Management Contract (MC) between the Ghana Water Company Ltd. (GWCL) — the “Grantor” — and Aqua Vitens Rand Ltd. (AVRL) a private firm — the “Operator.”

The chapter has six sections. Section One provides a brief historical perspective of the water sector in Ghana in order both to place the discussion in a proper historical perspective and to serve as a good background and reference point on which to base the analysis. Section Two focuses on contractualism in theory and practice. It identifies the core components and the theoretical — even ideological — arguments that have made the concept a fundamental feature of neo-liberalism and a favourite tool for water reforms. With these preliminary matters in place, Section Three conducts a post-reform VFM performance evaluation of GWCL, and Section Four

similarly undertakes a post-reform democratic governance evaluation of the sector. In Section Five, the IRM model is used to analyze the reforms. A discussion, summary and conclusion are provided in Section Six.

5.2. Context and Background: A Brief Reform History of the Water Sector in Ghana

It is useful here to provide a brief history of the water sector in Ghana in order to understand how reforms were adopted and implemented and, ultimately, to be in a better position to perform a post-reform performance evaluation. The development of the water sector began during the colonial era in the 1920s with a pilot pipe-borne water system that was managed by the Hydraulic Division of the Public Works Department (PWD). At its creation, the PWD was responsible for the supply of both rural and urban water in the colony. Cape Coast was the first city to be connected, in 1928, to the pipe system, with Accra and other cities soon following (DAG, 1998). Over time, and in response to the pressures of increased population growth, urbanization and demand, the scope of the Hydraulic Division was widened to include responsibility for the planning, design, construction, operation and maintenance of water supply systems in other parts of the country.

In 1948, the colonial government created a Rural Water Development Department (RWDD) to specifically cater for the provision, operation and maintenance of the rural water supply. This segregation of rural from urban water supply was short-lived because, immediately after independence in 1957, a Water Supply Division was established under the Ministry of Works and Housing with responsibility for both rural and urban regions. Following a severe water shortage in the dry season¹⁵ of 1959, a World Health Organization (WHO)-sponsored study

¹⁵The dry season is usually associated with very low to no rainfall and the associated dryness of lakes and of some rivers and wells. In northern Ghana, for instance, it occurs immediately after the harvests and lasts from October to late April.

recommended, among other things, the preparation of a 20-year master plan for water supply and sewerage services in the country. In conformity with these recommendations, the Ghana Water and Sewerage Corporation (GWSC) was established by an Act of Parliament (Act 310) as a legal public utility entity in 1965. The GWSC had two main objectives:

- a. The provision, distribution, conservation and supply of water in Ghana for public, domestic and industrial purposes; and,
- b. The establishment, operation and control of sewerage systems for such purposes (DAG, 1998).

To enable the GWSC to perform its roles, the government secured funding during 1965–1980 to accelerate development in the sector, specifically in the expansion of its infrastructure, mainly through external donor support from OECD countries (Nkrumah, 2004). The sector saw an increase in the water supply system from 58 water projects in 1965 to almost 190 in 1980 (Nkrumah, 2004).

Yet despite this financial intervention and the initial successes it brought, Nkrumah — who is an expert in water sector reforms in Ghana and has been deeply involved in the reform negotiations between the IMF/WB and the government — holds that the water sector was still bedeviled with various institutional, financial and operational problems (Nkrumah, 2004). Institutionally, it had a centralized management system that focused on engineering but had little or no managerial expertise and largely ignored such matters as human resource management, commercial activities and efforts to increase workers’ morale. Financially, subsidies from government were very low, and it had poor billing and collection systems, low water tariffs and an oversized work force. Operationally, its water pipes, treatment plants and other critical water infrastructure were deteriorating, which led to breakdowns in major parts of the system and,

consequently, demand for water far outstripping supply in almost all sectors of the economy. It was these institutional, financial and operational challenges that compelled the government to flirt with neo-liberal reform models and approaches through further reforms from the 1970s to late 1990s. Some of these early reforms are examined in detail below.

5.2.1. Early Attempts at Water Sector Reforms: From State Monopoly to Private Sector Participation

From the 1970s to the early 1990s, reform efforts in the water sector began to shift from government control and provision toward the private sector involvement and the penetration of the sector by private sector ideas. Such a change is unsurprising and even expected because, as was seen in Chapter One, around the same time, and especially in the 1980s, neo-liberalism as an economic and political theory of public sector reform was emerging on the world stage and reformers were taking note. Advocates for a restrained and minimalist government were also pushing for a withdrawal of the state from the direct provision of critical social services. For the GWCL, these reforms included efforts to improve reliability by rehabilitating the water supply system, expanding the water systems and strengthening the managerial and operational capacity of the GWSC.

In 1987, a donor conference on water and sanitation was held in Accra-Ghana, where pledges were invited from donors to help revamp the rural water sector. It is significant that all the donors were from the OECD and the IMF/WB and had already bought into the neo-liberal philosophy and approach to public agency reforms. They therefore used this donor conference as an opportunity to recommend neo-liberal and private sector approaches to the water sector in Ghana. Later, in February 1991, about 60 participants met for a workshop to prepare a rural water and sanitation sector strategy, and after three years of consultations, in 1994 a National Community Water and Sanitation Program (NCWSP) was launched that conformed with the

government's decentralization policy. This initiative culminated in the creation of the Community Water and Sanitation Division (CWSD), a semi-autonomous unit within the GWSC to manage rural water and sanitation delivery. These changes marked the beginning of a long reform and restructuring process that was intended to attract more private sector involvement in the water sector.

Later in 1994, the World Bank engaged Sir William Halcrow & Partners (hereafter, Halcrow), a private consultancy firm from the United Kingdom, to study the feasibility and implications of restructuring the water sector in Ghana. The overall theme of the Terms of Reference (TOR) of this consultancy service was “the need to rationalize the water sector within Ghana in order to promote the delivery of water services in terms of effectiveness, efficiency and economy” (Halcrow, 1995, p. 1). The final Halcrow report situated the water sector of Ghana within what it claimed was “the economics of change that have impacted upon the water sector on an international basis” (Halcrow 1995, p. 1). These economic changes included the change from an active and exclusive hands-on manager to one who was a partner in the provision of certain essential services, a purchaser of such services or an enabler and regulator (Halcrow 1995). Ideologically, this approach fits well with the neo-liberal philosophy of limiting the role of the state in the provision of public services. The real instigating agency of change was not the government looking for donor funding to reform the sector, but the donors suggesting consultants who, like Halcrow, can properly be described as apostles of neo-liberalism.

The Halcrow report indicated that the GWSC had been handicapped by its over reliance on the Minister of State for increases in tariffs and by the lack of an automatic tariff adjustment mechanism to enable the GWSC to recover costs (Halcrow, 1995). It therefore advocated a system where the GWSC would be able to charge market prices on an automatic basis with little

or no consideration of the consumer's ability to pay. This pricing mechanism would therefore be consonant with what occurs in the private sector, where prices are determined by market forces of demand and supply. In other words, these proposals were calling for the creation of private markets for water, where demand and supply — and not public policy — determine water prices and who gets what, when and how much.

The report further suggested a segregation of the urban and rural water sectors in order to create separate water management systems. On the basis of this advice, the Community Water and Sanitation Agency (CWSA) was created in December 1998 by an Act of Parliament, Act 564, with the mandate to facilitate the provision of safe drinking water and related sanitation services to rural communities and small towns.

The report also identified several challenges that it argued were inhibiting an effective water management system in the country. These challenges included budgetary constraints, poor revenue collection strategies and system performance, and operational weaknesses. In view of these financial, institutional and operational challenges, the consultants concluded that urban centres, because of their greater wealth gap and the resulting ability to pay for their water, were in a position of more independence than rural areas. In view of this consideration, the report submitted seven options for a total transformation and reform of the urban water sector:

- a) Convert the GWSC into one Public Limited Liability Company (PLC), with substantial decentralization and private sector participation (PSP);
- b) Create a joint venture between GWSC and external or multiple companies in a new operating company;
- c) Have GWSC produce and sell bulk water for private sector distribution;
- d) Lease arrangements of self-contained systems from source to end-user;
- e) Spin off the largest urban centres into legal entities, and commercialize the remaining regions in a downsized GWSC;

- f) Engage an international operator to assist in the interim management of all GWSC, with a view to an early transfer of the profitable urban centres to a long-term concession; and
- g) Retain GWSC as an existing entity, and engage an operator to undertake its revenue collection and customer services activities (Halcrow, 1995).

The consultancy report further argued that based on the available data, option four was judged the best and was chosen because it possessed “the advantage of introducing competition between operators” (Halcrow, 1995, p. 186). That this criterion was decisive is noteworthy, for market competition based on perfect information is a classic neo-liberal argument and forms part of the arsenal of the limited and minimalist state theory (Harvey, 2005).

Three observations on these options will reveal the convergence of the latent and even the manifest intentions of the proposals and the VFM bias. First, the neo-liberal philosophy can easily be seen to underlie these options since each one argues for a bigger role for the private sector and private business practices in the management of urban water (Gore, 2000). Secondly, each option contains a deliberate attempt to engage the services of a foreign private firm in the urban water sector. This feature also conforms with the general neo-liberal theory of free trade and global competition as a way of increasing efficiency in the provision of goods and services (Stiglitz, 2003). Finally, it is significant that no option calls for the straightforward measure of having the GWSC itself be fully resourced and equipped to perform the duties that a foreign private firm was expected to perform, whether individually or jointly with the GWSC. This omission suggests that — in conformity with neo-liberalism and public choice theory — public control and management was never considered as a viable option and that the role of the state in the water sector was intended to be reduced to make room for private firms and markets (Dollery, 2009; Buchanan and Mugrave, 1999). The recommendations were thus entirely

consonant with the private-is-better mantra that permeates the flawed neo-liberal and NPM model and its approaches to SOE reforms (Barzelay, 2001; Ferlie et al., 1996).

Based on the recommendation of the Halcrow report, Louis Berger SA, another international private consultancy firm, was commissioned by the government and the IMF/WB to develop a business plan for the reform of the urban water sector in Ghana. The consultant presented three business strategies:

- A classical lease contract with minimal private capital expenditure;
- An enhanced lease contract with additional private capital expenditure; and
- A concession contract with a private firm (Louise Berger, 1998).

Of these three options, the consultant recommended the second because, among other things, it was claimed to be a compromise between the other two. This strategy permitted as much private capital funding in the sector as possible, allowed for shorter term contracts than a concession, and permitted a more gradual transition to private water markets than a concession would (Louise Berger, 1998). The Halcrow and the Louise Berger reports gave the government ideas for what became known as the Private Sector Participation (PSP) process in the urban water sector. The PSP is an extension of neo-liberalism and can be described as an initial attempt to involve private firms in sectors that had been the exclusive preserve of the state. In this way, the state can be replaced in these sectors and its size will shrink (Shields and Evans, 1998).

A comparative analysis of the above recommendations reveals a worrying development for public policy making in Ghana's urban water sector and thus calls for a more nuanced understanding and approach to these reforms. First, from a practitioner perspective, these recommendations can be perceived as policy impositions since Ghanaian practitioners were not involved in developing the proposed policies. They therefore perpetuated a top-down approach to policy making and implementation (Abugre et al., 2002). Secondly, these policy

recommendations show a full bias toward and commitment to the neo-liberal approach to reforms since it sought to severely limit and shrink the role and influence of the state in the water sector. Such an approach, as indicated above, has serious consequences since the value of water transcends its economic and financial value to include social, cultural and even political values. Trying to ignore these concerns or to simplistically condense them into financial/economic problems is most worrying from a governance perspective.

These concerns were widely felt at the time, with the result that the reports were received with mixed feelings, especially among stakeholders in the water sector such as civil society groups and NGOs in Ghana, which saw them as a call for the privatization of water in the country (Abugre et al., 2003; Cap of Water, 2001). Abugre Charles, one of the most vocal opponents of both the Halcrow and Louise Berger reports and one of the conveners of the Coalition Against Water Privatization in Ghana, held that the reforms have “been largely imposed by external interests in a non-transparent process that has deliberately avoided public scrutiny and democratic debate” (Abugre et al., 2003, p. 26). Arguing from the civil society stakeholder perspective, he further stressed that the recommendations provided “narrow reform options, ruling out investments to revamp the public institutions” (Abugre et al. 2003, p. 26). These concerns go to the heart of the arguments in this study against neo-liberalism and the need to embrace the holistic reform approach. If the reformers had taken such an approach, they would have engaged in serious stakeholder consultations with the relevant civil society organizations and NGOs to find amicable solutions and alternatives to address their concerns.

But despite this reaction, the government of Ghana went ahead with the recommendations of the consultants and moved toward implementing them. The first task was to

convert the GWSC into a more efficient company capable of implementing private sector participation.

5.2.2. Ghana Water Company Ltd. (GWCL): From Provider to Regulator

A key component of the urban water sector reform efforts was to transform the state monopoly, the GWSC, into a self-sustaining, efficient, effective and high-performing SOE (DAG, 1998; SEC, 1995). As a result, the GWSC was converted in 1998 into two separate and arm's length entities, namely the Ghana Water Company Ltd. (GWCL) and the Community Water and Sanitation Agency (CWSA), and tasked with the operation and management of urban and rural water, respectively. Later, in 1999, the GWCL was converted into a Limited Liability Company, known as the Ghana Water Company Ltd.¹⁶ (GWCL) under Act 461, as amended under Statutory Corporation L1.1648, and charged solely with the responsibility for urban water. This conversion was suggested by both the Halcrow and Louise Berger reports and is in perfect conformity with the managerialist idea of letting the managers manage and creating the minimalist and non-interventionist state (Barzelay, 2001; Inwood, 2012).

In order to achieve the goals of improved performance, the very structure and mandate of the GWCL had to change to conform to private sector ideas and practices. The GWCL is managed by an eight-member Board of Directors appointed by the government. The Board serves a fixed term, although at the pleasure of the appointing authority; it is entrusted with the management of the urban water sector in Ghana; and it is expected to translate broader government water policies into actual, implementable policies and programs. The day-to-day management of the GWCL is led by the Managing Director/CEO, who is also appointed by the government and a member of the Board. He/she leads a team of Senior Managers to manage the

¹⁶Like a private, for-profit firm, the restructured GWCL had an eight-member Board of Directors, appointed by the President, and a Senior Management Team led by a CEO, also appointed by the President.

nationwide operations of the GWCL. In the decentralized regions of the country, the management team is led by a Regional Director, who has responsibility over the region under his command, while at the district levels the District Directors are in charge. This institutional restructuring aimed at infusing greater managerial freedom into the GWCL to enable it perform better and more efficiently.

While the government was pushing ahead with these reforms, however, opposition to Private Sector Participation (PSP) was also on the ascendancy. It was within this contentious environment of support for and opposition to the PSP that the International Fact-Finding Mission on Water Sector Reforms in Ghana¹⁷ (hereafter, the Mission) presented its report in 2002 (Ainuson, 2009). This Mission, composed of water sector reform specialists from both developed and developing countries, was invited to play the role of a neutral arbiter in the water sector debate and, perhaps, to find a resolution to the stalemate between the proponents of PSP (government, IMF/WB, donor community) and its opponents (NGOs, civil society, opposition parties). The Mission was invited by independent individuals who had no stated position in the debate but were concerned about the water sector reforms and the increasing role of the private sector.

The Mission met from April 26 to May 9, 2002, with representatives from all sides, including policy makers, consumers, regulators, civil society, labour and the IMF/WB. At the end of its fact-finding tour of the country, it issued a scathing report opposing PSP, in which it argued that “the PSP proposal as it stands is unlikely to improve access to clean water and affordable

¹⁷As the name suggests, this body was composed of international water sector experts, and was engaged by civil society in Ghana to provide an unbiased study of, and consequent advice on, the proposed restructuring of the water sector.

water and sanitation services” (The Mission, 2002, p. 8). The main objections to the PSP proposal were as follows:

- a) it separates water from sanitation and, therefore, does not address the question of much-needed improvements in sanitation;
- b) the concept of full cost recovery, which involves automatic tariff adjustments inherent in PSP, does not guarantee affordability, especially by the approximately 78% of urban poor who live in slums and are not connected to any secure piped water system;
- c) it also does not provide a comprehensive and specific plan for protecting low-income households, while connection costs under the PSP are a significant obstacle to accessing water; and finally,
- d) PSP does not guarantee the extension of access to water in any significant way (The Mission, 2002).

The report also highlighted the deficits of the democratic governance concerns in the proposed reform process and constituted a rebuke in the neo-liberal debate. What is more, the Mission’s findings reflected the central stakeholder arguments against PSP and neo-liberalism as a reform theory. While stakeholders emphasized accountability, transparency and rule of law, the report concentrated on accessibility, responsiveness, equity, fairness and social justice (The Mission, 2002). In other words, the stakeholders and the Mission were unanimous in their concern about the same DG indicators that were identified in the IRM. Their central concern was that PSP and the reforms in general were downplaying and even ignoring the significance of context and task-specificity of the GWCL in their push for these particular reforms.

What is more, the stakeholders and the Mission did not ignore the genuine financial/economic (VFM) problems of the water sector. Their concern, and one that has been echoed in this study, is that focusing on the VFM alone is too narrow and ignores governance concerns and the sensitivity of the context of the water sector. In the process, it creates more

problems than it solves. A relevant question at this stage is whether this intervention had any impact on the proposed reforms in general and on PSP in particular.

5.3. Contractualism in Theory and Practice

Despite the Mission report and criticism of the process expressed by it and many stakeholders, the government went ahead to implement the PSP proposal. The implementation stage was the 1995 plan by the government to settle on a 10-year Lease Option for selected urban water sectors at an initial cost of \$900 million (Nkrumah, 2004). The lease option is a form of privatization, and as we have already indicated, privatization is one of the initial policy prescriptions of neo-liberalism. The government, however, later cancelled the 10-year lease option proposed by the Louise Berger report because of what were claimed to be “changes in the international investment climate which did not favour private investments within utility services” (GWCL, 1995). From a policy perspective, this explanation is inadequate because, as indicated in Chapter four, privatization as a reform option in Ghana was not popular, and the government in Ghana was committed to any form of reform in so far as it was not called privatization. From a political theoretical perspective therefore, the real reason for the cancellation of the lease option therefore was because privatization had become a toxic term among citizens and other stakeholders in the water sector.

Instead of privatization, therefore, the government, represented by the GWCL, in 2005 signed a five-year Management Contract (hereafter, MC) between the GWCL as "The Grantor" and Aqua Vitens Rand Ltd. (AVRL) as "The Operator" to manage urban water in Ghana. This Management Contract served a dual purpose: it was expected to assuage the public's apprehension and resentment of privatization, and it allowed the government and its agents to

use the same private sector and NPM tools in the water sector. The MC covered about 80 urban water systems and was financed by a World Bank grant of US\$103 million (World Bank, 2004).

A MC can be described as a long-term financial, managerial and organizational contractual arrangement between a public organization and a private firm in which certain functions of the organization are transferred to the private firm for management purposes for a fixed period of time and a guaranteed fee (Hubbard et al., 1999; Ghandan and Eberhard, 2007). Creating and protecting private markets and protecting private property are the main roles allocated to the state under neo-liberalism, and MC ensured that these aims would take effect. Also, as indicated in Chapter Four, the WB was prepared to finance the reforms on condition that the government agreed to use its ideologically prepared management contract, which just also happens to be one of the main instruments of the NPM. This arrangement further supports the argument that there was a direct and sometimes coercive role that the WB has played in the adoption and implementation of neo-liberal reforms in developing countries. It also further illustrates how the state is prepared to use its coercive force to implement unpopular neo-liberal policies, even in the face of huge opposition.

Under the proposal, the Operator was responsible for managing existing and future assets of the GWCL in the specified areas, on a day-to-day basis, to deliver potable water (World Bank, 2004). Upon satisfactory performance, the government would have the option to enter into a longer-term partnership with the private operator. Theoretically, this is a classical principal agent arrangement, which is also in tune with modern approaches to management reforms of separating policy-making from service provision (Dollery, 2009; Lane, 2005). The final contract sum was made up of the US\$103 million from the World Bank, counter-funding of US\$12 million from the government and US\$5 million from the Nordic Development Fund, which all went directly to

the winning bid for what are referred to as minor repairs, rehabilitation and replacements works for the five-year period (GWCL, 2010).

Interviews with Senior Management at the GWCL revealed that the process to award the contract to a private operator and the contract negotiation process were led by the government, the WB and the private firms involved. No practitioner at the GWCL was involved in the actual contract negotiations. The Senior Managers reported that they were mostly engaged to collect data and prepare figures for the negotiating parties and both consultants. The process was therefore based on the classical neo-liberal economic theory of open competitive bidding, which states that “the most efficient manner of choosing a contractor is through a competitive bidding process” (Prager, 1994, p. 178) because competition leads to efficiency and better service provision. This theory assumes that perfect and full information is available to all bidders and other stakeholder and that such a process is the best way to secure quality at a good price (Prager, 1994). Once again, and in the considered view of this study, this process ignores a basic fact of modern public administration and reform efforts: the GWCL is not a private business but a public organization. At the end of the bidding process in 2001, four multinational water companies, including SAUR of Paris and Halliburton of the U.S, submitted their bids (Isodec, 2001).

At the outset, it is clear that the open competitive bidding process for the contract and how it has been implemented raise various concerns. In classical economic theory, bidding companies for a contract should have not only an equal opportunity of winning the bid, they must also have the experience and expertise to do the job and knowledge of the particular sector or job market (Erridge, 2009; Hodge, 1999; Domberger and Jensen, 1997). In a study that examined the theory of and the empirical evidence for contracting in the public sector,

Domberger and Jensen (1997) contended that it is supposed to be an equal opportunity process for all parties, which should ensure that the best bid — usually, the one with the lowest cost and the most experience — gets the job. Thus, competitive bidding is presented as a technical and objective process that is capable of selecting a good partner for the public sector. A major concern with this approach is that there is little or no public involvement in the process, thus raising issues of accountability and transparency. The eventual winner was Vitens Rand Water Services BV of the Netherlands, a consortium of Vitens International BV of the Royal Netherlands and Rand Water Services Pty of South Africa, which came together to form Aqua Vitens Rand Ltd. (AVRL).

Table 5 presents a summary of the main financial, technical and commercial responsibilities entrusted to AVRL in the contract.

Table 5: Main Contractual and Managerial Responsibilities of AVRL, the "Operator"

Financial Roles	Technical Roles	Commercial Roles
<ul style="list-style-type: none"> • Prepare and present a capital investment report • Define and establish accounting procedures • Prepare reports and accounts and keep records • Manage the Revenue Collection Account 	<ul style="list-style-type: none"> • Draw, treat, transport and deliver piped potable water • Issue bills and receive payment from customers • Disconnect customers for non-payment of tariffs • Systematically reduce Non-Revenue Water by 5% annually 	<ul style="list-style-type: none"> • Invoice, collect and meter all customers • Manage applications for new services • Identify, remove or regularize all illegal water connections • Define and establish commercial procedures

Source: Adapted from the Contractual Agreement between GWCL and AVRL.

The three thematic areas of the table (technical, commercial and financial services) were identified by both consultants (Halcrow and Louise Berger) as the significant problems of the urban water sector in Ghana. The consultants therefore concluded that the GWCL lacked the managerial, operational and organizational capabilities to address these problems, and that was why AVRL, which was expected to have superior expertise in these areas, was contracted. These indicators were therefore supposed to serve as quantifiable performance targets for AVRL. One

of the essential challenges in measuring performance targets is the difficulty of identifying, quantifying and accepting them, especially in the public sector (Carroll and Dewar, 2002; Bouckaert and Guy Peters, 2002). In the case of the contract between the GWCL and AVRIL, however, all the aforementioned targets are quantifiable and measurable. It was therefore possible in theory to monitor and evaluate progress on a timely basis to ensure compliance with the terms of the contract and to “make the managers manage.” These performance indicators were also expected to address agency problems such as shirking and moral hazard in executing the contract (Wallis, et al., 2007).

In 2004, before the implementation of the MC, the government and the World Bank developed a *Contract Framework Paper* to guide its implementation. The framework recommended the establishment of a *Revenue Collection Account*,¹⁸ to be exclusively operated by the Operator, lodged in a commercial bank in Ghana (GWCL, 2004). It specifically stated that “the Operator will be the sole signatory on Revenue Collection Account” (GWCL 2004, p. 8). In other words, the Operator had complete monopoly and control of any revenue realized in the operations of urban water in Ghana and would decide how to spend it by adopting the appropriate financial and accounting practices it deemed fit, without any oversight from the Grantor.

Ultimately, “the surplus remaining in the Revenue Collection Account, after the payment of operational expenses, was to be paid quarterly into an account determined by GWCL” (GWCL, 2004, p. 8). The Operator was to be remunerated from two main sources, both of which are outside the control and authority of the Grantor. These are the base fee that the Operator bid

¹⁸All amounts received by the Operator from customers, and any other revenue of the Operator from any source, are to be recorded in this account.

and negotiated for and the incentive compensation, based on the extent to which AVRL exceeds the targets set. While the base fee was to be paid monthly by the GWCL, the incentive compensation was to be paid from the increase in cash flow through the revenue account and project funds (grant from the World Bank) for specified items. As will be explained, this arrangement represents a major accountability loophole.

For its part and under the contract, the GWCL was mandated and contractually obligated to:

- make payment for the remuneration and compensation of the Operator;
- represent and assist the Operator in its relations with the government and the public;
- supervise/monitor the Operator in the performance of its duties under the contract;
- seek funding and make investments in critical water infrastructure like new pipes and water treatment plants; and,
- reserve the right to review, approve and comment upon reports submitted by the Operator.

It thus seems clear that this contract contained checks and balances to prevent shirking and opportunistic behaviour, which is a very common problem in principal–agent contractual relationships (Lane, 2005). This contract also created what we refer to as a co-dependent scenario, with the actions and inactions of one partner directly tied to the success of the other. As we will see later on, this co-dependence scenario is a double-edged sword.

In the following section, we perform an empirical VFM performance evaluation of the MC using the model developed in Chapter Two. The objective is to find out how and if AVRL — with its perceived private sector managerial and organizational superiority and with clearly stated performance targets and the funding to go with it — was able to secure the empirical technical, financial and commercial roles for which it was engaged.

5.4. Post-Reform VFM Performance Evaluation of GWCL/AVRL

This section undertakes a post-reform VFM performance evaluation of GWCL. The analysis will rely largely on empirical departmental annual performance reports, budgetary forecasts and projections, and annual and quarterly financial results. It will also use the core indicators of the balanced scorecard in the VFM performance evaluation. In 2005, the annual audited accounts of the GWCL, presented by an independent external auditor, show that the GWCL recorded negatives in financial and economic indicators, including total revenue, billing, collection, operating income (gross profit) and net operating income (deficit) from a low of 20% to 181% (GWCL 2006). It ended the year with a loss of GH¢53,730,000.00¹⁹ from a projected estimate of GH¢66,000,000.00. The statistics were the same for 2006 (GWCL, 2007). An annual performance monitoring and evaluation report by the State Enterprises Commission (SEC) also concluded that the company experienced a loss of GH¢9,500,000.00 from a projection of GH¢11,600,000.00 (SEC, 2006). In 2008, however, the company recorded two positives in net operating surplus and operating surplus (GWCL, 2009). The positive result in the 2008 figure, however, is partly due to an upward adjustment of water tariffs in that year and, therefore, had nothing to do with improved management. Yet it was enough to catapult the GWCL into a net operating profit of GH¢32,920,000.00.

Finally, by the end of 2009, the company had recorded a Net Operating Deficit (NOD) of GH¢124,000,000.00 (GWCL, 2010) as a result of losses incurred because of a shortfall in both water sales and other incomes. Thus, even though the company recorded a surplus of GH¢45,000,000.00 at the end of 2009, it recorded a Net Operating Deficit (GWCL, 2009) due to

¹⁹ US\$1 = GH¢2.

higher expenditure. Having suffered a loss in its financial and economic performance, it is fair to state that performance under financial perspective has been negative.

Apart from the financial perspective, the next performance indicator on the balanced scorecard is the internal business perspective. It evaluated what the company was expected to excel at, in this case, the drawing of raw water and the treatment, metering and selling of it to customers for a price high enough to make a profit. Under its technical and operational obligations enshrined in the contract, AVRIL was specifically tasked to improve substantially the sale of water, the collection of water bills and the metering of water sales, thus increasing the revenue from water sales. These were the areas in which the GWCL was deemed to have no expertise, resulting in the need for a private operator who did. Nevertheless, between 2005 and 2009 the company recorded negatives for water sales, production, billing and collection against set targets (GWCL, 2005, 2007, 2008, 2009; SEC, 2007, 2008). Results for 2006 figures²⁰ are lacking.

Moreover, the MC specifically tasked the Operator with improving service efficiency, and the main component was a demand for the reduction, at an annual rate of about 5%, of non-revenue water.²¹ This non-revenue water demand must be placed in its proper context in order to better understand its significance. Before the MC, non-revenue water accounted for about 50% of all treated and billable water, which meant that half of the projected revenue and quantity of

²⁰The 2006 reports were not available at the GWCL, and numerous follow-up requests for information produced no results.

²¹Non-revenue water is treated water that is lost in transition and distribution from the treatment plant to the consumer. It adds to the total cost of water production but is not billed and so does not bring in any revenue.

water available was lost in transition from the production plant to the final consumer (GWCL, 2010; SEC, 2009). This loss was due to many causes: pipe leakages, burst pipes, illegal water connections by unscrupulous and criminal elements, and water contractors who siphoned their supply and resold it at higher prices (GWCL, 2005). Improving this aspect of water management was an essential condition of the MC and was a major indicator and performance target. Progress in this area would have large positive effect on the quantity and quality of water available to consumers, because it would lead to more metered and billable water for onward distribution to more people (GWCL, 2009). That, in turn, would translate into more people getting access to an improved and secured source of water and would produce a further reduction in water prices. However, there was little or no improvement in reducing non-revenue water. It is therefore reasonable to assume that the overall financial and economic performance has been negative.

This means that AVRL has failed to meet its targets for new water connections. Since 2005, the GWCL/AVRL set a specific target for new connections. Surprisingly, the company consistently achieved a negative result even in this area. Once again, this outcome can be traced to the chronic inability of the company to achieve its target of reducing non-revenue water. The performance reported above provides an intriguing revelation with regard to the contract with AVRL. As shown, though, it was only in 2008 that the GWCL achieved a positive financial performance by achieving a figure in the positive region. Under its technical and operational obligations, AVRL was specifically tasked to improve substantially the sale of water, the collection of water bills, the metering of water sales and increasing the revenue from them. It is thus fair to say that AVRL failed woefully in this regard.

In conclusion, there is tangible and empirical data to demonstrate that the expected benefits and results of efficiency, effectiveness and economy that were anticipated under the

management contract did not materialize. Also, the supposed or expected technical, managerial, financial and organizational superiority of the Operator over the public sector assumed under neo-liberalism can be questioned. Part of this failure can be attributed to what Boardman and Hewitt (2004) refer to as the level of competitiveness and how it relates to performance results. Next, the discussion turns to the DG objectives.

5.5. Governance, Institutional Reforms and Policy Outcomes

This section examines the democratic governance performance of the GWCL/AVRL reform efforts. Unlike VFM indicators, which can be quantified, democratic governance values are qualitative and, therefore, intangible in nature. As a result, the analysis will depend upon the governance indicators and variables outlined in Chapter Two to undertake the appraisal of governance performance here. The analysis will also depend upon the interview responses from the field and the literature and theory on governance in order to better analyze and assess the DG indicators.

The first governance indicator to be examined is stakeholder participation and consultation in the public policy-making process, which is a key component of governance in any democracy (Krane, 2007). A core objective of governments in the reform process is to “become more responsive to citizens' preferences, choices and expectations” (Abele et al., 1998, p. 6), a good indicator of success in this area is the degree of stakeholder involvement and engagement. Accordingly, the ability to engage, involve and consult stakeholders has been identified as an important component of democratic and open government process in the public sector (OECD, 2005). In the water sector, stakeholder consultation takes on a different and even larger significance, because water affects a wide range of people in society differently due to

issues of class, social stratification and political, social and cultural situations that privilege or disadvantage segments of society.

In the reform and restructuring of the GWCL, there was little or no public consultation and participation, creating what can be referred to as a democratic deficit in the reform process. It was this democratic deficit and monopolization by the WB and the Government of Ghana of the water sector reform process that compelled the CAP of Water²² to embark upon demonstrations and protests opposing the manner of the reform. This coalition of opponents to water privatization was made up of stakeholders, civil society organizations, international and national NGOs and ordinary citizens. It gathered over a thousand signatures and pledges of support and issued what has come to be known as the *Accra Declaration on the Right to Water*. In this declaration, the coalition argued that civil society was generally ill-informed about the material issues pertaining to the water sector reforms, information about which was necessary for a meaningful debate by civil society on the direction of the reforms. The coalition further argued that the local business community had not been forthcoming and that the process appeared to have been orchestrated to favour foreign multinational companies (CAP of Water, 2001).

The coalition further asserted that “citizens have the right to effectively participate (as distinguished from being informed) in the shaping of public policies, which fundamentally affect their lives, such as the control of water and that government has the right to inform it” (ibid.). It can therefore be argued that in the areas of public consultation and participation, the water reform process failed abysmally. As indicated earlier, this lack of public consultation, participation and engagement in the reform process was one of the main points of opposition to

²²The CAP of Water is a group of NGOs, local and international civil society organizations, the media and other organizations with an interest in water and sanitation policies in Ghana. It was formed mainly to oppose water privatization in Ghana.

the reforms by civil society, NGOs and other stakeholders in Ghana (Abugre et al., 2003). With these concerns as a background, the discussion next examines legal and professional accountability in the process.

The second governance indicator to be examined here is accountability, which tends to focus on following organizational directives and on holding managers accountable for results, outputs and outcomes rather than on rules and processes. Accountability for results, outputs and outcomes instead of rules and processes is a major selling point of the NPM (Borins, 1995; Hood, 1991; Ferlie et al., 1996). Contracts, according to neo-liberal orthodoxy, create private markets and are supposed to liberate managers of public organizations from the shackles of bureaucratic rules and regulations. By removing the constraints of bureaucratic red tape and rules and regulations, advocates of NPM maintain that managers will use their new-found managerial freedom to be entrepreneurial and accountable for their results (Ferlie et al., 1996; Osborne and Gaebler, 1993; Van Thiel et al., 2012). In the case of AVRL, the principal of accountability means that managers were supposed to achieve their assigned financial, operational and managerial performance targets as demanded by the contract. However, the management of AVRL, as we indicated above, failed woefully to achieve these performance targets.

Another key performance target for managers was the reduction of non-revenue water, which, in NPM parlance, is accountability for outcomes and not inputs (Berzaler, 2001). Once again, this target was not achieved, with the result that the AVRL can be seen not to have met its professional and bureaucratic obligations to the Sector Minister/Ministry and, by extension, to the millions of Ghanaians who are have no access to clean drinking water.

According to agency theory, the power of compensation provides one way of avoiding opportunistic behaviour and shirking on the part of the agent, thereby ensuring accountability by

the principals under such contractual relationships (Lane, 2005; Wallis et al., 2007). The principal, in this case, the GWCL, could withhold payments to the agent (AVRL) in order to compel it be accountable to its principals. The most effective financial tool that the GWCL could use for this purpose was the revenue account. Unfortunately, the revenue account was outside the control and authority of the GWCL. As one respondent remarked during the interviews:

Under the terms of the contract, the revenue account is controlled by the Operator (agent) not the Grantor (principal), which is an abnormality because he who controls the revenue account has more authority and power. As such, the Operator has more control and power over the Grantor, and we are powerless in our efforts to hold them accountable for their financial operations, revenue and expenditure and budget decisions. Not only is this arrangement difficult to implement, it is frustrating, and there is nothing we can do about it.

Moreover, the Grantor (principal) has to pay its own remuneration from the revenue account, while the World Bank pays the Operator directly for specified items. Thus, not only was there no financial mechanism to hold the Operator accountable and compel it to perform, there was no means of enforcing and ensuring performance compliance and, in the process, avoiding moral hazard and opportunistic behavior on the part of the Operator (Lane, 2005; Wallis et al., 2007). It can thus be gathered from an accountability point of view, that the MC was flawed. This is a sad situation because accountability measures in administrative reforms are also meant not only to improve democratic governance but also to increase productivity and efficiency, improve service delivery and guard against the misuse of public resources and power, which in this case was missing (Thomas, 1998). Transparency, openness and the availability of information to the public are critical governance indicators.

Transparency is the third democratic governance indicator and refers to the availability of relevant information in adequate portions and its easy accessibility to concerned stakeholders so that they can make informed decisions. In the case of the GWCL/AVRL, the negotiation was a

three-way affair between the government, the WB/IMF and the Operator. It has already been indicated that no practitioner at the GWCL was involved in the contract negotiations. Even the final contract document was not made available to the public and other stakeholders. This environment of secrecy compelled Bakker (2004) to lament about the lack of transparency in the government's negotiations in water sector reform in Ghana. In a critical study and analysis of World Bank water reform policies, she reports that, when the government of Ghana decided to enter into a contract with a private operator for the management and operations of GWCL, "even the World Bank project and evaluation reports and the Transaction Advisors Report were not publicly available" (Bakker (2004, p. 45) to stakeholders for them to provide input or even to be informed about what was happening. The process was therefore a closed one and monopolized by a few government officials and their private counterparts, thus defeating the very purpose of public consultation, participation and citizen engagement in the reform process. It was therefore a classic top-down policy imposition process managed by a few elites and powerful institutions in an undemocratic manner. This lack of transparency and openness was also a major concern of the CAP of Water and other critical stakeholders in their unanimous opposition to the MC.

Similarly, AVRL does not publish its performance indicators and other relevant information for public review, nor does it have any mechanism in place to engage and inform its stakeholders and invite their input into its operations despite the fact that they are directly affected by its actions. Talbot (2004) reports that one of the major benefits of the Next Step reforms in the U.K is the publication of agency performance results, which, he claims, was revolutionary because it enhanced transparency. Publication of results therefore contributes in a significant way to organizational transparency. All this lead us to conclude that there was a lack of transparency both in the reform and contract negotiation process and in the post-reform

process. The question that comes to mind is, what was the reason for this secrecy and lack of transparency and openness in the contract negotiation process and post-reform period? The answer can be gleaned from this complaint by an interviewee, who noted that:

“There was a lot of hype and misinformation fed to the public about what was in the contract. Initially, when the Operator was coming in, it was projected too much to some extent that everybody felt when the Operator comes, water was going to flow everywhere. But that was not the expectations of the contract. That was not what the contract itself requested of the Operator. For instance, in Accra [the national capital], for us to get water flowing everywhere, we need to build new treatment plants, which is the duty of the Grantor, not the Operator, but this information was not made public. So the Operator was not going to come in with a magic wand, use the same old and dilapidated water facilities and still produce 50 million gallons water to enable everyone to get water in Accra.”

Certainly, such policy expectation gaps would not exist, if the contract, its details and negotiation process as a whole were not shrouded in secrecy, and if all stakeholders had access to the relevant information. From a governance theoretical perspective, events such as this contribute in a major way to the public’s loss of confidence in the political system and in governance in general. One of the main differences between the values of the private and public sectors is the commitment to fairness, equity and responsiveness on the part of the public sector. These are known as core public sector values that should be upheld at all times. Next we discuss them to see how they were maintained in the reform of the water sector in Ghana.

With respect to fairness and equity, the general performance raises serious governance concerns, especially since it disproportionately affects the poor in society, who hope that the contract will better their lot. Above all, the use of private sector models and contracts to reform SOEs raises a larger question, namely, whether “the burdens of human social life [should] be considered public or private responsibilities” (Bakker, 2004, p. 51). In the reform of the water

sector, therefore, the wider question is the extent to which full cost recovery²³ and automatic price adjustments, which are key conditions of the SAP and neo-liberalism, should be at the expense of the quality, affordability and accessibility of water for all, irrespective of economic and class status. For instance, the International Fact-Finding Mission on Water Sector Reforms in Ghana indicated that for those without access to water (due to some of the reasons explained above), who must buy it outside of the piped water system, purchasing three buckets of water a day can cost from GH¢6,000 to GH¢15,000, or between 10% and 20% of the average daily income (The Mission, 2002). It further reported that access to treated water is available to 62–70% of the urban rich population, while 78% of the poor in the urban areas do not have piped water (The Mission, 2002).

What is troubling is that most of these people are the poorest in society and had been promised access to affordable and clean potable water once the contract was signed. To overcome higher prices, deep opposition to water privatization and the skeptical public attitude toward private interests in the water sector, the government claimed that the MC was not a form of privatization and that it had the power to solve all their water problems, literally overnight. In reality, however, this was not the case. The plan to defend and promote the MC was therefore based on half-truths and, in some cases, outright dishonesty on the part of the government. An interviewee explained it this way:

“Initially, when the whole thing [the management contract] was to start, it was politicians who actually used it for political purposes. Ghanaians initially hesitated to the contract, fearing that their property [water] was going to be sold out [privatized] to foreigners. And the politicians said, we are not selling out, we are just giving it to some people to manage. All we need is water. When the people [private firms] come, the water was going to flow. But that was not it. Even when they came, the water was still not flowing, and these people are angry.”

²³The roots of full cost recovery can be traced to neo-liberalism and the SAP/IMF social sector reforms. The objective was to allow automatic price adjustments, determined by the markets and not by public policy, to set consumer prices for social services such as water, postal services and transport.

In one of the most comprehensive analyses of the NPM phenomenon in the U.K. public sector reforms, Ferlie et al. (1996) remind us that “reforms may be oversold or raise undue expectations and lead in turn to the perception of fresh problems” (p. 34). In the water sector in Ghana, the particular fresh problem was a feeling of betrayal and disappointment by citizens who had expected, but did not obtain, affordable and accessible quality water as they had been promised. What is curious is that despite this expectation gap, AVRL was paid in full for its services, which amounts to protecting private interests over public needs. Clearly, therefore, these reforms only tend to favour the rich private firms and the powerful within a community who have enough disposable income to pay for water.

Furthermore, AVRL was expected to use its perceived superior private sector expertise to help solve these challenges by increasing access to affordable, piped potable water. Accessibility and affordability of water therefore constitute core elements of responsiveness, fairness and equity in the system, precisely because increasing the number of connections to water is a major performance target for AVRL. Nevertheless, AVRL consistently failed to achieve its own annual connection targets. For instance, in annual performance evaluations of AVRL by the SEC in 2007, AVRL had a target for new water connections of 384,625 but only achieved 370,696 connections, missing its objective by 13,929 (SEC, 2007). Similarly, in 2008, the target for new connections was 418,000 but was missed by 17,737, with 400,263 attained by the end of the year (SEC, 2008). Finally, it missed the 2009 target of 414,000 by 4,000, ending the year at 410,000. It is therefore difficult to conceive of equity and fairness in the performance of AVRL, if it cannot even attain its own connection targets. In practical, human terms, the plight of those in the urban sectors who remain unconnected to the piped water system has continued to worsen.

Under these conditions therefore, we cannot say that the principles of equity and fairness have been adhered to. The next indicator we will examine is the rule of law.

Commitment to justice ensures the rule of law, which means preventing or punishing perpetrators of corrupt practices and avoiding the resulting degradation of the democratic values of society. Despite the significance of the rule of law for the proper administration of both public agencies and programs, the GWCL/AVRL had a negative outcome in this area. For instance, the GWCL/AVRL is mandated by law to submit quarterly progress reports to the SEC. These reports were expected to help the SEC undertake its role of monitoring and evaluating the performance of the GWCL/AVRL. Fulfillment of this requirement therefore is not an option but an obligation and goes a long way to demonstrating the company's commitment to the rule of law and democratic governance. Unfortunately, the company defaulted in the submission of the progress reports on a number of occasions.

In its 2007 report on the GWCL/AVRL, the SEC bitterly lamented that the areas of major concern "were in the dynamic effects and management improvement/project group of indicators where performances were generally poor as most targets could not be met" (SEC, 1995, p. 7). This poor grade was unequivocally attributed to the "submission of quarterly reports which were done on the average twenty-six (26) weeks after the end of the quarters" (ibid.). The report concluded that this practice of late or non-delivery of quarterly reports was "not encouraging for good performance monitoring, evaluation and management decision making" (ibid.). It is therefore not surprising the GWCL/AVRL has an overall negative performance rating because, as Hamilton (2007) argues, "public administrators who understand the constitution (rule of law) and are firmly grounded in democratic values and principles (like the rule of law) also have to be

able to manage administrative organizations effectively and efficiently” (p. 11). The final indicator we will analyze is strategic leadership.

The last indicator is strategic leadership. In the specific case of the GWCL/AVRL, what is required is a leadership that is not only knowledgeable in contract negotiations but also possesses the expertise to enforce contractual obligations to achieve VFM and to address democratic governance concerns. Under the MC, the GWCL was empowered to monitor, regulate and supervise the activities and operations of AVRL, from which it follows that the ‘making the managers manage’ role was assigned to the BOD and management of the GWCL. Unfortunately, the BOD and management were found lacking when their regulatory and monitoring skills were needed the most, for, as has already been indicated, AVRL never attained any of its performance targets for the entire five years of the contract. This failure raises an important question about the role of the GWCL Board in enforcing the contract and, more generally, about NPM’s central tenet of holding managers accountable for results. The abysmal performance of AVRL is therefore a serious indictment on the leadership roles and capacity of the GWCL BOD. As one respondent noted:

“The responsibilities were shared, but they [GWCL] have additional responsibilities to supervise us [AVRL] as well. And it takes more time and expertise to supervise us than work on their roles. So my fear is that they will not be able to meet their targets after five years, and we will not be in a position to do anything. That is my fear.”

These fears proved to be legitimate, and they rightly question the leadership quality of the GWCL and its capacity to simultaneously “let and make the managers manage.” Larbi (2004) also refers to this leadership capacity challenge in Ghana’s public agency sector reforms by arguing that, in most cases, attempts are not made to improve upon the quality of management in the SOE reform process and in the adoption of NPM reform tools. On a larger theoretical scale, these leadership problems are a direct product of the neo-liberal and NPM arguments for less

regulation and limited government, which have drastically reduced the capacity and expertise of government's supervisory duties.

The preceding review of the DG indicators of GWCL/AVRL shows them to indicate poor performance and a lack of adherence to the dictates of democratic governance in the process. Below, a comparative analysis of the entire reform process based on the alternative IRM developed in Chapter Two is conducted.

5.6. Discussion, Summary, and Conclusion

The foregoing raises two fundamental questions: How do we explain the poor VFM and DG indicators, and what accounts for this abysmal performance of the reform process? From a policy and even logistical perspective, providing clean, affordable and accessible piped water to most, if not all, citizens presents major governance, managerial, technological and financial challenges for governments in both developed and developing countries (Action Aid, 2004; Bond, 2004; Allouche and Finger, 2001; Argo and Firman, 2002; Assies, 2003). Compounded by external factors including population explosions and waterborne diseases, such as cholera and diarrhea, these challenges are made especially acute in developing countries because of their dilapidated and inadequate water infrastructure (Bakker, 2010). These considerations, combined with the numerous and conflicting values, uses and conceptualizations of water as a right, a need or a global common good, makes water management one of the most contested areas among academics, politicians, consultants and private firms (Ostrom, 1990; Raadschelders, 2005; Renzetti, 2002). It has also been observed that much contention arises over finding a fine balance between the private and the public provision of a resource that has multi-faceted usage, application and multi-level governance challenges (Raadschelders, 2005). At the forefront of this

debate stand the neo-liberal CDA arguments with their attendant supporters and opponents (Segerfeldt, 2005; Economist, 2003; Bakker, 2004; Hall, 2005; Santiago, 2005).

Nevertheless, an important question that arises is how to explain this post-reform performance of the GWCL/AVRL and what do these competing theories and approaches to water sector reforms mean? One of the main challenges of the water sector in Ghana is the lack of access to potable water that is not only clean, safe and reliable but also affordable (Accra, 2001; Nkrumah, 2004). It would thus be reasonable to expect any contract for water management to contain the expansion of access as an urgent condition. Nevertheless, as one interviewee succinctly put it, “there was no provision in the MC for AVRL to expand the water volume or connect more people to the system.”

The problem is that the question of increased access was also dependent upon the government making the right investments in the water sector to expand treatment plants and replace faulty water pipes, both of which actions it failed to do. Under these circumstances, a chain of excuses and failure on both sides arise. The unsurprising consequence was an expectancy gap, since most people in the urban areas who were not connected to a secured water network were looking forward to being connected as a benefit of the anticipated expansion under the new management.

A reason for this poor performance can also be found in the political/policy control of public agencies and their inability to devolve power even under contractual situations. For instance, Batley and Larbi (2004) argue that in Ghana the government is unwilling to grant managers the freedom to manage in critical and politically sensitive sectors such as water services. This reluctance explains why the government still tries to dictate water tariffs and fights against automatic price adjustments, which it fears will lead to higher prices and price water out

of the reach of the poor. This shows how the task specificity and political sensitivity of policy sectors directly impacts upon the reform process of public agencies. Task specificity and sensitivity also helps to explain why the government was hesitant to refer to the reforms as privatization, and further explains why the lease arrangement was cancelled. Finally, the inability to devolve power explains why the government still appoints the Board and Senior Management of GWCL and prevents the AVRIL from automatic price adjustments for water tariffs.

Similarly, the GWCL has been unable to perform its share of the contract, which enjoins the GWCL to invest in critical water infrastructure and to protect rivers and lakes from pollution. Generally, the GWCL has reneged in all these areas due to the dwindling government budgetary allocation to the water sector (GWCL, 2010). As a result, the GWCL cannot solely hold the AVRIL accountable for non-performance because it is equally culpable. What happens then is a chain of blame and counter-blame as to who is accountable for the water not flowing. During interviews at both GWCL and AVRIL, a classical culture of shirking responsibility and of deniability was at play. While the AVRIL blames the GWCL for not making the needed investments in water infrastructure, the GWCL accuses AVRIL for not achieving its non-revenue water targets. This result further demonstrates that contracts are limited in their attempts to provide critical social services in a polity.

What the governance scholar, Laking (2005) refers to as the “overlapping of responsibilities or clashing of jurisdictions” (p. 17) that may result into turf wars between government ministries or agencies also apply in this case. In this particular MC, the span of control and authority is unnecessarily long, cumbersome and has led to organizational and even functional paralysis. First, the span of control starts with the Ministry of Water, Works and Housing (MWWH), which is in charge of the broader policy in the water sector in the country.

The MWWH then “contracts” power and control over urban water management to the GWCL, which in turn signs a management contract with AVRIL. The problem with such a complex arrangement is that the system must work flawlessly with adequate feedback and timely information flow for there to be results; otherwise, any problem in this long chain will lead to further departmental turf wars, slow down the decision making process and finally make it extremely difficult to function as efficiently as anticipated. To address this problem, an interviewee offered this advice:

“The Operator must also be given the mandate to enter into infrastructure development as well and report directly to the MWWH, not GWCL BOD. If that was the case, there are certain things that we could have worked faster on if we had the mandate. For instance, the MC said we should consult the GWCL before doing some things. But it does not say what consult means and, more importantly, if we are to wait for approval of GWCL after consulting before acting. So we all don’t know what exactly consult means, and this has caused a lot of confusion. Unfortunately, we don’t have the mandate and have to go through the Grantor, and the process becomes too long, cumbersome and slow.”

It was this long, confused and laborious process that the MC was supposed to address in order to make it easy for AVRIL to concentrate on the business of managing the water sector.

Unfortunately, it seems the MC has not been able to address this matter, further calling into question its place in the water sector. This lack of clarity over specific objectives and the division of authority between the Grantor and the Operator has led to misunderstandings, slowed down the decision-making process and ultimately affected morale and the working relationship between the partners, which is critical for better performance (Laking, 2005). This situation is also what we refer to as the lack of creative adaptability of reform tools and models.

The May 12, 2011 edition of *The Daily Graphic*, the leading daily newspaper and government mouthpiece in Ghana, carried a banner story that quoted the Minister of Water, Work and Housing as saying that the government will not renew or extend the water Management

Contract with AVRIL. The official reason given for the termination of the contract was that AVRIL had failed to revive the GWCL or improve its operations, and that non-revenue water under AVRIL's tenure has shot up to more than 50%, against a target of 26%. In other words, the contract was not renewed due to non-performance on the part of the agent, AVRIL. The government's decision not to extend the contract met with praise from civil society organizations, NGOs and other critical stakeholders. This reaction is not surprising, since these groups had been opposed to the MC from the outset and since the termination of the contract seemed to fully vindicate their arguments.

One month after this announcement, on June 6, 2011, AVRIL officially handed over the urban water management operational responsibility back to GWCL. Contrary to the non-performance claims of the government, however, AVRIL argued that it had in fact worked with the GWCL to jointly improve the reliability, affordability and sustainability of water services. In the competing theatres of these defensive claims and counterclaims, the neo-liberal experiment ended in failure.

The announcement about the abrogation of the contract was made after we had collected our data, conducted our field interviews and analyzed the results in the summer of 2010. The theoretical and empirical findings in this study have therefore been shown to be correct since the cancellation of the contract and the subsequent counterclaims agreed with the main argument in the study. Also, as indicated in Chapter Two, the attainment of the contract's performance targets would serve as a major indicator of the success or failure of the contractual relationship. Based on the empirical and theoretical evidence provided above, therefore, and regardless of the counterclaims of both parties, the study found that the use of the neo-liberal and NPM tool of contractualism for reform and governance in the water sector was a failure.

Such are the findings of this dissertation so far; two more case studies remain to be examined before we can determine whether a pattern can be established. For now, it can be stated that context, task specificity and the creative adaptation and implementation process have all contributed in one way or another to the failed experiment that concluded in the termination of the contract between GWCL and AVRIL. The issues involved are complex and delicate since they are political, administrative, theoretical, and even conceptual in nature. Yet what is not in dispute is that recognizing the relevance of these issues and addressing them play a critical role in determining success in reformed and restructured public organizations. Such was not the case in the water sector, and the above findings show that these matters were variously ignored, marginalized and even trivialized. The Postal Services sector in Ghana is next.

Chapter Six

Decentralized Management as a Management and Governance Reform Tool: The Case of Ghana Post Company Ltd

“So the ideal-type model for modern agencies is: where an organization has been clearly and probably formally separated from any other public organization; where it has some degree of discretion over internal rule setting (e.g. over personnel, finance and other arrangements); and where it is subjected to some sort of contractual or quasi-contractual arrangements including reporting of its performance. These appear to us to constitute the most fundamental doctrinal building blocks upon which many recent agency reforms have been justified.” (Pollitt et al., 2004, p. 42)

“Administrative reform is a risk, a gamble, in which the odds are heavily against success. If an administrative system were capable of being changed easily, there would be no need for reform at all.” (Caiden, 1999 p. 820)

6.1. Introduction

This chapter uses the IRM to perform a pre- and post-reform performance evaluation of Ghana Post Company Ltd. (GP). It assesses the progress that has been made in the adoption and implementation of Decentralized Management (DM) and the weaknesses and strengths of neo-liberal and governance approaches to GP’s reform. The first section provides a brief historical background and context of GP in order to examine the circumstances that led to the need for its reform. Section two focuses on how DM has resulted in institutional, managerial and operational changes in GP. A critical VFM performance evaluation and governance examination follows in section three. Here, the objective is to conduct a post-reform VFM performance evaluation of GP to determine whether the VFM objectives have been realized. As in Chapter Five, the fourth section will perform a DG analysis of GP to determine the extent to which the company meets its governance, social and political objectives. The final section contains a critical IRM analysis of the entire reform process, together with a summary and conclusion.

6.2. Context and Background: A Brief Reform History of GP

It will be useful to provide a brief history of GP in order to learn why and how reforms to this SOE were adopted and, ultimately, to be in a better position to conduct a post-reform

performance evaluation. The Postal Services Sector in Ghana is one of the service delivery SOEs established in 1854 by the colonial administration to provide basic communication services.

After independence in 1957, the sector was renamed the Post and Telecommunication Department (PTD) as part of the efforts to rebrand colonial institutions to fit the aims of the new republic. In 1974, under the National Redemption Council (NRC) Decree 311, policymakers decided to transform the PTD into the Post and Telecommunication Corporation (P&T). This change was significant because, unlike a department, a corporation has a separate legal personality and different privileges and liabilities. P&T therefore now had the power to operate like a business, to employ the best managerial practices available, and to strive to be profitable.

It maintained this status until 1993, when under pressure from the IMF/WB, P&T was decoupled into two separate entities by the government. The telecommunication division was established as Ghana Telecom (GT), while the Postal Services Division was transformed into Ghana Postal Services Corporation (GPSC) by Act 505 of 1995 (GP, 2010). Reasons for this corporate restructuring are threefold. First, the government claimed that the labour and capital requirements of the two sectors were different. While the postal service was deemed to be labour-intensive, the telecom sector was, by contrast, deemed capital-intensive (GP, 2010). Secondly, the separation was intended to give the managers of both sectors the autonomy and independence needed to freely manage their sector and to steer them to profitability (GP, 2010). Thirdly, the separation was part of a broader government plan to reform and restructure the sectors with a view to:

- stimulating foreign investments in both sectors;
- expanding and improving their networks to provide commercial and social services; and
- improving their managerial capacities to ensure effective and efficient operations of their facilities and services (GP, 2010, p. 10).

Coincidentally, around this same time in 1993, the Private Sector Development (PSD) wing of the WB had begun, as part of the broader SAP, “promoting world-wide postal reform concepts, especially in developing countries [based] on the separation of the postal from the telecom sector in countries where they are a single entity” (GP, 2010, p. 10). From this wider perspective, it is obvious that the real reason for separation in Ghana was to hive off the profitable sector and sell it for private profit while leaving the public sector to struggle with the not-so-profitable postal industry (Alhassan, 2007). Such a view finds support in the narrow neo-liberal theory as it seeks to create and further enhance private property and markets under these proposed changes. It also signals a policy change and decision to introduce direct private sector practices into the management of GP.

Support for this argument can be found in a 1994 government publication for the Ghana Post & Telecommunication (P&T) sector entitled the *Accelerated Development Program*, covering the period from 1994 to 2000. The document states that P&T was “heavily indebted, and an injection of equity into the business would be a prerequisite for raising finance on a scale sufficient to fund accelerated network expansion” (MoT&C, 1994, p. 1). It goes on to recommend that the government privatize the telecommunications sector and give it to “a strategic investor who can contribute capital, management expertise and a position in the global market” (p. 4). This concept of a strategic private investor is a neo-liberal code for saying that the government/public is not capable of managing telecommunications effectively and that the private sector was better resourced to do so. The document was, however, silent on measures to raise funds or to attract a strategic investor to improve the postal sector. Thus, while the profitable telephone (mobile and landline) sector was privatized and sold to a private firm in 1997 (MoT&C, 1997), the unprofitable GP has remained a public monopoly ever since. This

restructuring further reveals the real intention inherent in neo-liberal reforms, which are typically aimed at privatizing profits while saddling governments with liabilities.

In line with the *Accelerated Development Program* recommendations, the GPSC was subsequently incorporated as a Limited Liability Company under the Companies' Code (Act 179), a development necessitated by the statutory enactment of the *Statutory Corporations Act, 1993*, which required SOEs to become incorporated. The GPSC has since become known as the Ghana Post Company Ltd. (GP). Apart from the Companies' Code, GP's operations are also regulated by the Postal & Courier Services Regulatory Commission (PCSRC)²⁴ Act 2003 (Act 649). The vision of GP is to be the best postal organization in Africa by the year 2010 by relying on a well-motivated workforce and by adopting and applying the appropriate technology, all with a view to giving maximum satisfaction to its customers (SEC, 2008). Ghana Post is thus committed to providing prompt, efficient, reliable and secure communication, financial and agency services to domestic and foreign customers at competitive prices (SEC, 2008). Currently, it is one of the biggest SOEs in Ghana, with at least one post office or postal outlet in most cities, towns and villages throughout the country. Indeed, until the arrival of the Internet it was the main source of communication within and outside Ghana. Even with the arrival of the Internet and information and communications technology (ICT), the digital divide generally referred to as the gap between ICT haves and have-nots has meant that the majority of the population still must depend upon the post office for communication (Kuttan and Peters, 2003; Mossberger et al., 2003; Norris, 2001).

²⁴The PCSRC was established by an Act of Parliament, Act 649, as a regulatory body to license the operations of post and courier services, designate a national postal services provider and provide for related matters.

In order to achieve its mission and vision, GP had to undergo a rigorous restructuring of its management, structures and operations in conformity of the NPM orthodoxy. Below, the study examines some of these changes in detail.

6.3. Decentralized Management in Theory and Practice

As was indicated in Chapter Two, this section will adapt Larbi's (2001) model of DM to analyze the reform and restructuring of Ghana Post. For the purpose of easy referencing it will be useful to restate this model here. According to Larbi (2001), DM involves:

- replacing traditional “tall bureaucracies” with flatter and more responsive structures formed around specific processes;
- delegating authority to Senior Management in public organizations, but with a clear responsibility and accountability relationship;
- adopting new forms of corporate governance and moving to the Board of Directors and CEO model; and,
- devolving budgets, human resources and financial control to decentralized units (p. 378).

It must be stated at the outset that the extent to which agencies fully or partially adopts reforms and their willingness to implement them directly impacts their performance. The term creative adaptation will be used to refer to these variations in adoption and implementation, which are undertaken in order to fit an agency's particular contingent structural, institutional and even organizational cultural needs. In the present case, the extent to which GP fully and creatively adopts, adapts and implements the policy ideas of DM will have a direct impact on its post-reform performance. Below, the extent to which GP actually creatively adapted and implemented these reforms is analyzed.

The creation of GP as a distinctive agency from GT with separate structures from the Ministry of Communication, as explained above, was supposed to be the first step of replacing traditional “tall bureaucracies” with flatter and more responsive structures formed around

specific processes (Larbi, 2001, 2004). It granted GP arm's-length relationships with the Ministry/Minister of Communication and empowered it to focus on postal and courier services and other specific purposes. It also granted GP, at least in theory, policy autonomy and freedom from micro-management by its parent ministry. In so far as this aspect of DM is concerned therefore, reformers were able to put in into effect. Yet, and even with the case of GWCL, a pattern is emerging that shows that the legal, structural and even institutional aspects of reform are usually the easiest parts to implement. Changing cultures and attitudes and aligning reform intentions to outcomes, on the other hand, are always difficult.

Following corporate restructuring, the second and third aspect of the reform process ought to be the adoption of new organizational and managerial structures, similar to what pertains in the private sector. Accordingly and in agreement with Larbi (2001), organizational structure of GP commenced with the transfer of managerial autonomy from the parent ministry (the Ministry of Communication) to GP's Board of Directors and the Management Team. The Board, including its Chairman, is directly appointed by the government and serves at its will. Its term ends at the end of every political cycle, which is four years. With no security of tenure, the Board is exposed to potential manipulation and direct influence by the appointing authority. The organizational restructuring came with clear lines of accountability based on established performance targets, which, in conformity with NPM, were to be used to hold the BOD and Management Team accountable for results, outcomes and not rules and processes.

Numerous scholars have examined the role of board independence and its effect on organizational performance (Prevost et al., 2002; Hermalin and Weisbach, 2003; Dwivedi and Jain, 2004; Bathala and Rao, 1995; Baysinger and Hoskisson, 1990). For instance, Bozec and Dia (2004), in a study of SOE board structure and technical efficiency in Canada, stressed that

“one way to examine Board effectiveness consists of analysing the relation between Board characteristics such as Board independence” (p. 1,735). Application of this criterion makes it impossible not to have reservations about the extent and nature of the composition and independence of GP Board and, consequently, its effectiveness. However, it can be stated that the parent Ministry/Minister of Communication has established and implemented the private sector–style BOD/CEO and Senior Management that comes with DM theory.

The fourth component of the DM process on Larbi’s (2001) model is the devolution of budgets, human resources and financial control and authority to decentralized units. The extent to which this aspect of the adoption process has been completed is critical to eventual organizational performance. The Managing Director/CEO-led Senior Management is to assist the Board of Directors in the day-to-day management and operations of GP. The Managing Director is also appointed by the President in consultation with the Council of State.²⁵ The CEO is also a Board Member and thus, like other Board Members, has no security of tenure. Once again, this scenario has direct and indirect effects on long-term planning and on the effectiveness of the leadership that the CEO can provide, because, just as with the Board as a whole, the CEO is exposed to potential political manipulation. The management team is made up of the Managing Director and eleven General Managers (GMs). Each of these GMs heads a separate department in the company, and all are based in the company headquarters in Accra with tenured jobs. Their responsibilities are national and even international, just as the operations of GP are national and international.

²⁵The Council of State is Constitutional creation, and its main duty is to advise the President, Ministers of State and Parliament on the performance of their functions. These institutions are, however, not bound in any way to accept the recommendations of the Council.

Since GP is present in all ten political and administrative regions of Ghana, its functions have been further decentralized to these regions as a way of bringing services closer to the people and of improving response times and service delivery. The management of each Regional Post Office is led by a Regional Manager (RM). In DM theory, these Regional Managers (RMs) are to be supported with enough resources, authority and discretion in their management of the various regions. Ultimately, the Regional Managers were to be empowered and held accountable to the CEO-led Senior Management at the GP Headquarters for results and outcomes. The lowest level of the DM process is at the District Post Office level, which is managed and led by a District Manager; there are over two hundred (200) such decentralized districts scattered across the country. The District Managers are accountable to the RMs, who are in turn accountable to the Senior Management, the BOD and, finally, the Minister of Communication. Thus, in theory and in consonance with Larbi (2001), GP is a completely decentralized structure with clearly demarcated roles and responsibilities that come with their own managerial autonomy, responsibilities and expected outcomes. In theory, it can be stated that financial, budgetary, and human resources control and authority ought to be transferred from the CEO/Senior Management to the RMs and DMs who are at the front lines. In reality, however, this is usually the hardest part of DM reforms — indeed, as will be indicated below, it was the GP's Achilles' heel.

A decentralized structure of this kind is expected, according to DM theory, to lead to managerial autonomy and the empowerment of front-line managers and workers so that they are freed from depending on headquarters for their day-to-day operations. The empowerment of Regional and District Managers is crucial for successful implementation of DM at GP because “the economic and administrative cases for decentralizing management rest on bringing service delivery closer to consumers, improving central government responsiveness to public demands,

improving efficiency and quality of service of public service and empowering lower units by giving the more managerial involvement and control” (Larbi 1998, p. 190). It is therefore expected that empowered managers will use their increased autonomy, freedom to manage and improved accountability roles to manage prudently and, ultimately, to be accountable for their results (Pollitt et al., 1998; Agrawal and Ribot, 1999). This arrangement is also expected to reduce the time and other resources expended in travelling to Accra frequently or in getting approvals for the smooth running of the company in the ten regions.

A number of informed inferences can be made from the above changes and reforms at GP. For instance, these changes and reforms meet Larbi’s (2001) DM expectations of DM in developing countries. What is not known is the quality of these changes, their true extent and the amount of leverage granted to the decentralized Regional and District Managers. These issues will be explored further by posing some questions. For instance, does the BOD and the Senior Management have the final say on human resources management without recourse to any external authority? Also, what amount and level of human resources authority do decentralized units have at the Regional and District levels? A further concern is with the level and extent to which budgets and financial controls have been devolved to decentralized units from the BOD/Senior Management to the Regional and District units.

Answers to these questions will be provided in our continuing analysis of DM in Ghana’s postal sector. The analysis now turns to a post-reform performance evaluation to see if it helps us to answer some of these questions.

6.4. Post-Reform VFM Performance Evaluation of GP

Secondary data and information from multiple sources including empirical documentary sources such as budget statements, financial reports/audits, and monitoring and evaluation

reports will be the chief materials used for the post-reform performance evaluation. A 2008 annual performance monitoring and evaluation report states that the number of post offices increased from 310 in 2005 to about 316 in 2007, representing a 1.9% increase (SEC, 2008). Postal agencies²⁶ on the other hand, decreased by as much as 46.4% from a high of 690 in 2005 to 370 in 2007 (SEC, 2008). The reason for this reduction was the economic non-viability of most of these agencies and cost-cutting measures embarked upon by the company (SEC, 2008). While there was a reduction in the number of postal agencies within this period, the mail traffic volume — an indication of the quantity of traffic that goes through GP — has seen a remarkable increase. Traffic for ordinary mail has risen from a low of 48.70 million pieces in 2005 to a high of 52.6 million in 2006 and 56.7 million in 2007, an average of an 8% increase (SEC, 2008). Business and expedited mail service (EMS) traffic also saw an average increase of about 4.87% and 35.7%, respectively, from 2005 to 2010 (SEC, 2010). These increases could have been even higher were it not for the emergence of private competitors, who have embarked upon more innovative and aggressive marketing and better service delivery (SEC, 2010).

Despite these modest achievements, the first indicator on the VFM Balanced Scorecard, financial perspective, did not see any improvement. For instance, from 2005 to 2009 the annual audited financial reports of the company recorded losses. By the end of fiscal year 2005, GP's annual audited financial report indicated a deficit of GH¢-33,470,000.00. Similarly, by the end of the 2006 fiscal year, losses had increased to GH¢-165,990,000.00 (GP, 2006). The 2007 financial accounts were not different, as the year ended with a deficit of GH¢-58,950,000.00 (GP, 2007). The 2008 fiscal year also ended with a loss of GH¢-38,780,000.00 (GP, 2008). These poor

²⁶These are individual businesses that sell stamps and provide other postal services on behalf of the GP for a fee.

financial performance results are indicative of inefficiency, ineffectiveness and poor management. They also show that the company has to continue to depend upon the government for subvention or else run an increased deficit. This scenario has been compounded by the influx of private postal and courier services, which are making huge inroads in the sector.

Figures for the 2009 financial year were not available at the time of this research. Table 6 below captures the tumultuous financial performance of GP within this period.

Table 6: 2005–2009 Audited Financial Loss/Profit Reports of GP

Year	2005	2006	2007	2008	2009
Result	GH¢-33,470,000.	GH¢-165,990,000.	GH¢-58,950,000.	GH¢-38,780,000	-

Source: Adapted from the GP's Audited Accounts 2005–2009

The above figures portray the poor economic and financial performance of GP and demonstrate that the expected financial and economic, budgetary controls have not resulted in improved VFM performance for GP. Apart from profitability change, the next VFM indicator is efficiency, which equates to internal business perspective on the balanced scorecard scale.

The Balanced Scorecard indicator of internal business measures what customers, shareholders and workers of a company expect it to excel at. Critical elements of this indicator include the introduction of new and improved technology; new product development the quality of the products delivered; and the quality with which these products and services are delivered. The period before reform, saw few efforts in this area. The reason, no doubt, was the lack of funds to invest in new products or in new and improved infrastructure that would contribute to improved and increased performance. The pre-reform period is therefore characteristic of all SOEs in Ghana in the immediate post-independence period. Continuous learning and improvement is a core demand of the NPM for organizations to improve and innovate. This is referred to as continuous improvement on the balanced scorecard or economy on the VFM list.

The third indicator measures the extent to which a company can continue to improve and create value for its owners, stakeholders and citizens: in this case, the government and people of Ghana. Critical variables in this category include improved employee expertise and skills; improved process management and innovation; continuous learning and improvement; and the ability to attract and retain qualitative skills and expertise. These variables are key determinants of investment in the human resources, research and skills upgrading of a company. Unfortunately, no meaningful changes have taken place, and the expected benefits of the reforms are yet to be realized under this indicator. For instance, from 2004 to 2009 the SEC reports indicated that the company attained a staff-cost over total revenue of 54.8% against a targeted rate of 53.24%, representing a modest change of 2.85% (SEC, 2010). Furthermore, the GH¢811,000,000.00 recorded for labour productivity fell below the targeted GH¢835,000,000.00 by 2.91% (SEC, 2010). The reasons for these poor performances are not hard to find: lack of investment in training, capacity building and technological upgrading.

Available data from the SEC shows that in 2008 the company missed its targets of mail transmission times for inter-regional mail by 66.7%, and for intra-regional expedited mail service (EMS) by 50% (SEC, 2008). These delays were caused by vehicle breakdowns, low staff morale and poor supervision by superiors (GP, 2010). In fact, a performance and evaluation report on GP undertaken by the SEC in 2008 rated staff training, improvement and investment as unacceptable (SEC, 2010). The report noted that the company did not implement its staff training program, even though it was budgeted for and approved. Such a scenario raises serious concerns with the theory of decentralized management and suggests that, in reality, most of these agencies have significant capacity challenges that decentralization alone is unable to address (Sakyi, 2008). This conclusion very much summarizes the post-reform VFM performance of GP. Compared to

all the VFM indicators, effectiveness is the most difficult to measure. The effects of these reforms on the customers, who are also stakeholders of GP is therefore an accurate measure of its effectiveness.

Customer service performance or customer perspective, referring to the customers' perception of the company, is also a core component of the NPM. In theory, DM is expected to bring public agencies and their service provision and delivery systems "closer to consumers, improve central government's responsiveness to public demands, [and] improve efficiency and quality of service delivery" (Sakyi, 2008, p. 310). Customer service explores crucial customer satisfaction indices, such as timeliness of services, quality of services, and the ability to meet customer needs and expectations, and cost sensitivity (Kernaghan et al., 2000). As a company that delivers services and products directly to its customers, customer perspective is very important to the reform and change efforts at GP. The pre-reform period recorded a negative balance in all these areas. In other words, it did not live up to the needs and expectations of its customers: practically a universal definition of poor performance.

The post-reform process had one objective of reducing customer waiting time at counters nationwide from three minutes to two, and another of resolving customer complaints within 24 hours (GP, 2010). From 2005 to 2009, the average customer waiting time for ordinary mail rose from two minutes to three. Also, customer waiting time for EMS saw no major improvement, and was still at three minutes (GP, 2010). It can be concluded that customer service did not significantly improve even in the post-reform period, with dilapidated infrastructure and poor working conditions contributing to this result. Conversely, this poor performance has been a boon for the other private courier service providers, who are competing for the same customers as GP.

Finally, as the SEC (2010) performance monitoring and evaluation report concluded, “Ghana Post Company Limited’s performance of 2.0545 in reducing customer waiting is rated poor” (SEC, 2010, p. 11). This failure is particularly egregious since one of the core principles of DM is to bring services closer to customers and improve service provision. There is no data for 2009, but the previous years make a strong argument that the 2009 performance is unlikely to have shown any improvement; in fact, the financial losses are getting worse.

Based on the above results, it is difficult to see any bright spot with regard to the VFM performance of GP as it is clear that the VFM expectations of reformers have remained elusive. What accounts for this poor performance, despite all these reforms? An answer will be provided later, but for now the analysis turns to the DG aspect of the reforms.

6.5. Governance, Institutional Reforms and Policy Outcomes

Primary data, information from the interviews and supplementary sources from the review of the literature will be used to analyze the DG performance of GP. The first indicator to be examined is accountability.

A key democratic governance indicator is accountability for the stewardship of the public purse and resources in general (Aucion and Heintzman, 2000). In NPM orthodoxy, the devolution of managerial autonomy to GP was expected to grant it the freedom to manage while simultaneously enabling government to hold the managers accountable for results. This follows from DM’s promotion of the “delegating of authority to senior management in public organizations but with clear responsibility and accountability relationships” (Larbi, 1998a, p. 378) for performance and outcomes. Such measures are expected to “introduce a greater degree of devolution or de-bureaucratization in the management of public affairs” while promoting “a greater degree of shared governance and collaborative management in the conduct of public

business” (p. 46). Yet an inherent problem is that the chain of accountability is weakened by the inability of the state SOE regulator, SEC, to enforce sanctions for non-performance at GP. As the body mandated by law to conduct periodic performance, monitoring and evaluation of SOEs, the SEC has no mechanism to enforce its findings. It can only advise the relevant institutions on how, and on what areas, to improve.

This is a major flaw in the accountability system in SOE corporate governance, because threats and the use of sanctions are expected to lead to adherence and compliance in accountability regimes (Agrawal and Ribot, 1999). These porous performance monitoring and evaluation roles by the relevant statutory institutions represent a serious obstacle to real accountability. Exacerbating the problem is the serious lack of resources, personnel and expertise at the SEC to effectively enforce performance contracts and to “make the managers manage.” As one interviewee stated:

“There is a problem in the area of the required skills, expertise and knowledge in the performance monitoring and evaluation department. So, the staff expertise and skills situation in a word of two, I will say is very bad.”

Accountability and transparency are usually bedfellows in the attempt to strive for good governance and in a democracy. Below the concept of transparency in the reform and restructuring of the GP is examined.

Transparency is another critical aspect of democratic governance, but in the case of GP, there is little or no transparency in how it manages its affairs. A case in point is in GP’s awarding of contracts under circumstances that are the very opposite of transparency. As one respondent noted:

“The Board awards contracts to their cronies without going through tender and in total secrecy. One such contract was a US\$50,000 strategic management plan the board awarded to Intesol based purely on ties board members had with the company.”

Clearly, therefore, genuine questions arise about the lack of transparency and its effects on the internal management at GP. Apart from improper dealing in awarding contracts, GP does not publish its performance evaluation reports or financial audits for public scrutiny. There are also no formal or even informal occasions or opportunities for stakeholders to get to know and understand how GP is managed and how it is functioning. Information management and performance reporting systems at GP are therefore porous at best and non-existent at worse. As Talbot (2004) argues, the lack of such information means that transparency as an indicator of governance and even of performance is severely marginalized. Apart from transparency and openness, the next indicators that will be analyzed is stakeholder participation and consultation.

Stakeholder consultation is another key governance indicator and a performance target of SOEs, but Keelson (2010) of the *TODAY* newspaper²⁷ in Ghana, reported that industrial confusion has pitted workers against the management and Board of Directors of GP. In follow-up interviews, a respondent pointed out that the Board:

“is managing the company like a personal business, an act that has contributed to the near insolvency and virtual bankruptcy.’ The workers further claimed that ‘Board members make patronage appointments and put their friends in influential positions to do their bidding for them, thus enabling them to run the affairs of the company like a retail shop, where spontaneous decisions are taken without prior consultations.’ ”

As is to be expected in such situations, the Board dismissed the allegation as without merit and claimed in interviews that “the previous Board used to please the workers, resulting in GP being overstaffed with over 2,500 redundant workers.” It further argued that:

“when we assumed office there was nothing like management meetings with the workers, but this has been made possible with management holding meetings weekly with workers

²⁷Based in Accra, *TODAY* is a daily newspaper that covers political, economic, social and environmental stories.

to dialogue, and with this the workers are beginning to understand that we are there to help them.”

The Board concluded that the “Ghana Post is rotten and corrupt from top to bottom, and a lot of work needs to be done, and we are determined to clean up the place.”

It is possible that the workers' union prefers the status quo and is opposed to real change, such as that being introduced by the current Board that aims at improving management and the fortunes of the company. In this scenario, it may be that the workers are trying to protect their interests and fiefdoms created under the previous Board. On the other hand, it is possible the current Board is trying to replace people in authority who are perceived to be sympathizers with the previous government and management with their own sympathizers in higher positions. Similarly, Larbi (1998) has argued that the adoption and implementation of DM in Ghana during the PNDC era “did not ensure consultation and involvement of key stake-holders as policy making was restricted to a small group of advisers and officials” (p. 382). Thus, apart from the lack of consultation exhibited between the Board and Unions, it is obvious that the problem runs much deeper and started with the policy adoption phase. Rule of law as a governance indicator is next to be examined.

Rule of law, as a component of democratic governance, is an essential value in the management of public agencies. It is an indicator of the commitment of public office holders to the constitution and the tenets of democratic governance in a democratic dispensation like Ghana. As Hamilton (2007) argues, “public administrators should understand and embrace the constitution and [the] nation’s basic democratic values. They should also understand and support a commitment to the rule of law” (p. 11). This consideration further buttresses the significance of the rule of law, not only for the efficient and effective administration of public agencies but also for the deepening of democratic governance and the democratic process. A significant indicator

of the determination of the rule of law at GP would be its statutory obligations to its customers, owners and regulators. Ghana Post is expected by law to submit quarterly performance reviews and monitoring and performance evaluation reports to the SEC. This is a statutory and thus a rule-of-law requirement and to be fulfilled rigorously. Nevertheless, as the SEC 2008 report indicates, GP has a perennial habit of either not submitting reports at all or submitting them very late (SEC 2008). The SEC report expressly states that “the major challenge facing Ghana Post has been its inability to prepare and submit reports on time” (SEC, 2008, p. 11). The report also asserts that “important documents, budgeted training programs, maintenance and safety management programs were submitted very late rendering these documents irrelevant” (ibid.). It concluded that “generally, Ghana Post did not meet any of its regulatory reporting obligations” (ibid.). It is not surprising, therefore, that GP gets a negative result when it comes to the rule of law. What is also evident is the correlation between this requirement and the VFM performance of the company.

In this connection, it is worthy pointing out, as Kraus (1991) has done, that the reforms and restructuring at GP started in 1983–1984, when the country was under a military government. Governance at this time was not based on the rule of law or the constitution but on military decree. Not only was there no rule of law; there was also little or no public participation or consultation in the process of reform (Martin, 1991). That process as a whole can therefore be described as a gentleman’s agreement between the military government of Ghana and the World Bank/IMF. Right from the outset, therefore, we can speak of deficiencies in stakeholder consultation and rule-of-law considerations in the reform process. The last indicator to be examined is strategic leadership.

Strategic leadership refers to the quality of management or reformers, a crucial factor in developing a productive organizational culture and creating an environment for change and innovation (Wart, 2003; Schein, 2004). Reformers should be able to set out the broader policy plans for action and then allow the managerial leadership of public agencies to translate these broader visions into programs. Political support, especially for difficult and contentious reforms, is another key quality of strategic leadership. The quality of the leadership therefore goes a long way to helping in shaping reforms while ensuring improved performance. In the case of GP, however, it is with the leadership that the problem starts. As one interviewee lamented:

“The company has a management problem. I will say we don’t have sincere management. The CEO is not sincere, so it filters down. That is why we are struggling now. But GP should not struggle. The acting MD/CEO was in the management team of the previous administration. They should reshuffle the whole management. Else they will sink it down the drain.”

Serious leadership problems can be associated with the organizational structure of GP. In this regard, Verhoest et al. (2004) argue that in practice and reality,

“if the agency depends upon government for all or a part of its funding, its actual capacity to use its decision-making power is severely constrained. Constraints on decision-making could also result from the agency head being appointed, evaluated and paid by government itself or from government having a majority vote in any supervisory Board” (p. 105).

In the first place, since the Board is appointed and serves at the pleasure of the President, its political neutrality, independence and autonomy can be seriously questioned. Can the Board implement critical recommendations — such as calling for retrenchments and layoffs, increasing the cost of posting letters, closing down poorly performing post offices in rural and deprived areas — in view of the unpopularity of these decisions? Furthermore, since the President can at any time terminate the appointment of the whole Board or any individual member (even though they have a fixed term), the tendency could be to play it safe by serving only the interests of the

government and eschewing any difficult decisions for the sake of making political capital for the government. The same questions apply to the Managing Director (CEO).

A number of scholars have also examined the relationship between the CEO and the Board as critical for a firm's effectiveness and, ultimately, performance, especially in times of reforms (Denis and Kruse, 2000; Finkelstein and D'Aveni, 1994; Mehran, 1995; Hermalin and Weisbach, 1991). From a strategic leadership perspective, therefore, concerns have been raised about the impact of tenure anxiety, uncertainty and political expediency, and how these matters constrain the Board and the CEO in performing their roles. Similarly, the quality or extent of the autonomy or freedom that policy makers are willing to devolve to the Board and management of GP, and how that affects their overall corporate performance and governance, can be questioned. Similar concerns arise about the ability of the Board and the CEO to make long-term plans and to implement politically unpopular but strategic and necessary corporate decisions like hiring's, dismissals and price adjustments, especially in an election year.

Nevertheless, even in the midst of these challenges, the remuneration of GP's Board has consistently increased over recent years. Table 7 below captures BOD remuneration for GP.

Table 7 Increases in Annual Remuneration of GP's BOD from 2005 to 2008

Year	2005	2006	2007	2008
Amount	GH¢214,570,000.00	GH¢270,650,000.00	GH¢345,700,000.00	GH¢446,380,000.00

Source: Adapted from Annual Audited Accounts of GP

These figures represent a consistent increase of about 27% annually from 2005 to 2009.

Meanwhile, as just shown, the company was incurring losses within this same period. The Directors' fringe benefits also grew during the same period. The irony is that the government, acting as the owners of GP, did not call the Directors to account for their clear incompetence and mismanagement of the company. Once again, the familiar issues of patronage, with its corrosive effect on the management and operations of SOEs in Ghana, are raised. This state of malaise

sums up the leadership situation at GP. Such a leadership cannot by any standard be said to be strategic and creative: hence the negative score in this indicator. The next indicator we examine is fairness/equity.

The totality of these factors therefore means that responsiveness, fairness and equity are sacrificed, since GP is not economically and financially viable. As explained earlier, the late delivery of letters and the closing of non-performing post offices in rural areas (SEC, 2008) have had negative consequences for segments of the population that depend upon the post office and its services as their only means of communication. These deficiencies have also meant that jobs were lost to cut costs, further contributing to social problems and the lack of investment in the community, since there is no one to invest in the operation of the company, especially whenever post offices are closed. Moreover, the poor financial performance of GP, especially its inability to make a profit and fulfill its dividend duties to the government means that it contributes little in taxes to national revenue and, by implication, national development. Furthermore, the government is bound to bail out GP annually with financial subventions that could otherwise be invested in education, health and other critical national infrastructure that would benefit the entire population.

In addition, despite these operational and organizational changes and restructuring, a 2010 document (*Corporate Plan 2010–2014*) prepared by the Corporate Planning Unit of GP painted a rather bleak picture of the organization, its structures and organizational changes. According to the document, GP was as a bloated, underperforming, rule-bound and loss-making organization that depended heavily on annual government subventions in the form of budget appropriations. This image “has been the result of mail theft, embezzlement, poor quality service, unattractive post offices and counters, [and] ill motivated staff with emphasis on poor

remuneration” (GP, 2010, p. i). The document stated that this poor scenario is only compounded by “weak and manipulated systems and structures [while] suspicion of management by staff makes the task of reorganizing and restructuring Ghana Post an enormous one” (ibid.). These factors were exacerbated by the constant breakdown of the already insufficient number of vehicles to transport mail, unsatisfactory security measures, and the lack of well-trained and motivated staff who understood customer needs and expectations and the challenges and opportunities provided by liberalization and competition (GP, 2010; SEC, 2008). The unfortunate thing is that ordinary citizens who depend upon the postal sector for letter delivery suffer from these circumstances and this environment of poor performance.

At this stage, the study is in a better informed position to state that, apart from the poor VFM performance of GP, its DG indicators are also poor. What does this mean for the reforms at GP and, for the sake of the present study, what does it mean for the IRM as the alternative to the neo-liberal and governance models used to reform GP? These questions are considered below.

6.6. Discussion, Summary and Conclusion

To provide answers to the above questions, it is important to first go back to the initial definition of DM and examine its key indicators to see the extent to which they were either fully implemented or not.

On July 27, 2010, the Financial Division of an Accra Fast Track High Court ruled against GP in a lawsuit brought against it by Sky Consult, operators of Instant Money Transfer (IMT) and partners of GP in its internal money transfer operations. As per the ruling, the operational budget of GP was frozen and the monthly salaries of workers put in jeopardy, because GP stated that it could not pay the fine and also pay its workers. With this ruling, the very survival of GP as a company was in doubt. As expected, the government was called in to bail the company out, and

all indications were that the government would do exactly that. Credence is thus given to the “too big to fail” status of GP that was used to justify the rescue of financial institutions that were on the brink of collapse during the global financial crisis in 2008.

The problem with such a financial intervention in a poor country like Ghana is that money that should have been invested in critical sectors of the economy, such as education or health, will be used to pay the salaries of precisely those people who contributed, in one way or another, to the creation of the crisis. Unfortunately, no official of GP has been sanctioned, punished or prosecuted in the law courts by policymakers for endangering the company. As a result, not only does such a monetary intervention represent a serious indictment of GP’s managerial competences, it also renders the whole reform process irrelevant. An IRM approach would have brought more transparency, accountability and stakeholder involvement into the process to prevent such an occurrence. It would have also strengthened the regulatory and monitoring operations of GP to ensure greater compliance with contracts and, in the process, to protect the public interest from such law suits.

Similarly, Larbi (1998) and Sakyi (2008), referring to a study of Ghana’s water and health sectors, concluded that one of the main problems of DM is the top-down, non-participatory policy processes that lead to a chain of policy impositions. This chain begins with the imposition of the WB/IMF on the government, followed by that of the Ministry of Communication, BOD/Senior Management and so on. Under this system, there is little or no contribution by the implementing authorities or practitioners at the lower levels, which affects the eventual implementation of the program. This lack of consultation and participation has led to low morale during the implementation stage because workers don’t like to have reforms imposed on them with little or no input (Sakyi, 2008; Larbi, 1998a).

Tangentially, there are also issues of limited transfer of authority to GP, capacity constraints, problems with devolution of human resources management and patronage appointments (Sakyi, 2008; Larbi, 1994). Moreover, the Public Service Commission, not GP, appoints Senior Management to run the company, further questioning the concept of managerial and human resource autonomy that is central to the DM concept. These arrangements, where a central agency appoints Senior Management, create challenges in institutional coordination and lead to delays in the appointment and coordination process. They also lead to direct interference and micro-management tendencies in the internal management of public agencies by policymakers. There are therefore issues of context, as in the politico-administrative structures which tie the appointing hands of GP to regulatory structures. First, its BOD is appointed by the government while its Senior Management is appointed by central agencies. As Verhoest et al., (2004) have stated, the freedom to control human resources and financial levers is critical to achieving effectiveness and efficiency in any organization. The absence of these critical autonomous features could partly be to blame for GP's poor performance. Larbi (1998) found similar arrangements where there is supposed to be, at least on paper, devolution of power to the periphery, but, in reality, all the power is concentrated in the centre.

For instance, Regional and District Managers do not have the power and authority over their finances and human resource decision-making, a central argument in the theory of DM. As a result, they do not have authority over personnel, salary, promotions and other service benefits. The lack of creative adaptation of DM was discussed above, and this is what we see now, where power and authority is centralized, contrary to the norm and to the expectations of the reform efforts. All these decisions are still centralized at the headquarters, and decentralized Regional and District Post Offices are not permitted to make recruitments that suit and serve their local

needs. As a result, “financial exigencies overshadow the rationality and benefits of management decentralization [and have] resulted in considerable friction between the [Regional and District Managers] and the head office, especially over financial and personnel matters” (Larbi, 1998, p. 193). Apart from the obvious delays resulting from making these decisions from the centre, such a practice defeats the very purpose of DM and makes it extremely hard to hold managers at the regional and district level accountable for results as advocated under NPM (Hood, 1991). From the foregoing, it can be stated that, in theory and on paper, GP has adopted and implemented some aspects of DM. But in reality, it seems that attempts at devolving budgets and financial control to decentralized units in particular amount to a window-dressing exercise and that no real control was ever decentralized.

Throughout the interviews with Senior Managers and policy makers, the inability of decentralized units to make their own independent decisions was raised as a major concern. Additionally, in most Regional and District Post Offices, critical staff and skills in finance, planning, budgeting, human resources management and accounting were mostly found to be lacking (Sakyi, 2008). Paradoxically, what was found to be in abundance at these levels was unskilled labour. From the above, a picture of poor policy adoption, implementation and evaluation begins to emerge. The interviews revealed that promises and assurances were made to the effect that issues of capacity and resources at the local levels would be taken care of later on, once the reforms at the national level were completed, but did not happen once the implementation stage commenced.

The reason for this development can be found in the general lack of broader stakeholder consultation and participation during the reforms in the 1980s. For, if the reform process was not limited to the PNDC economic and IMF/WB teams, these issues would have emerged through a

broader stakeholder consultation process and solutions would have been found for them. Under these circumstances, it is difficult to state that real authority was delegated to Senior Management in public organizations, especially those at the front line who directly engage citizens and know their needs and expectations better than those at the centre.

The study also found, through interviews, a general malaise and lack of ownership and commitment to the reforms, especially at the local levels where morale was low due to poor remuneration and few incentives to work hard. A situation similar to that in the water sector in Chapter Five appeared when practitioners at the GWCL stressed that they were not consulted and involved in the contract negotiations before the MC was announced. In the case of GP, it was revealed in the interviews that the contributions of practitioners were not sought and that their role was to simply implement the decisions already made from above, with their only contribution being to do what they were told. This conclusion agrees with the findings by Batley and Larbi (2005) and Sakyi (2008) on DM adoption and implementation in Ghana. Under these circumstances, it is hard to get full support from front-line workers, who see these reforms as foreign. As Laking (2005) argues, such arrangements and the lack of consultation with and involvement of practitioners in the reform adoption process create fertile grounds for turf wars and produce pockets of resistance and even direct attempts at frustrating the reform efforts, especially if they threaten vested interests and job security. It was therefore not surprising that one of the main complaints that emerged during the interviews was the fear for job security among the workers, who erroneously thought that an efficient and effective operational system will render most of them redundant. There was also constant infighting between the unions and the BOD, which for all intents and purposes is not good for organizational performance. This is a leadership failure on the part of both the political leadership and GP's BOD/Senior Management.

This is because one of the central elements of strategic leadership is the ability to galvanize resources and motivate staff to give their best (Wallis et al., 2007). Accordingly, if there are problems with lack of motivation, good knowledge of the reforms and fears of job security, then the leadership of GP has failed the citizens of Ghana on whose behalf they purport to work. The adoption and implementation of DM to reform and restructure GP has been ineffective, and this failure has only been exacerbated by the abysmal VFM and the democratic governance performance of GP.

At this stage, the study is now in a position to state that a true and accurate description of the DM process will mean that in theory, that Larbi's (2001) concept of DM was adopted and implemented. In reality, however, it was not creatively adapted and the implementation was inadequate and poorly done, with little or no recognition given to the creative adaptability of these reforms to fit the contingencies of GP's particular needs — institutional, managerial, operational, and even cultural — and Ghana's structural components. VFM concerns include that fact that real power and authority were not transferred while power was still centralized at the BOD/Senior Management level. Also, front-line workers were never empowered to make the right decisions to meet the needs and expectations of their stakeholders. Despite the importance noted above of such matters as transparency, accountability, rule of law, no avenue or platform was provided for GP as a whole and its various decentralized units to consult with and engage their stakeholders and, in the process, to begin to build a democratic and participatory public organization.

In sum, it can be stated that trivializing and maligning of the politico-bureaucratic context, governance imperatives, politically sensitive task specificity issues, and creative adaptation challenges have all contributed in one way or the other to the poor post-performance

VFM and DG results at GP. Even though these issues are crucial and important, they are delicate because they are political, administrative, theoretical and even conceptual in nature. What is not in dispute, in the view of this analysis, is that recognizing their relevance and addressing them plays a critical role in determining success. The IRM approach is a major step in the right direction because it recognizes the relevance and strategic importance of context, governance, task-specificity and creative adaptation to suit local contingencies in the reform and restructuring of modern public organizations.

In conclusion, and in the context of the previous case of GWCL, a pattern begins to emerge. In both instances, poor VFM performance is consistently accompanied by poor performance of the democratic governance indicators. In the next chapter the analysis will turn to the concept of autonomization, the last NPM reform tool.

Chapter Seven: Autonomization as an SOE Management and Governance Reform Tool: The Case of the State Insurance Company Ltd. in Ghana

“The concept of autonomy is used frequently in studies of public organizations. Autonomization and the creation of quasi-autonomous public bodies have been prominent on the reform agenda in many OECD countries and the [reasons for] giving more autonomy to public organizations on the performance of such organizations have become quite popular.” Nevertheless, “the empirical link between autonomy and performance is inconclusive.” (Verhoest et al., 2004, pp. 101, 102).

“Reformers wish they could just wave a magical wand to transform administrative systems instantaneously. Alas, no such wand exists. The reason is simple. Whereas administrative reform is a long term process requiring the investment of precious talent, enthusiasm and commitment, scarce resources, and, above all, time, governments are short-term and look for quick solutions.” (Caiden, 1999, p. 825)

7.1. Introduction

This chapter examines the adoption and implementation of the concept of autonomization in Ghana and uses the IRM to perform a pre- and post-reform performance evaluation of the State Insurance Commission Ltd. (hereafter, SIC). As was indicated in Chapter Two, in discussing autonomization here, reference is made to Verhoest et al. (2010) concept of managerial and policy autonomy. The analysis in this chapter is organized as follows. Section one outlines a brief reform history and background of the SIC in order to provide a context for the reform and to frame the background for the analysis. Section two examines the structural, functional, operational and leadership changes embarked upon by the SIC in response to the adoption and implementation of autonomization. The objective is to understand how the changes are able to enhance or constrain the implementation of autonomization at the organizational level. Section three provides a post-reform empirical VFM performance evaluation of the SIC to determine whether it has achieved its VFM objectives; section four does same for the DG imperatives. The final section provides a summary and a conclusion.

7.2. Context and Background: A Brief Reform History of the SIC

A brief history of the State Insurance Company Limited (SIC) is given here to provide a background account of its state of affairs in order to be in a better position to understand how reforms were adopted and perform a post-reform performance evaluation at the end of the analysis. The SIC is one of the oldest non-life insurance companies in Ghana. It was first known as the Gold Coast Insurance Company (GCIC), when it was established in 1955 by the colonial government. After independence in 1957, policymakers decided to rename it as the Ghana Insurance Company (GIC) and designated a life assurance company, which means its business was based on providing insurance on individuals against death and injury, in contrast with general insurance dealing with car, fire and so on. The GIC later established a subsidiary company, Ghana General Insurance Company (GGIC), to specifically focus on and underwrite fire and motor business. The main difference between the GIC and the GGIC was that while the GIC exclusively dealt with life assurance, the GGIC was focused on general business.

Subsequently, as part of the efforts by the new post-independence government to assert control over both financial institutions and policies, financial sovereignty became paramount (Dzorgbo, 2001). It was in the context of this broad state involvement and its efforts to establish financial sovereignty that the government in 1962 established the State Insurance Corporation (SIC) by merging the GIC and GGIC (Dzorgbo, 2001; SEC, 1995). As indicated in Chapter Four, the state's involvement in the economy after independence was large-scale.

In 1995, policymakers in Ghana once again decided to convert the State Insurance Corporation into a public limited liability company as part of the government's SOE restructuring program. It was renamed the State Insurance Company (SIC) of Ghana Limited, with the government as the sole shareholder. Consequently, the assets and liabilities of the State

Insurance Corporation of Ghana were transferred to the SIC. By a special resolution passed on October 22, 2007, the name of the company was changed to SIC Limited. These legal changes and mandates, especially the 1995 conversion of the SIC into a limited public liability company, were the beginning of the granting of broad legal, financial and managerial autonomy to the SIC and its management. In other words, these changes began the full adoption and implementation of the autonomization program in the company. For instance, as a corporation the SIC had a distinct legal identity and could own assets and liabilities. As part of these reforms, the government was solely responsible for appointing the nine-member Board of Directors and the CEO of the company. The purpose was to ensure that the government had full control over the company's operations and was in a better position to use it to persecute its commercial and social objectives. The implementation of autonomization, however, meant that more changes were to follow, including those to the Board's composition.

In accordance with the provisions of a new *Insurance Act* of 2006, which mandated all insurance companies in the country to delineate their general business from their life business, the SIC has separated its general business (fire, motor, marine, and so on) from its life business with the incorporation of SIC Life Limited in 2007 (SIC, 2007). At present, the SIC's business operations cover fire, motor, marine and aviation, and accident insurance (SIC, 2007). The SIC's business is national in scope, with a visible presence in all ten political and administrative regions of Ghana.

Then, in 2007, as part of its reforms intended to diversify the insurance industry, and also to raise funding for national development, the government offloaded 60% of its shares in the company on the Ghana Stock Exchange (GSE) (SIC, 2007; SIC, 2008). Those shares were sold to individuals, other public agencies and to local and foreign private businesses. Today, the SIC

has 13,300 shareholders, of which the government and other public agencies and institutions own more than 51% of its shares (SIC, 2007). Thus, by the definition of SOEs as wholly government-owned, mixed enterprise or joint venture, the SIC qualifies as an SOE (Gyimah-Boadi, 1991, Danso, 2008). Specifically, the newly listed SIC fits Kernaghan and Siegel's (1999) description of a mixed enterprise, because its shares are partially owned by the government of Ghana (40%), while the rest are held by other public agencies and private individuals and firms.

Furthermore, as part of the general reforms introduced by the *Insurance Act* of 2006, the government liberalized the insurance industry, and the SIC lost its monopoly status over government insurance businesses. That monopoly was a purposive government policy whereby all government agencies and departments would insure their vehicles and other property with the SIC. With the changes, however, the SIC had to compete for clients like any other insurance company.

This brief historical overview demonstrates the willingness of policy makers to reform and restructure the SIC over the years. As a result, the SIC has been transformed from a pure government monopoly in the non-life insurance business to SIC Life, dealing specifically in life insurance, to, finally, a public company with shares traded on the Ghana Stock Exchange (GSE).

The analysis now turns to the specific changes and reforms adopted under the autonomization process. These changes further confirm the ideas of Verhoest et al. (2010) on managerial and policy autonomy. First of all, with the freedom to make its own financial decisions about investments and budgets, based on the rules of the GSE, the SIC conforms to the model of managerial autonomy. Secondly, the SIC can choose any instrument to sell its insurance products, advertise and promote its core business any way it likes without prior approval from

any external authority. This ability also demonstrates policy autonomy because the company has the freedom to choose its policy implementing tools.

7.3. Autonomization in Theory and Practice

As was indicated in the preceding section and also in Chapter Two, signs of managerial and policy autonomy can be seen in practice at the SIC. One of the immediate actions undertaken by policymakers involved changes to the appointment processes for the Board and CEO of the SIC. The SIC has a nine-member Board, of whom four represent the government. GSE rules require that at least a third of the Board members be independent members. There are, then, three people on the Board who are recognized as independent members and one member representing private firms with shares in the company. That brings the number to eight. As the final member of the Board is also the CEO, who is appointed by the government, in reality, therefore, the government appoints five members to the Board. These arrangements ensure that there is enough expertise, independence and autonomy on the Board, while still guaranteeing that the government has majority representation to influence and help implement broader government social and political policies in the sector.

All Board members are also approved by stakeholders at the company's Annual General Meeting (AGM). This practice introduces an amount of stakeholder participation, supervision, consultation and transparency into the management and operations of the SIC. Thanks to these changes, and compared with what pertains in other SOEs (for example, the GWCL and GP), the composition of this Board also allows for more flexibility, dynamism, innovation and independence, which are critical factors for the firm's effectiveness and improved performance (Dwivedi and Jain, 2004; Hermalin and Weisbach, 2003; Prevost et al., 2002).

Furthermore, a closer examination of the current Board reveals that all its members are from the private sector and have experience in managing organizations and firms of a stature and value similar to those of the SIC (SIC, 2010). The Board therefore comprises people with a varied array of experiences, a proven record of success and freedom from micro-management by the government. In addition, the tenure of the Board is determined by the AGM, not the government. Once again, unlike the other SOEs in this study, the BOD of the SIC is guaranteed tenure and job security. These attributes mean that, at least in theory, the Board's composition, quality and independence should result in overall effectiveness and increase the performance of the SIC (Bathala and Rao, 1995; Baysinger and Hoskisson, 1990). Similarly, security of tenure brings more meaning to the concept of managerial autonomy and stability, as the BOD can afford to be aggressive in the implementation of reforms they feel are good for the company. And security of tenure also means that the Board's members are not under the direct control and manipulation of politicians for either narrow VFM or even DG means and ends.

The above reforms qualify and fit well with the concept of Verhoest et al. (2010) of policy and human resource autonomy. This is because, the BOD, so constituted, has the freedom and autonomy to perform its duties free from direct bureaucratic control and the dictates of central agencies. It also has the power to adopt and implement policies so long as they are consistent with the laws of the land and the laws governing their establishment. Finally, it does not need the prior approval of the Ministry/Minister of Finance, its parent ministry, to perform its roles and duties. This situation means that these reforms are creatively and fully adapted to fit the needs, organizational cultures and contingencies of the SIC.

A cursory examination of the managerial arrangement, therefore, reveals a high degree of independence from the government and autonomy of the Board and MD. Nevertheless, as the

majority shareholder, and with the support of the other shareholders that are government agencies, the government usually has one of its appointees to the Board made the Chairman (SIC, 2010). Also, and as noted above, as the single largest shareholder (40%) the government appoints the MD/CEO. It is therefore clearly possible for the government to exploit this appointing authority to directly interfere in the management and operations of the company by using the critical swing vote in Board meetings. But despite this possibility of interference, the weight of the input of the other private partners and independent Board members cannot be overemphasized, since the inclusion of independent Board members ensures that, despite the appointment process, some degree of independent thinking can be injected into the company's operations. These arrangements ensure that the SIC has what one academic describes as managerial autonomy, which involves "shifting decision-making competencies from external actors to the agency itself by reducing the extent of regulation and the ex-ante approval requirements or other controls" (Verhoest et al., 2004, p. 104). The reforms, so crafted and creatively implemented, also fit the peculiar context and task specificity of an SOE in a highly competitive financial sector.

Apart from the Board, which stands at the organizational apex of the company, day-to-day management and operations are the duty of a ten-member Senior Management team led by the Managing Director/CEO. All senior executive members are hired on merit through the normal organizational procurement process. They have job security and permanent tenure, subject to the professional ethics and codes of conduct of the company. They are remunerated based on prevailing market and industry rates, not through a centrally controlled and determined process. This means not only that the SIC is able to attract the best and brightest in the insurance industry and pay them prevailing industry rates, but also that it can speed up the hiring process.

These measures therefore give proper meaning to the concept of managerial autonomy advanced by Verhoest et al., (2010), for they free the SIC's BOD and management from the bureaucratic and hierarchical shackles that unnecessarily delay the hiring, promotion and remuneration process that most SOEs have to deal with as a result of the interfering roles of central agencies.

In addition, with regard to the level and quality of autonomy and organizational functioning, especially concerning human resources decision making, the SIC management has the exclusive authority to make promotions to senior and managerial positions without reference to any of the central agencies, such as the Public Services Commission. Its independence therefore enables the SIC to continuously train its workforce, recruit from within and pay competitive wages for outside recruitment whenever necessary (SIC, 2009). All these abilities have been made possible because of increased managerial autonomy, which has enabled the SIC to corporatize its activities. Today, the SIC enjoys market dominance in the highly competitive insurance industry in Ghana, is a major player on the GSE, is growing into the West African sub-region, returns dividends and profits every year to its shareholders and is a major source of training for the insurance industry in Ghana (SIC, 2008; SIC, 2009). Once again, these arrangements conform to the concept of Verhoest et al. (2010) of human resource autonomy, which is vital for attracting and retaining the best skills and expertise in the job market.

Even though it has an independent identity, then, the national interest represented by the foregoing factors in the SIC makes it feasible to evaluate the company on its governance indicators. The pertinent questions are, why the listing on the GSE and how was it done? Questions such as these — which relate to the transparency of the process, accountability in the process itself and the results, and adequate checks and balances to protect the public interest — are still relevant, even if half of the SIC is owned by private interests. For all intents and

purposes, therefore, these changes at the SIC can be described as autonomization as it is understood by Verhoest et al. (2010).

The analysis now turns to examine the post-reform VFM performance of the SIC. Specifically, it seeks to consider how the company has used its status of increased autonomization to secure its VFM, performance and dominance in the insurance industry in Ghana.

7.4. Post-Reform VFM Performance Evaluation of the SIC

Empirical data from budget and financial statements, quarterly reports, annual audit reports and performance evaluation reports will be used to analyze the post-reform VFM performance evaluation of the SIC. Increased financial, structural and legal autonomy are expected to lead to better and improved performance (Pollitt et al. 2004). In a study of autonomization of public agencies, Pollitt et al. (2004) argue that even though there is no causality between autonomization and organizational performance, there is a correlation. Furthermore, in another comparative conceptual review of autonomization, Verhoest et al. (2004) argue that the empirical link between autonomization and organizational performance is rather weak, but important. A relevant question, therefore, is: to what extent has autonomization been used to secure the VFM interest of the SIC? As a company listed on the GSE, profitability and dividends are the main measures of VFM performance. At the end of the fiscal year 2004, the annual independent financial audit report of the SIC indicated that it had a Gross Premium Income (GPI) of GH¢2,544,160,000.00 . This figure improved to GH¢3,638,870,000.00 at the end of the fiscal year 2005, representing a positive outcome.

At the same time, Profit before Tax (PBT) decreased from GH¢327,280,000.00 in 2004 to GH¢248,250,000.00 in 2005. The company made a Profit after Tax (PAT) improvement of

GH¢226,340,000.00, however, compared with the 2004 figure of GH¢170,880,000.00 (SIC, 2005). The 2006, 2007, 2008 and 2009 annual independent audits of financial performance all indicate profitability.

Table 8 Annual Profitability of the SIC from 2005–2009

Year	2005	2006	2007	2008	2009
Amt.	GH¢226,340,000	GH¢295,190,000	GH¢37,060,000	GH¢170,950,000	GH¢178,930,000

Source: Adapted from SIC 2005–2009 Annual Audited Financial Statements

Table 8 above shows consistent profitability in the five-year period. It also shows positive percentage increases in the profit margins since 2006. The company was thus able to pay a dividend of GH¢372,930,000.00 to government, as compared to the GH¢182,800,000.00 it paid in 2004 (SIC, 2005). This picture of financial performance has continued ever since. In 2006, the GPI was GH¢4,458,180,000.00 representing an increase of 22.51% over the 2005 figures. Also, the PBT for 2006 was GH¢401,950,000.00, while PAT was GH¢295,190,000.00 (SIC, 2006). In 2007, the year it was listed on the GSE, the SIC’s financial performance saw an 18.4% improvement in the GPI, closing at GH¢528,000,000.00. Similarly, the PBT saw a 98% increase over the 2006 figures, rising from GH¢40,000,000.00 to GH¢79,000,000.00. At the same time, the PAT increased to GH¢37,060,000.00 from an estimated low of GH¢29,000,000.00. As a result, the company once again paid dividends of GH¢22,335,430.00, representing 40% of its profit (SIC, 2007). The 2008 and 2009 financial statements all witnessed positive performances in the GPI, PBT and PAT, closing at GH¢170,950,000.00 and GH¢178,930,000.00 respectively. It can therefore be argued that financial performance as an indicator has been positive.

As an insurance company, the SIC is expected to excel in the business of providing leading insurance products and services to clients. This is the internal business perspective on the

Balanced Scorecard and, like the financial perspective, it represents a positive gain. Currently, the SIC controls over 40% of the insurance industry in Ghana, despite keen competition from private insurance companies. Moreover, the SIC has been a market leader in the introduction of new products into the insurance sector. In 2008, it introduced the Akwaaba Travel Insurance²⁸ policy and separated its life insurance from its non-life insurance in an effort to refocus and specialize in its core business. Furthermore, the SIC has been peer reviewed and, accordingly, awarded the prestigious Chartered Institute of Marketing²⁹ (CIMG) insurance company-of-the-year award from 2003 to 2007 continuously (www.sic-gh.com). It is the only insurance company to have entered, in 2008 and again in 2009, the CIMG Hall of Fame Insurance category, despite the highly competitive nature of the insurance industry in Ghana. It can therefore be concluded that from the internal business perspective, the company's performance has been positive. Increased autonomy is expected to improve service delivery by bringing services closer to the people. This performance and the CIMG awards lead us to conclude that the SIC has improved its service delivery processes.

The third indicator on the Balanced Scorecard besides the internal business perspective is the innovation and learning perspective. It examines indices such as staff training, innovation, technology and the creative means for continuous improvement. This perspective is particularly important in the case of the SIC because, before the liberalization of the insurance industry and the influx of private insurance firms, it had a monopoly of the sector. With the liberalization of

²⁸This is an insurance product specially designed for Ghanaians travelling and resident abroad. It was the first of its kind to be introduced in Ghana.

²⁹Established in July 1981 under the name Institute of Marketing Ghana, the name was changed in 1992 to reflect the current status of the Chartered Institute of Marketing worldwide. The mission is to deepen the interest of the marketing profession and that of its members and to ensure excellence in marketing practice in corporate Ghana and the world at large

the insurance industry, however, it was compelled to compete for clients just like the other private competitors. Liberalization as a national policy is a core component of the neo-liberal agenda of creating markets for the provision of public services (Evans and Shields, 1998; Hague, 2008; Gore, 2004). Even with liberalization, the SIC still holds a big market share of the insurance industry in Ghana. Furthermore, the SIC is redesigning several policies in anticipation of future events to include the introduction of new technology; broadening its consultation base; creating a retail outfit, broker relations outfit and corporate outfit; and extending into West Africa by the end of the year. The company, therefore, obtained a positive result in this perspective as well.

The final indicator on the VFM assessment is the customer perspective, which examines how customers perceive the company. In this area too, the company has made tremendous improvements. It has also embarked upon an expansion and technological improvement program with the sole aim of serving its clients better. In fact, the CIMG awards serve not only as a peer review mechanism, but also a customer service barometer, considering the large spectrum of people involved in voting for the winners.³⁰ It can therefore be inferred from these selection criteria that both the customers and peers of the company not only view it favourably but have also consistently voted for it and its services over the years. The Balanced Score card assessment further leads one to think that the SIC has achieved a positive VFM performance evaluation and assessment. The expectation is that “the basis for giving agency heads increased financial autonomy was the fact that the state enterprise partly or fully raised its resources through sales proceeds” (Christensen, 1999, p. 11).

³⁰The CIMG bases its assessment on marketing and technological innovation, level of sophistication and geographical coverage, marketplace success, market share and growth, customer care schemes and enhanced services provided.

What is remarkable about the VFM performance of the SIC, though, is that even before 2007, when it was listed on the GSE and was solely owned by the government, it still made profits every year and paid dividends to the government. Purely public ownership did not preclude it from making profits and did not have a negative impact on its VFM performance, calling into question the argument that the business of government is not business (World Bank, 1995). The performance elucidated above, therefore, shows that in the case of the VFM performance of the SIC, the theory that autonomization leads to better VFM performance holds true. Autonomy as a reform tool for the SIC has thus improved its operations, its management and, finally, its performance. As was indicated at the outset, however, performance is more than a narrowly conceived neo-liberal VFM. We are also interested in the reform process and, accordingly, the democratic governance indicators that are very important in the public sector. The following section examines how autonomization secures these democratic governance values.

7.5 Governance, Institutional Reforms and Policy Outcomes

This section will mostly depend on the field interview responses and the literature to assess the DG performance. As the OECD (2005) argues, “greater openness can have a positive effect on performance” (p. 3) of public agencies. It is important to examine the extent to which these principles of democratic governance were either upheld or ignored in the reform process and, subsequently, how they have affected the post-reform performance of the SIC. The listing of the SIC on the GSE has enhanced its public consultation and involvement because it means that the company is mandated to hold an Annual General Meeting (AGM) every year for citizens and stakeholders to engage, ask questions and seek answers from the managers of the SIC. This consultation process even extends to the appointment of the BOD, which has to be approved at

the AGM. During the field interviews, an official explained that as part of the reforms and “by the regulations of the GSE, stakeholders and not just the government appoint the Board members in consultation with the management of the company.” Even though there are instances where the government is expected to consult the Council of State, which is a political institution, on certain appointments in the SOE governance sector, this is one of the few instances where the management of the company and the workers union is directly consulted in the appointment of the BOD of an SOE in Ghana.

It is uncertain whether all the stakeholders attend the AGMs, understand the financial statements or are able to make any meaningful contributions to the operation of the company. What is important, however, from the perspective of democratic governance, is that they are given a platform on which to be engaged, informed, consulted and reported to on a yearly basis. Such a process is a good opportunity for public participation, consultation, involvement and consensus building. It also gives the government, as the largest stakeholder, as well as the CEO and the Board Chairman, a platform on which to directly face other stakeholders to address their concerns. The AGM is not the only platform used to engage citizens and stakeholders. As another interviewee indicated to us:

“Special seminars and public forums are held throughout the country annually, all addressed by the CEO, to reach out to stakeholders, listen to their concerns and act on them. We use these seminars and public forums to explain our business to stakeholders, let citizens know what we are doing in their communities and explain our contribution to government policies.”

Martin (2009) describes similar efforts in the U.K. Next Steps agency process as attempts to give legitimacy to public organizations, build trust with citizens and, most importantly, respond to requests by citizens to be engaged, informed and consulted on the level, quality and types of

services provided by public organizations. It is apparent that the SIC has improved in the core areas of public consultation and participation through the holding of AGMs.

Apart from consultation, the next DG indicator to be examined is accountability, which is a cornerstone of democratic governance and public administration. Power (2005), for instance, makes a direct link between accountability and improved organizational performance by insisting that there is no direct correlation between performance measurement and accountability. Power (1999) further argues that “more accounting and auditing does not necessarily mean more or better accountability” (p. 127). This is because “governments everywhere are under increasing pressures to be both more productive and more effective — to achieve not only the greatest degree of economy and efficiency, but also to secure desired outcomes in respect to economic and social developments” (p. 45). Despite the absence of a direct link between accountability and performance, the absence of accountability provides potential reasons for abuse of power, misuse of public resource, impunity and finally, a lack of accountability (Aucoin and Heintzman, 2002). However, with regards to the SIC, the AGMs were used as another accountability platform because the BOD and management of the SIC had to present their accounts and performance records to the AGM for approval by stakeholders. The AGMs therefore served as an accountability platform of the SIC.

The quest for autonomy and freedom to manage that has come to characterize the reform of SOEs gives greater urgency to accountability questions and concerns in a democracy. Through reforms, power and authority are devolved to managers of these SOEs, who are then expected to use this power to achieve set targets and performance indicators. An accountability to achieve synergy is thus created in SOE reform. In theory, accountability and transparency measures are entrenched to ensure that public agencies (SOEs) operate within their prescribed constitutional

and statutory boundaries; that the public interest is upheld and protected all the way; and that public administrators are finally held accountable to citizens for their actions and inactions (OECD, 2005; Barberis, 1998; Romzek and Ingraham, 2000). This is why, despite the accountability for results claims of the NPM, normative accountability concerns about the control and protection of the public interest against misuse and accountability to citizens still remain very important in public administration reform. Similarly, accountability for results is a cardinal requirement of the NPM and is supposed to substitute for direct bureaucratic control and accountability for processes and procedures. Thus, it can be concluded that the impressive VFM performance of the SIC demonstrates its accountability for results. Both the AGM and operational results therefore enable the SIC to perform and meet its normative and even empirical accountability demands and aspirations.

Next to accountability in the DG process is the quest for greater transparency. The annual financial accounts of the SIC are audited by an external auditor and presented to stakeholders. This external accounting demonstrates transparency, since the independence of the auditors acts as a second layer of reassurance that the interest of the stakeholders is protected. Furthermore, the SIC publishes all of its annual financial statements, quarterly reports, performance appraisals and projections in a timely manner on its website, where they are easily accessible through a simple Internet search. In this way, more quantitative and qualitative information about the company is made readily available with which to monitor its performance. Davis (2009), writing on ethics and standards of conduct in the public sector, argues that such efforts, which he labeled as e-governance, have been used to increase the degree of transparency in the public sector.

Similarly, writing on public engagement efforts in the U.K., Martin (2009) argues that “public agencies often want to keep control and have the last word; they are therefore naturally

cautious about engaging with groups who might pose a serious challenge to existing ways of doing things” (p. 285). The example of the SIC, however, shows the direct opposite. It wants and is eager to tell its story and to involve and engage with its stakeholders as if purposefully demonstrating that the company is transparent with nothing to hide. Finally, there are independent members on the Board of Directors who are not appointed by the government. These people can also serve as another layer of checks and balances on the Board to ensure that the government does not use its appointees to do its bidding. These efforts mean that stakeholders can have a fair idea as to what is happening at the SIC at any time.

One of the main challenges of SOE reforms is their unintended cost to the public. Specifically, issues of retrenchment and employee layoffs — among the immediate effects of reforms — are very sensitive in Ghana, with its high level of unemployment. Firing and workers can make a government very unpopular, and for this reason it almost always resists these actions. This issue, though local, has broader ramifications in administrative reforms, as public servants aspire to protect their privileges and entitlements in the wave of massive reforms aimed at reducing the size of the bureaucracy. Being cognizant of all of these measures puts us in a position to determine and assess the equity/fairness indicators of the SIC’s corporate governance. Despite this general positive outlook, however, one area that demands further analysis is that of job security, which can be an issue of equity, fairness and responsiveness for any SOE. As we have already indicated, SOEs in Ghana were created to provide jobs to citizens. Similarly, the profit motive of neo-liberalism means that managers are almost always eager to reduce the labour force in order to boost profits. It is therefore necessary to examine the impact of these layoffs in the reform process.

The question is, have the layoffs achieved their intended objectives of making the company more efficient and effective? Second, has the company devised other ways of ameliorating the adverse impacts of the layoffs on Ghanaian society? In the case of the SIC, the answers to these questions are generally positive. For instance, it continues to make profits and pay 40% of its dividends to the government yearly. This is money the government can use to create critical infrastructure, such as roads, hospitals, schools and better health care for the general populace. These funds can thus also be seen as some compensation for the jobs lost. Also, the positive financial performance of the SIC means that it does not receive subvention from the government, and that it pays taxes. As was indicated in Chapter Four, all of these factors constitute added financial resources for the government and, by extension, the public. Moreover, records show that some of the workers who were retrenched were reemployed, some as agents, upon the expansion of the business (SIC, 2005). The SIC thus scores a positive mark in the area of equity and fairness to stakeholders and citizens.

As indicated at the beginning of this chapter, the new *Insurance Act 2006* (Act 724) dictates that all insurance companies decouple their life insurance from non-life³¹ businesses. The SIC has duly complied and established the SIC Life Insurance Company specifically to deal with life insurance (SIC, 2007). Furthermore, interviews at the National Insurance Commission (NIC), which is the regulator of the insurance industry, reveal that the SIC “has never been sanctioned due to violation of the insurance code and duly submits all statutory requirements on time.” In other words, the SIC is a law-abiding company that conducts its business in keeping with the rule of law. Sustainability and commitment to reform have therefore meant that it has not been plagued by the reform abandonment syndrome that characterizes SOEs at changes of

³¹This is insurance of goods, services and institutions, except human life.

government in Ghana. Similarly, the government has mostly respected the corporate arrangements at the SIC and has refrained from undue political interference.

The last DG indicator to be examined is strategic leadership. The healthy VFM and DG status of SIC mean that it has good leadership to manage the company. The question then is what has the management got that others (GWCL) have not got? First of all, it is important to re-state that the BOD of SIC is not all appointed by the government. There are other independent members on the Board. It is therefore possible to talk about board independence as an important element and factor to SOE performance.

Broussine (2009), writing on the significance of leadership in public sector governance, indicated that the organizations that perform better are those whose leadership can engage citizens and navigate institutional and structural barriers to solve difficult organizational problems. DG indicators qualify as difficult problems, and the ability of the leadership of SIC to achieve them is impressive. From this perspective therefore, it can be stated that the leadership of SIC has full managerial autonomy over finance, human resources management, budgets and other areas, and that they have used their independence and quality composition to steer the company successfully. Apart from the creative adaptation of reforms at the SIC, it can also be stated that attempts to respond to critical governance and contextual factors have had a direct impact on its operations and resulted in impressive performance.

7.6. Discussion, Summary, and Conclusion

There are genuine concerns in the academic literature that autonomization weakens the bonds of accountability and leads to the hollowing out of government services and increased fragmentation, while hampering the creation and provision of seamless services (Pollitt et al., 2004). Increased autonomy might also risk pushing normative political problems to the

background with a narrow focus on empirical VFM results. Finally, autonomy might also lead to the public's confusion as to whom to hold responsible, reward or punish when public organizations fail to meet stakeholder expectations.

The foregoing review and analysis of the adoption and implementation of autonomization show that these assumptions are not sustained in the case of the SIC. On the contrary, the SIC has been able to use its structural, financial and legal autonomy to improve its VFM and democratic governance processes, and it is still one of the best-managed and most profitable insurance companies in Ghana. This assessment is supported by the annual CIMG awards that have honoured the company. Achieving this award for the past five years consecutively speaks volumes about both the reforms it has pursued over the years and the results of those reforms.

Moreover, certain features of the SIC protect it from the urge by politicians to directly interfere in its internal operations. As has already been indicated in the previous two chapters, governments in Ghana are unwilling to grant total freedom to SOEs that deliver critical social services like water and postal services. In fact, Larbi (2004, 1998) and Sakyi (2008) came to similar conclusions based on research in Ghana. Compared with the water and the postal sectors, therefore, most Ghanaians can and do live without insurance and the insurance sector is not a politically sensitive sector. The extended family system provides insurance, especially in rural areas, making insurance the preserve of the few in the urban centres. Furthermore, low salaries mean that most people do not even save, let alone insure their property. The SIC is thus not politically sensitive, at least not compared with the GWCL and GP, which could explain why it was given the freedom and autonomy to operate and manage. That means that its task specificity and context fit with the reform tool adopted for its restructuring.

The study also established that the insurance sector is also conducive for autonomization and the freedom to manage because the SIC can and does choose its customers. Due to intense competition in the insurance sector, the SIC is compelled to use competitive costs and superior insurance products in order to remain competitive and a market leader. Fortunately unlike GP and GWCL, it does not need government or any external agency approval to determine its premium rates. Nevertheless, the efficiency of the management of the SIC, both as a wholly publicly owned SOE and, now, a mixed-owned company, cannot and should not be underrated. After all, there have been publicly owned hotels and other businesses in Ghana that were managed poorly and had to be either sold off or liquidated (SEC 1995, 1998). However, a number of issues worked to the advantage of the SIC's reform. Even when it was fully owned by the government, it had the freedom to determine insurance rates and the remuneration and incentive levels of its workers, and it had a strictly principal-agent relationship with the government and other stakeholders that was respected by both parties. Plus, the SIC has been given added managerial freedom as long as it brings in money for the government in the form of dividends and avoids negative media coverage.

Once these goals were accomplished, politicians over the years had no cause to interfere with a winning team. In the case of the SIC, therefore, we are in a position to state that there is a strong empirical and theoretical link between autonomization and increased VFM performance. From this perspective, the study also found that one of the most important reform efforts was the creative adaptation of autonomization, first and foremost, to fit the financial sector, and secondly, to fit the level of competition in the insurance industry. And finally, the fact that the SIC makes positive returns on its investments and brings in much-needed resources into the government

financial chest speaks to a certain high level of alignment between the needs and expectation of reformers and organizational needs.

At this stage, the study can also state that under certain circumstance (context, task-specificity and creative adaptation), autonomization can and does lead to improved democratic governance performance values in the reform process. Autonomization as a governance and reform tool can secure both the VFM and the democratic governance objectives of SOEs. That means that DG and VFM can be mutually inclusive and that one must not sacrifice DG just to achieve VFM. This consideration therefore discredits the neo-liberal theory and construct, which calls for VFM as an absolute.

In conclusion, what distinguished the SIC from the previous two cases is that the reforms were crafted to suit both the structural and institutional culture and needs of the company. Such a creative adaptation is very significant and insightful, and it contributes to the success of the SIC in particular and to the literature on SOE reform in general. There was also a deliberate attempt by policymakers to creative adapt autonomization to fit the delicate but important political, administrative, theoretical and even conceptual contexts and contingencies of both the SIC and policymakers in Ghana. What is not in dispute, in our view, is that reformers and managers of the SIC see the need to address issues about context, governance and task specificity as they strive to reform and restructure SIC. These successful outcomes (VFM and DG) therefore give credence to the IRM model proposed and developed in Chapter Two. The next chapter will bring the study to a conclusion.

Chapter Eight

Findings and Results: A Comparative Multi-Case Analysis

“Magical keys to reform success are few and far between. Reforms need strong political backing, mass support, and competent inside facilitation. Reformers need to take their time and accept what they can achieve even if the results fall short of their intentions. Above all, they must not give up when the going gets tough; persistence will eventually succeed.” (Caiden 1999, p. 815)

8.1. Introduction

After reviewing the literature on administration reforms, conducting face-to-face interviews and examining empirical data of three multi-case studies, this thesis now turns to a simple objective; to explain and critically examine what the foregoing data and discussion reveal. This final chapter therefore provides a summary of the study as a whole and extracts and explains the major findings. The central argument of the research is that neo-liberal and governance models for the reform of public sector organizations are reductionist and thus limited in their ability to explain a phenomenon that is highly complex and has different multi-dimensional levels and impacts.

Accordingly, it was argued that the time has come to propose, develop and advance a more inclusive and integrated approach to public agency reform, one that is capable of addressing the competing and even conflicting efficiency and governance objectives of public agencies. The Integrated Reform Model (IRM) developed here is therefore a response to the call by governance scholars, such as Shields and Evans (1999), to create a post-neo-liberal and governance reform model that meets the expectations of students of modern public administration who, on the one hand, care about efficiency and effectiveness in the management of public organizations, but who, on the other, also want a participatory, transparent and accountable new public organization.

The chapter is organized as follows. The first section provides a summary of the study and involves revisiting and re-examining the major political, economic, theoretical and ideological drivers of administrative reforms, especially in developing countries. This leads to section two, which presents a comparative post-reform VFM and DG performance evaluation and analysis of the three cases. Section three analyzes the major theoretical and empirical findings with a view to situating the study within the theory and literature of administrative reforms. Section four discusses the various institutional and capacity challenges encountered in the reform process and post-reform monitoring and evaluation efforts, and so examines the conditions that make institutions hospitable or hostile to new reform ideas and changes in Ghana and other developing countries. The final section provides a summary and conclusion.

8.2. A Summary of the Study

As indicated in Chapter One and elaborated in the following chapters, when policy makers and practitioners strive for more effective ways and means to reform and restructure underperforming public agencies, a dilemma arises between the competing commercial and governance objectives of public agencies that makes the reform process more cumbersome. These competing and even conflicting objectives have presented theoretical, empirical and conceptual implications and challenges for the making of policies, the implementation of reforms and the post-performance evaluation of SOEs. It was hypothesized in Chapter One that neo-liberalism and governance approaches are inherently reductionist and incapable of explaining administrative reforms in different countries. It was further hypothesized that the politico-administrative environment within which reforms are adopted and implemented directly affects the adoption, implementation and post-reform evaluation process. Finally, it was emphasized that in the case of SOE reforms, their commercial and social objectives should be conceptualized as

mutually inclusive. For these reasons, the present study advocates for innovative approaches to administrative reforms, ones that are comprehensive and flexible and yet take into consideration the structural, institutional, historical and administrative experiences of the implementing countries.

Chapter Two turned to the challenge of the search for such an important but elusive comprehensive approach. It critically examined the literature that has provided reformers with the ideological, theoretical and even philosophical rationales for administrative reforms in both developed and developing countries. The analysis of the literature on neo-liberalism and democratic governance brought forward 10 VFM and governance variables crucial to the SOE reform effort that were used to develop the IRM as a more inclusive, democratic and efficient approach to SOE reforms. The objective was to suggest a better theoretical and normative approach that would maximize the benefits of both the neo-liberal and governance approaches while minimizing their weaknesses in SOE reforms and post-reform performance evaluation. In the IRM, such an approach was found.

Chapter Three discussed the various methodological approaches used in the collection of data for the dissertation and the essential aspects of the process of categorizing this information, based on the variables derived from the review of the literature. The study is essentially a multi-case study, focusing on three different cases in three different policy sectors in Ghana. In essence, the multiple techniques used in obtaining the data widened our understanding of the various constraints — practical, philosophical and ideological — that policy makers and practitioners in developing countries face in administrative reform efforts. For instance, the interviews provided a window for understanding the challenges that practitioners must deal with as they strive to comprehend and put into action policy ambiguities, as well as a window for

recognizing the conflicting value expectations of policy makers and international organizations in the reform process (Howlett and Ramesh, 2003; Wu et al., 2010). These and other constraints are often ignored in the literature on administrative reform in developing countries, but they are soon brought out into the open through interviews with practitioners.

Chapter Four provided a descriptive background account of the development of SOEs with regard to their evolution, problems and reform efforts in Ghana. It situated SOEs within a continuous struggle to use what can be referred to as the “might of the state” for various purposes: to engineer national development; to venture into places where the private sector was unwilling or unable to go; and to engage in nation building in order to, as one politician in Ghana put it, ‘capture the commanding heights of the Ghanaian economy’ (Gyimah-Boadi, 1991; Killick, 2010). The chapter also situated current SOE reforms within the SAP and showed how that circumstance has produced the excessive but limited VFM focus of SOE reform today (Kraus, 1991; Jeffries, 1991). Chapter Four was also used to drive home a nuanced understanding of a key feature in the SOE reform process, namely that SOEs are fundamentally like any other policy instrument at the disposal of policy makers and are to be used for political, social, cultural, commercial and economic purposes as and when deemed fit.

Chapters Five, Six and Seven brought together the developed IRM, the interviews and the empirical data to undertake a comparative, multi-case analysis of the reforms in three different policy sectors: water supply (GWCL), postal service (GP) and insurance (SIC). Specifically, these chapters used CDA to examine these particular cases in the light of the VFM and DG variables developed in Chapter Two. In each case, the history of the enterprise’s reform was provided in order to demonstrate the different trajectories and circumstances that informed and drove reform efforts. The institutional and structural problems associated with the adoption and

implementation of the reforms was also discussed in order to situate the reform efforts within the particular policy sectors for a closer analysis. This approach led to a better understanding and appreciation of the emergence and adoption of the competing governance and neo-liberal paradigms in reform efforts. The analysis also unearthed the challenges associated with using the same approach and models to reform different SOEs in different policy sectors. In all these efforts, concerns about the context, governance, adaptability and suitability, or what is referred to as task-specificity, of these SOEs were emphasized, in contrast with the narrow neo-liberal emphasis and performance mentality (Barzelay, 2001; Ferlie et al., 1996).

These chapters have now brought the study to the point where it is possible to make a comparative post-reform performance evaluation and analysis of the three cases.

8.3. A Comparative Analysis of the Cases

This section uses the empirical data gleaned from the three cases to conduct a VFM post-reform performance evaluation. Table 9 shows that — contrary to the neo-liberal theory of uniformity of adoption, implementation and outcomes — the adoption and implementation of CDA does not lead to improved organizational performance. It also shows that only some aspects of CDA — in particular, autonomization — can secure improved VFM performance. This study therefore finds that empirical indicators of VFM tend to be enhanced by the delegating of more and improved managerial and policy autonomy to SOEs (like SIC) and vice versa.

Table 9: A Comparative Profit/Loss of GWCL/AVRL/SIC and GP from 2005 to 2009

Financial Year	GWCL	SIC	GP
2005	Loss	Profit	Loss
2006	Loss	Profit	Loss
2007	Loss	Profit	Loss
2008	Profit	Profit	Loss
2009	Loss	Profit	Loss

Source: Adapted from Annual Audited Accounts of GWCL, GP and SIC

These empirical findings agree with those of recent studies in the field of administrative reforms, and thus further demonstrate that VFM is not a panacea for improved organizational performance in the public sector. For instance, in major international studies on CDA in Europe (Pollitt et al. 2004; Verhoest et al. 2010), North America (Graham and Roberts, 2004), developing countries (Caulfield 2004; Talierco Jr. 2004) and Ghana (Sakyi 2008; Larbi 2004; 1998), researchers and scholars of administrative reforms have noted the lack of an empirical link between the adoption and implementation of CDA and improved organizational performance. The findings presented here re-emphasize and complement these studies, and they further call into question the bias of the VFM approach to SOE reforms. What can be taken from these results is that in the case of administrative reforms and the choice of reform tools, it is not enough just for certain tools to be adopted and implemented: they must also be adapted to fit particular organizational and structural needs.

The empirical findings of this study therefore reinforce the dissertation's core argument that the neo-liberal-inspired approaches to SOE reforms are narrow and limited in their approach, appeal and actual policy outcomes. The findings further give credence to the core argument made in the study that policy makers should not merely adopt policies but should also adapt them to suit the specific managerial, organizational, structural and cultural needs of their individual administrative and political systems. In short, the comparative VFM findings above demonstrate that one-size-does-not in fact fit every case and, in so doing, further reiterates the need for the creative adaptation of reforms in order to meet the contextual needs of public organizations. Ultimately, these findings indicate that magical bullets are scarce and even non-existent in the reform process.

Similarly, Table 10 below describes the results of the post-reform DG performance evaluation of the three SOEs, which were measured against the same critical governance imperatives discussed in the previous chapters. As was the case with the comparative results of the VFM evaluation, the question that immediately emerges is, how do similar public agencies, using identical neo-liberal reform tools (CDA) in the same politico-administrative system, produce different results and political outcomes? The answer becomes clear when it is realized that even though the neo-liberal theories are global in appeal, their application and results are mainly contingent, local and particularly sensitive to the environment within which they are adopted and implemented. A direct relationship or at least a correlation can therefore be established between the VFM and governance imperatives in SOE reform.

Table 10: A Comparative Examination of Democratic Governance Indicators of Three SOEs in Ghana

	GWCL	SIC	GP
Accountability/Transparency	Negative	Positive	Negative
Consultation/Participation	Negative	Positive	Negative
Rule of Law	Negative	Positive	Negative
Responsiveness/Equity	Negative	Positive	Negative
Strategic Leadership	Negative	Positive	Negative

Table 10 thus supports the assertion — stressed throughout this study — that the adoption and implementation of CDA might be necessary for SOE governance and reform, but will by themselves be insufficient to support improved SOE governance imperatives. What is surprising, however, is how the VFM performance parallels that of the democratic governance values, and thus strengthens the case for the closeness of the two variables and their mutual inclusivity. Based on this closeness, a correlation can be established between the commercial and social objectives of SOEs. Thus, instead of seeing these objectives as standing poles apart, policy makers would do better to consider them as part and parcel of the reform process and as enablers in their own right of improved performance.

Finally, public administration in general and reform in particular are replete with contradictions, proverbial scenarios and unavoidable concessions (Simon, 1946; Pollitt and Bouckaert, 2011). Hence, a good proportion of “the most fundamental choices in public management involve tradeoffs or balancing acts between different underlying values or principles” (Pollitt and Bouckaert, 2011, p. 218). Questions such as do we want to and should we focus more on VFM or on governance imperatives, effectiveness or equity have long confronted both academics and practitioners of SOE reforms. In this dissertation, and based on the foregoing comparative analysis, it was found that the impressive VFM and DG performance of the SIC in particular proves that results, objectives and values are not necessarily mutually exclusive but in fact quite accommodating and even supportive of each other. In fact, based on the comparative findings above, it can be argued that improved DG performance leads to better and improved VFM performance and vice versa. Policy makers, practitioners, scholars and students of public administration will therefore be better served if they put as much effort into the DG efforts as they put in the VFM approach.

The above findings therefore further expose the inherent weaknesses of the VFM and DG as stand-alone and linear approaches to administrative reform efforts in developing countries. The next chapter takes up this issue in more detail. But for now, it will be useful to situate the analysis within the prevailing theory on administrative reforms.

8.4. Specific Empirical and Theoretical Findings

Drawing mainly upon the comparative empirical data discussed above and other, external sources, this section situates the study within the prevailing literature and theory of administrative reforms. One of the study’s main empirical findings is that empirical indicators of VFM —efficiency, effectiveness, economy and profitability — tend to be enhanced by the

delegating of more and improved managerial and policy autonomy to SOEs (like SIC) and vice versa. Nevertheless, the story and its explanation are much more nuanced than that. First of all, it was observed that the complete transfer of managerial and policy autonomy to arm's-length public agencies is difficult in politically sensitive public organizations, such as GWCL and GP, but easier in less politically sensitive organizations, like SIC (Larbi, 2004). This is because in most developing countries, and because of their usually high poverty levels, governments are unwilling to allow the market forces of demand and supply to determine the provision of such critical public services. Also, as was explained in Chapter Four, these public agencies are still critical policy instruments that are used to implement ambiguous and unclear public policies (Inwood, 2012; Howlett and Ramesh, 2003). Therefore, markets remain inadequate to provide these critical social services. Hence, this inadequacy explains the need and tendency for governments to directly intervene, especially in the areas of the financial costs and affordability of critical social services such as water and postal services.

This study therefore establishes that, *ceteris paribus*, the neo-liberal CDA approach is better for non-politically sensitive sectors of the economy and public organizations, such as finance, insurance, and banking, but not politically sensitive sectors that directly affect ordinary citizens and other stakeholders, such as water, health care, education, public transport and postal services. A major finding therefore is that because of various considerations — those of structure, the nature of the goods/services produced, and their relevance and sensitivity to the political, social and cultural effects on citizens in a polity — not all public organizations are suitable for the hands-off and arm's-length neo-liberal approach to their reform. This assertion will meet with dissent from public choice theorists, who advocate the private production of public services wherever possible “in order to reap the benefits of competition in terms of price and quality”

(Wallis et al., 2007, p. 59). Neo-liberals in general and most members of the political right will also disagree with this finding because of their belief that the market has solutions that are better than those of the state (Harvey, 2005; Williamson, 2004). Yet the evidence in this study clearly demonstrates that competition and price alone are inadequate to secure the needs of citizens in the production and provision of critical social services.

Similarly, the study also found that where it is possible to clearly identify, quantify and measure the empirical and tangible results of public organizations, the neo-liberal CDA model is relatively better positioned to enhance and deliver increased VFM performance (Talbot, 2010; Radin, 2006). This finding agrees with the view of Pollitt (2009), who argues that “the more ambitious or difficult it is to measure the outputs, the more challenging is the role of the supervising ministry” (p. 257) in ensuring better performance of public organizations. In the case of the SIC, for instance, because its core task and outputs (the selling of insurance products) can be measured and quantified, it is relatively easier to obtain what is referred to here as a ‘chain of goal setting and accountability regimes’ that can spur on improved VFM performance. This chain means that the government can, and does, set definite financial goals for the BOD of SIC who, in turn, can set similar goals for senior management, and so on down through the hierarchical levels of management and thus through the organization from top to bottom. This chain of goal setting and extended managerial flexibility and autonomy also entails other benefits, such as the ease of establishing rigorous internal reporting, evaluation and control systems to ensure accountability for results and transparency (Erridge, 2009; Bouckaert and Van Dooren, 2009). The measurement of empirical and tangible results can therefore lead to better and improved accountability, transparency and, in the final analysis, superior organizational performance.

Performance management and measurement efforts are a cornerstone of the NPM, and they have been presented as better ways of improving accountability for results and outputs, not processes and rules to improve organizational efficiency (Halachmi, 2005, 2002; De Lancer Julnes, 2002; Nyhan and Marlowe, 1995). On the other hand, it follows that empirical performance targets and the resulting clear lines of reporting and accountability will be difficult to establish in cases of those SOEs, such as GWCL and GP, whose outputs cannot be easily quantified. Thus, the governance scholar Barbara Carroll (2000) has argued that because public sector goals are indivisible, ambiguous and even contradictory, it is difficult if not impossible to apply the use of and strict adherence to performance management and measurement efforts.

In short, CDA is not properly equipped to mediate the various critical factors in these sectors — social objectives, political considerations and cultural questions — that are inherently unquantifiable and indivisible (Carroll and Dewar, 2002; Radion, 2006). The NPM maxim that if you can't measure it, you can't reform it, therefore fits with the neo-liberal approach to public agency reforms. Furthermore, the study found that the higher the sensitivity of the public organizations, such as is the case with the water sector, the higher the risks of frictions, confusion and problems at the policy making, implementation and evaluation stages. These challenges have a major impact on managers of these SOEs, who have to address them on a daily basis, and they therefore make it extremely difficult to exclusively use hierarchical contracts (GWCL) and market mechanisms (GP), which are based on the establishment of clear lines of authority, measurable and quantified price targets and other economic indicators to reform and restructure politically sensitive SOEs such as GWCL and GP.

Another noteworthy finding of the study is that public organizations that have “a high degree of face-to-face interaction with large group of users, like agencies in the welfare and

social policy area,” (Verhoest et al., 2010, p. 267) are difficult to reform using the neo-liberal NPM approach. This finding supports the poor performance of the GWCL and GP, which are not only classical cases of face-to-face SOEs but also provide social and welfare services directly to the public. This finding is also supported by numerous scholars who arrived at similar conclusions based on the examination of SOE reforms in different countries (Pollitt and Bouckaert, 2011; Pollitt, 2009). The lesson that can be learned from this finding is that market-based principles and ideas are sometimes difficult at explaining complex social, cultural and even political issues and situations. A need therefore exists to temper these neo-liberal approaches with a more democratic and governance approach in order to address the full spectrum of public organizations and services.

In major international studies on CDA in Europe (Pollitt et al. 2004; Verhoest et al. 2010; Verhoest et al. 2004), North America (Johnston and Romzek, 2004), developing countries (Caulfield 2004; Talienco Jnr. 2004) and Ghana (Sakyi 2008; Larbi 2004; 1998), researchers have noted and discussed the lack of an empirical link between CDA and improved organizational performance. They have also examined the inherent tensions between the VFM objectives of reforming public organizations using these neo-liberal models and the democratic governance values of public agencies. The present study contributes to this growing literature by stressing the need to align reforms to the structural, institutional, cultural and administrative needs and environmental contingency factors of the local adopting environment. It does so by going beyond the findings of the studies cited above — which seem to conclude that there is no empirical link between CDA and performance — in two ways: by adding that VFM and democratic governance values are not antithetical to organizational performance but complementary, and that, depending

upon the type of organization, its objectives, the goods and services it produces, CDA might lead to enhanced performance and vice versa.

Apart from these empirical findings, what are the theoretical implications of the comparative analysis and findings presented above with regard to public agency reforms? The neo-liberal literature on administrative reforms points to the superiority of the private sector's ideas and approaches over those of the public sector (Boyne 2003, Dixon et al., 1998, p. 168, Rainey 2003, Allison 2004). Similarly, Allison (2004) reasoned that whether in the public or private sector, the main challenge of a manager is the integration of resources to achieve tangible and quantifiable results. In fact, the managerialist belief and approach to public sector reform "is that there is a body of sound management practices applicable to the private sector that is generic in its scope and thus directly transferable to the public sector" (Dixon et al., 1998, p. 168). It is from this managerialist perspective that the narrow and reductionist VFM approach to agency reform emanates.

Yet by focusing on VFM and perceived managerial efficiency, this study found that these approaches (CDA) and theories (neo-liberalism) lack sufficient political legitimacy and trust in a polity. It is this lack of legitimacy that spurs on hostility and opposition by stakeholders to these neo-liberal reforms, as was demonstrated in Chapter Five. On the contrary, the study found the IRM to have political and democratic legitimacy because it agrees with the view that modern public management reforms is about not simply efficiency and effectiveness but also citizens who demand and deserve respect, fair representation and a voice in how their services are provided (Shields and Evans, 1998).

The study also indicated that SOE reform is an international phenomenon driven by neo-liberal theory and policy transfers using the NPM tools of the theorists and the aid and loan

conditionalities of the IMF/World Bank and other donors as levers of power and drivers of change (Mathiasen, 2005). In developed countries, the political ideological leanings of neo-liberalism, new institutional economics, public choice and the principal agency theorists have been at the forefront of this massive move to reform and transform public agencies (Dollery, 2009; Buchanan and Musgrave, 1999; Verhoest et al., 2010; Pollitt et al., 2004; Harvey, 2005; Wallis et al., 2007). While these forces are also in play in developing countries they are of limited impact, especially in Ghana. On the contrary and in reality, it is mainly the loan and aid conditionalities of the IMF/WB and other bilateral and multinational countries (OECD) that are the major driving forces behind these reforms (Killick, 2010; Hutchful, 2002; Martin, 1991; Kraus, 1991; Jeffries, 1991). This circumstance further demonstrates the undemocratic nature of the adoption and implementation of these policies and lays bare the role of power imbalances in policy transfer.

Paradoxically, the foreign forces that impose reforms on practitioners are also the same forces that lead to reform failures because of the lack of consultation and of the training and capacity building of practitioners to better understand these new and imposed concepts. For instance, the study has demonstrated how there was little or no consultation with and involvement of practitioners and even stakeholders in the adoption of the SAP policies and how that resulted in numerous challenges at the implementation stages. Other scholars have stressed the need to fully engage and involve local practitioners in both the reform adoption and the negotiation stage and to adequately provide training and motivation for the adoption of new policies (Larbi, 2008; McCourt, 1998). It is only when practitioners feel valued, involved, consulted and engaged in the reform process that they will feel motivated and have a sense of owning the reforms.

In most cases, it is precisely because of political, social and cultural reasons that policy makers are prepared to keep these agencies running even if they continuously operate at a loss (Killick, 2010; Gyimah-Boadi, 1991). Thus, despite the cogent economic and financial arguments for reform or privatization, governments in Ghana continued to keep loss-making SOEs like GWCL and GP because of their nation-building, societal-reengineering, cultural and political significance (Gyimah-Boadi, 1991). This finding makes the less- or limited-government and reduced-state argument and theory of neo-liberalism unrealistic, at least in the SOE sector, and especially so in cases where the private sector is non-existent or is unable or unwilling to move into sectors of the economy that are critical to nation building but are unlikely to be economically profitable. Under such circumstances, governments in both developed and developing countries and of liberal and conservative political persuasions are willing to use public agencies to make and implement public policies (Iacobucci and Trebilcock, 2012). Coming to terms with this reality will go a long way to improving and enhancing the reform process in a more holistic and comprehensive way than the current approach.

Concomitantly, the study supports what Verhoest et al., (2010) refer to as the “basic ideas of the task-specific and path-dependency theory” (p. 267) that is common in the reform and restructuring of public organizations using CDA tools. Basically, when researchers use path dependency in the social sciences, they understand there to be an explanatory power in the order or sequences of events prior to the observation of the outcome (Pierson, 2000; Mahoney, 2000). Path dependency therefore means that there is the need for sensitivity to events that take place in the early stages of an historical sequence and that subsequent historical processes have an impact on the final outcome of current events (Mahoney, 2000). In short, path dependency claims,

among other things, that “particular courses of action, once introduced, can be virtually impossible to reverse” (Pierson, 2000, p. 251).

In the present study, the application of path dependency theory means that — irrespective of modern neo-liberal theories of shrinking the state and limiting its role in the management of public organizations and provision of public services — the level of autonomy, freedom to manage and hands-off approach granted to post-reformed public organizations are strongly limited and shaped by the original intention of policy makers to use these organizations as policy instruments. The tight control and use of these SOEs in the past has therefore not changed, even though numerous reforms are being implemented with the aim of achieving just that: a structural separation of policy making and service provision. In reality, what the study found out is that the historical role of SOEs, especially in Ghana, has greatly shaped and continued to influence how policy makers view SOEs and the questions of what amount of real autonomy, authority and power should be transferred to their managers. This idea is supported by a large number of governance scholars who have studied the impact of neo-liberal reform theories and approaches in different countries (Pollitt, 2009; Van Thiel, 2009; Lægreid and Verhoest, 2010; Pollitt and Bouckaert, 2009). This study therefore finds strong support that task-specific path-dependency theory better explains the findings from these cases.

Another major finding of the study is that — whether in the “Next Steps” concept in the UK (Gains, 2004), “Quangos” in the Dutch government (Van Thiel, 2004) or “agentification” in Japan (Yamamoto, 2004) — patronage appointments of BODs and CEOs is a very common practice in the management and reform of SOEs. Patronage, the system of giving jobs based on whom you know not that you know, was evident in the management of all these three cases examined in the study. Considering how common the practice is in many jurisdictions, there is

no way of telling if it will end any time soon, and there does not seem to be any expectation, whether in the academic literature or during interviews with policy makers, that it will end anytime soon. The prime point of consideration, of course, should be the quality of the appointees, not their political affiliations or the circumstances of their appointments. When this approach is taken, then the right person with the right qualifications and expertise will be appointed. In view of the pervasiveness of the current practice, the assumption under the neo-liberal CDA, that sector Ministers/Ministries will simply wash their hands off the management of SOEs and concern themselves with broader policy issues, is naïve, especially when one considers the significance of the spoils system in public administration.

In conclusion and based on the foregoing comparative analysis, the study found that the impressive VFM and DG performance of the SIC in particular proves that results, objectives and, even values are not necessarily poles apart but, in fact, quite accommodating.

8.5. Capacity and Institutional Challenges to Administrative Reforms in Ghana

One of the biggest and most critical principal-agent challenges facing reformers of public agencies is how to simultaneously grant these agencies enough autonomy, freedom and flexibility while, at the same time, regulating and monitoring them to prevent moral hazards and opportunistic behaviours (Lane, 2005). In other words, the problems emanate from how to use the coercive regulatory powers of the state to enhance, not constrain, the management and operation of arm's-length public agencies. This balancing act is very important, because no matter how good the choice of a reform tool is or how well it has been applied, administrative reforms are not adopted and implemented in a vacuum but are usually situated within various administrative and institutional systems and cultures. For this reason, administrative systems need to have certain levels of expertise, qualities and skills in order to effectively adopt and

implement reforms. As a further consideration, the adoption and implementation of reforms usually lead to changes in the culture, norms and practices of administrative systems. Therefore, administrative systems that are flexible and resourceful and have highly motivated and well-trained personnel are better equipped to build a more hospitable environment for reforms and vice versa. The objective in this section is to critically analyze and examine the major institutional challenges that might make public organizations in Ghana inhospitable to new reform ideas and approaches.

The first institutional challenge that was realized was that most practitioners were not adequately trained to understand and implement the reform policies. Training, capacity building and continuous learning have all been recognized by scholars as very critical both to the reform process itself and to building an improved public service in most developing countries (Laking and Norman, 2007; Schick, 1998). Other scholars argue that engaging workers, consulting them and giving them a voice in the policy-making process play a large role in cultivating critically needed institutional support for reforms (Caiced, 1999; Laking and Norman, 2007). However, in the case of Ghana, interviews with senior management at both the GWCL and GP reveal that they were not involved in the negotiations and development of the MC and DM respectively. Further, and apart from their non-involvement, they were also not taught what new attitudes, demands and changes were expected of them once the reforms were adopted and implemented. In the case of both SOEs, the policies were also imposed on them with little or no input from management's perspectives and experiences (Larbi, 1998). When this happens, it creates hostility to their implementation because of fears among practitioners that these new reforms and changes will lead to the loss of jobs. Other scholars found similar negative and hostile attitudes toward imposed reform policies in the water and health sectors in Ghana and other developing countries

(Sakyi, 2008; Batley and Larbi, 2004). A more detailed and comprehensive training and capacity-building program that explains the new expectations, demands and cultural changes that will accompany reforms will go a long way to alleviating the fears of these mid- to low-level practitioners and, in the process, create a more conducive and hospitable environment for reforms.

Another major weakness in the reform efforts in Ghana is the poor state of the regulation, monitoring and supervision of reformed SOEs by state regulators, which has basically allowed BODs and senior management do as they wish. Even in the rare instances where regulators find SOEs wanting, good enforcement mechanisms are not in place to prevent future occurrences. Both deficiencies present a big challenge to the SOE reform program in Ghana. Regulation of public agencies before and especially after reforms can be conceived as a means of monitoring and controlling the outputs and outcomes of public agencies, especially those in contractual relationships with private firms (Aucion and Heintzman, 2000). This is especially important in preventing shirking and other opportunistic behaviours in arm's-length relations or principal-agent relations between government and (semi)autonomous public agencies or private firms (Wallis et al., 2007; Lane, 2005).

Within the discipline of public administration and the concept of governance in particular, regulation can be conceptualized as an accountability measure with several aims: tempering the value-for-money objectives of SOEs with their social and political objectives, improving organizational performance, and preventing the misuse of public resources (Aucion and Heintzman, 2000; Barberis, 1998). Regulations can therefore be conceived as purposive attempts by governments to build trust and assurances between government and citizenship in the delivery

of public services and the management of public organizations (Speers 2005; Yang and Holzer 2006; Bok 1997; Citrin 1974; Hardin 1998).

This consideration explains why the degree of deregulation and autonomy that politicians are expected to devolve to autonomous organizations has become a topic of great interest and much contention in the literature. However, despite the significance of regulations in the reform process, the study found that state regulators and monitors in Ghana simply do not have the expertise, resources and even personnel to be, on the one hand, enablers of reform and performance and, on the other, enforcers of accountability, transparency and the rule of law in the management of public organizations. The resource constraint at regulatory agencies in Ghana can be summarized in this complaint from a respondent at one of the state regulatory agencies in the SOE sector:

When I joined the Commission, at consultation all the consultants will be there to contribute to the negotiations because varied expertise and opinions are needed. But now because of the lack of personnel, senior management will select only one person to go and negotiate on behalf of the Commission. This gives the SOEs a numerical strength and negotiation leverage. So when you need to negotiate properly, it's not there because we are mostly not fully prepared for the negotiations considering the other party's resource and numerical advantage. So currently I don't think we are doing a very good job of negotiation these performance contracts between the SOEs and government. Because of that too, the workload becomes higher, leading to inefficiencies.

The above complain and poor state of regulations can partly explain the unimpressive performance of the GWCL and the GP and the inability of governments to hold them accountable for their results and performance. That then means reformers must also put more attention on the accountability, regulatory and supervisory role of state agencies in the SOE reform process.

Apart from the inability and lack of capacity on the part of state regulators to properly enforce performance contracts between the government and SOEs, the study also found that the lack of motivation, poor remuneration and general low morale among the staff of state regulators

has also led to the capture or poaching of key regulatory personnel by competitors in the private sector. According to Moran (2001), capture arises when a private or even public competitor uses better remuneration, compensation and general improved conditions of services to lure and attract critical but scarce skills away from the public to the private sector. The solution to this challenge lies in the complicated expertise, methodologies and even technologies that are often absent or inadequate at regulatory agencies in most developing countries like Ghana. Most of the managers interviewed at GP and GWCL and even the state regulators (SEC) complained bitterly about the lack of resources, broken down machinery (GP), appropriate technologies, methodologies and matching expertise to properly regulate the governance of SOEs and to attract and retain the right skills and expertise in the market. For instance, a respondent at the SEC complained that:

Currently we are only about 11 regulatory consultants. And the majority of us are in the performance monitoring and evaluation department, which actually does sub-work contracts. So to summarize the staff expertise and skills situation in a word or two, I will say it's very bad.

Another respondent at the Postal and Courier Services Regulatory Commission (PCSRC), the state regulator for the GP, complained that the agency was yet to get its full complement of staff because:

Staffing issues are waiting for approval from the Public Services Commission and the Ministry of Finance. As such, six years after it was created, there are only six out of the expected 21 staff at post now. This makes it very difficult for us to properly do our work.

During interviews, regulators also complained about low and shrinking salary rates and other benefits, which lead to low morale among personnel. Low morale, poor remuneration and the inability to attract and retain skilled manpower are deep-seated problems of public administration in most developing countries and have contributed in no small way to the current

state of the sector (Caiden, 1999; Schick, 1998; Laking and Norman, 2007). Paradoxically, where personnel were properly motivated and rewarded according to industry standards, as in the case of the SIC, and the result was improved VFM and DG performance, and the reverse is true of GWCL and GP. The SIC is regulated by the National Insurance Commission (NIC), which is better equipped and staffed and the leading institution of insurance regulators in the country. Interviews at the NIC indicate that it remains an employer of choice, attracts the best skills and expertise in the industry and pays prevailing competitive market remuneration for its staff. Also, the NIC is the leading training institution of regulators in the insurance industry in Ghana, so there is no fear of losing its experts to competitors. As a result, the NIC is better equipped to regulate the insurance sector, including the SIC, properly. The lesson to learn from this is that policy makers should put the same effort into enhancing the capacity of public regulatory and monitoring agencies if they are to play the crucial role of regulating and enabling reformed and restructured public organizations. The study therefore found a direct link between the core and quality of regulation and organizational performance.

8.6. Conclusion

What are the major findings of these three cases and of the study in general? First of all, these cases are neither mundane nor unusual (McNabb, 2010). They represent a wide spectrum of public agencies in developing countries; provide critical social services at the national level; have been at the centre of massive reform efforts; and were directly affected by neo-liberalism and NPM theories and approaches in their reform. They therefore represent real and practical cases of what reform tools and neo-liberal theory as a reform approach ought to be like. Their reform and post-reform performance, therefore, not only captures the dreams and aspirations of

policy makers, citizens and practitioners in modern public administration but also lays bare the contradictions and narrowness of the failed ideological and philosophical posturing.

The study also found serious institutional, administrative, capacity and general human resources challenges and weaknesses at both the agencies being reformed and among the regulators whose duty it is to monitor their performance. These challenges have led to low morale and lack of expertise at SOEs and the capture of the few remaining experts at most public regulatory agencies (Laking and Norman, 2007; Moran, 2001; Schick, 1999). The cumulative effect is that the lack of expertise to adopt and implement these reforms is accompanied by the inability of regulatory agencies to regulate and to monitor agency performance. If reforms are to be successful, policy makers must address these critical concerns before, during and after the reform process. The lesson from all this is that a demotivated and demoralized workforce with eroded moral values will be ill-equipped to improve the service delivery of public agencies and to maximize their efficiency.

Also, while they may be allowed to operate in a private manner, with more and increased freedom and leeway compared with traditional government ministries, SOEs are fundamentally not private businesses but policy instruments (Laking, 2005; Talbot, 2004). This point is important because, “they have public tasks, deliver public goods, implement public policies or serve public interests” (Van Thiel et al., 2012, p. 430). In other words, they have governance objectives that the neo-liberal approach, in its current state, is not well-equipped to deliver. Governments therefore need to be extremely careful “when formulating performance criteria or when having expectations about agency performance in measurable quantities, in order to avoid side effects and goal displacement” (ibid.), which has a demoralizing effect on policy makers and citizens at large.

The study has thus demonstrated that enhancing SOE performance requires the normal performance indicators in public administration, “the creation of a stimulating organizational culture with qualified, motivated, and committed employees and managers, appropriate governance structures and the right capacity” (Van Thiel et al., 2012, p. 419). Therefore, the creation of markets and the drive for VFM in public service provision as envisioned under neo-liberalism are just single aspects of the complex reform process. The fact is, for SOEs to be able to fully play the roles they were created to play, equal attention has to be given to governance concerns of equity, fairness, accountability, transparency and rule of law. In this way, we can have SOEs that “can be used everywhere, at all times and for all tasks” (Van Thiel et al., 2012, p. 419). That means that the key to successful SOE reforms lies in a holistic (IRM) approach, not a piecemeal one that seeks instant results.

With these findings in view, the next chapter draws conclusions from the study and offers some broad recommendations.

Chapter Nine

Significance, Limitations and Conclusion of the Study

“It would be wholly mistaken to draw the conclusion that public management reform [is] a meaningless charade, played only by the cynical or the stupid” (Pollitt and Bouckaert, 2004, p. 133)

9.1. Introduction

The analysis in this chapter returns to the key issues, questions and debates that were introduced in Chapter One. This concluding chapter begins by asking: what is the contribution of this study in relation to other research and theories on modern public administration reform efforts? The simple answer is that: when it comes to SOE reforms in developing countries, context, agency task-specificity and creative adaptation matter a lot. Not only do they matter, together, they represent the most important structural, institutional, political, and administrative contingency factors to consider if policymakers are to be successful in the reform process. They therefore constitute the core tenets and undergirding principles for the creation of citizen-centered, democratic, accountable and participatory public organizations that fit the needs of different politico-administrative cultures and systems.

These considerations are important because administrative reforms efforts are not carried out in isolation or limited to developing countries. They are mostly driven by deep-seated core beliefs, values and morals exhibited by policy makers in their efforts to improve the management of public organizations and the provision of public services. Hence, administrative reform efforts are part and parcel of the internationalization of public management reform efforts that aim at creating universal managerial and administrative convergences using private sector-inspired tools, concepts and models (Mathiasen, 2005; Hood, 1991, Pollitt and Bouckaert, 2004). Proponents of the internationalization of public management operate from an understanding that

certain specialized skills, scientific knowledge, best practices and ideas have proved to work in the private sector (Osborne and Gaebler, 1993; Borins, 1995; Barzelay, 2001; Ferlie et al., 1996). If these same skills, ideas and practices are then borrowed from the private sector and transferred into the public sector, it is argued, they will greatly improve the management, operations and functioning of public agencies and their operating systems. Adopting and implementing these globalized reforms therefore require skills, knowledge and expertise that are holistic and comprehensive, and, more importantly, a good knowledge of the implementing context in order to reap good policy outcomes.

We reached this conclusion by finding answers to three main questions that were advanced in Chapter One to guide the study:

- I. While a universal governance or neo-liberal model of administrative reforms exists, is the Integrated Reform Model proposed here feasible and, if so, what features should it have?
- II. When adopting this alternative model, what different structural, institutional and democratic contingency factors are relevant in different politico-administrative settings?
- III. Is the Integrated Reform Model, so developed, likely to be more effective in practical terms than the neo-liberal or the governance models? In what ways?

With regard to the first question, the study established that a dominant and universalist neo-liberal and governance approach to administrative reforms does exist and that an alternative was not only feasible but also practical and even comprehensively superior to the dominant two approaches to reform. The study also found that different political motives and values drive these dominant and universalist approaches to reforms and are mostly couched in the language of a minimalist versus an interventionist state. For the second question, the relevant contingency factors were found to be the VFM and DG indicators discussed in Chapter Two. They form the very foundation of the role that the state should play in the economy and what ought to be the

right size of the state. The third question, on the relative effectiveness of the Integrated Reform Model in comparison with the neo-liberal or the governance models, will be considered separately below in section three.

The rest of the chapter is organized as follows. Section Two focuses on the contemporary VFM and DG debates and approaches to administrative reforms in developing countries in general and Ghana in particular. Specifically, this section will answer the third question raised in chapter one: Is the IRM, so developed, superior to the neo-liberal and governance approaches? Section Three will highlight and discuss the main contributions and significance of the study to the theory and literature on administrative reforms. The fourth and final section elaborates on the limitations of the study and points out avenues for future research.

9.2. The Integrated Reform Model (IRM) Re-examined

Among the competing searches for answers on how to reform and restructure the administrative state, the present study has identified two main schools of thought that have emerged to provide philosophical, ideological and conceptual ideas and alternative solutions to administrative reforms.

The first school is the neo-liberal, minimalist state school that emerged in the late 1970s to 1980s. During this period, factors such as the global economic/financial crises, post-Cold War restructuring efforts, globalization and the development of information and telecommunication technology were cited as events and circumstances that called into question the continued viability and role of the state in developed countries (Kernaghan et al. 2000; Stiglitz, 2003; Harvey, 2005). The general consensus among economic and developmental theorists and politicians was that the time had arrived to turn to the market and to private sector ideas to restructure the state (Hall, 1993; Gore, 2000). It was these arguments that catapulted neo-

liberalism to the pinnacle of administrative reforms and, in the process, introduced a major paradigm change in the field of public administration. In contemporary times and in the wake of the debate on current austerity measures, politicians on the political right still advance this argument as a way to deal with the current financial crisis and to prevent future ones from occurring (Inwood, 2012). The neo-liberal approach is therefore a positivist approach to administrative reforms and, for that matter, a one-best-way approach.

A major weakness of this view, though, is that it proposes a one-size-fits-all approach to administrative reforms that is driven more by political ideology and less by proper consideration of the unique differences and needs of different countries and public agencies. It assumes that policy makers in different countries have both the political will and the inclination to withdraw from the direct provision of public goods and services to enable markets to thrive. This view also assumes that once the state withdraws from the direct provision of goods and services, there will be a private sector that is ready, willing and capable of stepping in to replace the state. However, as Iacobucci and Trebilock (2012) have argued, public agencies are policy instruments that the state sometimes uses to venture into sectors of the economy that the private sector, for one reason or another, is unable or unwilling to approach. Similarly, it was discovered in Chapter Four that in the immediate post-independence era in Ghana, there was in fact no private-sector alternative to the public management of public organizations and the provision of public goods and services. Largely as a result of high transaction costs associated with certain sectors of the economy, coupled with very little prospect of making good returns on investments, private firms refrain from certain sectors of the economy, no matter how critical they are. Neo-liberal theory has yet to determine what to do under such circumstances.

In fact, the history of SOEs shows that most of them were created to fill a vacuum and served a strategic national interest that the private sector was unwilling or unable to fill because of higher transactional costs or low prospects of profitability (Iacobucci and Trebilcock, 2012; Killick, 2010). Similarly, SOEs incorporate both right- and left-wing political ideologies into a pragmatic ethos and, in the process, have won over the support of a skeptical public that often comes to depend upon them for the provision of critical social services, especially in difficult times (Iacobucci and Trebilcock, 2012). Withdrawing from the use of SOEs for these purposes by the state, as neo-liberals propose, might therefore not be the optimal option for all governments. Finally, neo-liberalism sees the empirical commercial VFM as ends in themselves, not as the means for creating a holistic, participatory, accountable and democratic public agency. But as the evidence from Ghana shows, governments strive to use SOEs as policy vehicles to achieve these dual, competing and even conflicting objectives. The inability of neo-liberalism to grasp this aspect of SOE reform and management is its main weakness. And it was this weakness, together with others, that prompted some scholars to propose the governance approach as an alternative.

This second school of thought is known as the governance model and has emerged as a response to the dissatisfaction caused by the neo-liberal approach and attacks on the public sector in general (Parker, 2002; Martin, 2002; Kettle, 2005; Frederickson, 2008). Adherents of this school claim that the roles and functions of state and public agencies are so complex yet so vital to the functioning of the modern democratic state that only the public sector and public organizations are equipped to perform them to the benefit of all citizens, not just some few privileged corporations, firms or business owners (Goodsell, 2004; Lynn, 2006). This school, therefore, set out to defend and propose changes that were believed would preserve the values

and virtues of public agencies against ideologically inspired neo-liberal approaches and attacks from the private sector (Box, 2004; Casey, 2002; Olsen, 2006).

In sum, advocates for the governance approach claim that state bureaucracy, not markets, represents “the best form of organization in providing consistency, predictability, stability, efficacious, and easily replicable performance of repetitive activities, equity, and professionalism” (Goldfinch, 2009, p. 4). To these governance scholars, SOEs are so critical to the functioning of the modern state that the private sector and its bottom-line imperative should not be the sole agency rationale for their reform and restructuring. This governance approach is therefore a normative and value-laden approach that is concerned with ends as well as means in the socially constructed endeavour known as administrative reforms.

Just like the neo-liberal approach, however, the governance school also has its weaknesses. As was seen in Chapter Four, most governments tend to focus on the social objectives of SOEs to the neglect of obvious and critical VFM needs. SOEs under this approach have therefore been used as nation-building tools and policy instruments to provide employment, venture into sectors unattractive to the private sector and take on more complex and cumbersome roles and responsibilities. Once again, as Chapter Four shows, neglect of the critical managerial component and the simple economic and financial realities of management risks ruining the very survival of these SOEs and, with them, bankrupting the state. In such circumstances, agencies became avenues of patronage appointments, with bloated numbers and weak, even non-existent, accounting, reporting and financial budgets (Laking and Norman, 2007; Schick, 1998). This vulnerability explains why SOEs have become easy targets in the current era of austerity measures and cutbacks, with most politicians on the right demanding further cuts to their operations and those on the left fighting to defend them.

The aforementioned weaknesses of both approaches to administrative reforms therefore demonstrate the need for a more holistic and comprehensive approach. Such an approach should recognize, *ipso facto*, the connectivity and mutuality of VFM and DG objectives as mutually inclusive in the reform process. This study therefore believes that there can and ought to be a third and better way in the reform process and identifies it as the IRM. At the outset, the IRM underscores and reiterates the fact that, contrary to neo-liberal and governance theories, VFM and DG variables are not mutually exclusive in the reform and management of SOEs. At its core, the IRM re-emphasizes the fact that, too often in the reform process, efficiency gains are seen as a trade-off for democratic principles, when in fact both considerations should be seen as two sides of the same coin. Under the IRM approach, administrative reforms should not to be seen as a Faustian bargain in which reforms “may deliver efficiency gains and service improvements in some policy areas, but these benefits may involve substantial political and democratic costs” (Flinders 2005, p. 216) in other areas.

On the contrary, it ought to be seen as a normal policy-making and implementation process that involves a conscious effort to balance both organizational managerial needs and political objectives. Thus, in order for these organizational efficiency gains to exist, the SOE reform process needs to be conducted in a way that is respectful of the normal policy-making process, which requires the involvement of public policy actors in the planning, decision making and implementation of reforms, together with the ability to hold these actors accountable for their decisions. One cannot therefore “sacrifice” accountability and transparency in the name of greater efficiency and effectiveness, because true effectiveness — that is, the ability to meet public policy objectives — would include democratic concerns as ends in themselves.

Another significant contribution of the IRM approach is that it simultaneously addresses the ideological expectations of both the proponents and the opponents of the minimalist and interventionist state. Similarly, it addresses the positivist and value-laden arguments and approaches to reforms in a comprehensive manner, compared with other approaches. This feature is especially important in view of the fact that SOEs sometimes operate in sectors of the economy that the private sector avoids, as neo-liberalism advocates, for a number of reasons. Under such circumstances, the IRM concept makes it possible for the state to still play a crucial role in these sectors and be highly efficient and effective. As a result, it reinforces the role of SOEs as policy instruments to be used and deployed by policy makers to solve routine and sometimes thorny problems that the private sector would not address. It is therefore a model that can mediate and address the contradictions, tensions and value ambiguities that are inherent in the modern public administration reform process.

Table 11. Two Facets of Performance: A Simplified Version of the Integrated Reform Model

Administrative/Managerial Process (Value for Money)	<ul style="list-style-type: none"> • Efficiency • Effectiveness • Economy
Political/Democratic Processes (Governance)	<ul style="list-style-type: none"> • Rule of Law • Accountability/Transparency • Participation/Consultation • Equity/Fairness • Strategic Leadership

Table 11 above provides a simplified synoptic view of the main features of the IRM and illustrates what is referred to as the two facets of performance in SOE reform.

Finally, the IRM approach stresses that “public agencies no longer just have to be good at getting their internal management systems right...but they also have to manage their most important external stakeholders well in order to achieve the desired policy outcomes and a high

quality of public services” (Löffler, 2009, p. 215). Therefore, the IRM approach agrees with the views of Löffler (2009) and other scholars that modern reformers of public agencies in the current neo-liberal and democratic governance era cannot afford only to reason and act in “terms of logic of ends and means, inputs and outputs, but recognize the characteristics of the key processes in social interaction” (p. 218). These key processes include transparency, accountability and equity/fairness, and they are ends in themselves in a polity. For all these reasons, the IRM model can be seen to be better and more efficient than the VFM and DG approaches.

The next section discusses the main contributions and significance of this dissertation’s findings to the study of public administration in general and of public agency reform in developing countries in particular.

9.3. Significance and Contribution of the Research

This section provides an outline and a critical analysis of the major contributions of this study to the research on administrative reforms in developing countries. The first major contribution is the significance of context in administrative reforms.

9.3.1. Look Before You Leap: Context Matters in Administrative Reforms

First and foremost, the research presented here highlights the significant role played by context in administrative reform efforts. Context, as used here, is similar to Pollitt and Bouckaert’s (2012) idea of different types of politico-administrative regimes and their impact on the choice of reform tool and their effect on reform outcomes. The term therefore refers to the “existing terrain — the topography over which reforms must travel” (Pollitt and Bouckaert 2012, p. 47) and which leave significant imprints that have a shaping effect on administrative reforms. Context as used here also refers to what Hyden (1999) means by patrimonialism and neo-

patrimonialism in the administrative sectors of developing countries like Ghana. Patrimonialism and neo-patrimonialism refer to the twisting of formal rules and regulations by political leaders to suit their personal parochial interest in the management of public agencies and the delivery of public services (Hyden, 1999). This feature is also part of what the governance scholar, Allan Schick (1998) refers to as the informality of the public service in most developing countries, an informality that is not conducive for most NPM reforms since they create uncertainty, blur the lines of accountability and responsibility and, finally, divert loyalty to individuals rather than the organization and its objectives. Similarly, context refers to the “important preconditions for successfully implementing the new public management approach... [which]...should not be ignored by countries striving to correct decades of mismanagement” (Schick, 1998, p. 2). Some of these preconditions include patronage appointments, low official pay levels, ghost workers who appear on the payroll but not at work and those who show up on the job and put in less than a day’s work (Schick, 1998). The totality of the impact of context is that the political, structural, institutional and cultural contexts of any country might therefore enhance or constrain both the choice of reform tool and the final impact of the reform.

The reform context in Ghana is dominated by patronage appointments and the undue interference of sector ministers and central agencies in the internal operations of arm’s-length public agencies. Furthermore, the reform context is also populated by weak regulatory and monitoring agencies and structures, weak or non-existent accountability structures and poor reporting systems. These factors, individually and as a whole, will directly impact the reform process and post-reform performance evaluation efforts in Ghana and must be taken into consideration. The reform context in Ghana is mostly determined by an informality of rules, procedures and systems, including the lack of formal contracts and internal markets, the absence

of a robust market sector, weak established mechanisms for enforcing contracts, and weak specification of property rights (Schick, 1998).

But despite the significance of this factor, some scholars of administrative reform unfortunately choose to ignore the particular context within which reforms are implemented and instead concentrate on the characteristics of particular reform tools or models (Pollitt and Bouckaert, 2012). By choosing to focus solely on the features of individual reform tools to the neglect of context, such scholars are inherently mistaken because, as Barzelay (2001) has argued, “the functioning of a given system of formal arrangements, such as management controls, depends on the context in which it operates” (p. 160) and not just the features of the reform tool. From a conceptual and comparative perspective, this study’s findings emphasize that identical reform tools (CDA) adopted and implemented in different policy sectors (water, insurance, postal services) do sometimes produce different results. It is therefore naïve to assume that the same approach and reform tools can be used indiscriminately in different countries without taking proper regard of the prevailing contexts. Other governance scholars agree with this assertion of the primacy of context and how it can impact upon particular reform tools or management systems (Verhoest et al., 2012; Van Thiel et al., 2012).

Thus, even though public organizations are clearly in need of some type of reform, policy makers are advised to be careful when choosing reforms in different jurisdictions because “the very characteristics which make reform of these enterprises necessary also constitute the basis of resistance to reform, for they are often integral to local political structures and relationships” (Minogue et al., 1998, p. 17). Reformers are therefore advised to focus on the key contextual issues of improving the policy adoption and implementation context, such as equipping and improving the expertise of regulatory agencies, improving the working conditions of

practitioners as a way of boosting their morale, and sharpening their skills to make them good at their jobs. There is also a need to curtail the role of central agencies and prevent them from unduly delaying human resource decisions and interfering in the internal management and operations of SOEs. Some of these contextual actions require policy changes, while others can be done at the managerial and organizational level. But irrespective of whatever approach governments choose, contextual actions or policy prerequisites are important if policy makers and reformers want to create a hospitable policy arena that is capable of supporting reforms.

Ultimately, the relevance of context to administrative reforms can be summarized as follows: in almost all administrative systems and reform efforts, existing politico-administrative structures, institutional and managerial cultures are inherently resistant to ready-made solutions. Context therefore determines not only the trajectories of reforms but also whether state structures and administrative cultures are hospitable to new reform ideas, policy proposals and implementing strategies. And context therefore also determines not only the choice of the reforms that are adopted but also how vigorously these reforms are owned, implemented and evaluated by policy makers, practitioners and citizens. This dissertation therefore concludes that those who ignore the significance of context in the reform process do so at their own peril. The admonition “look before you leap” aptly applies to the concept of context in administrative reform efforts.

9.3.2. No Square Pegs in Round Holes: Task-Specificity Matters

Another contribution highlighted in the present study is the significance of task-specificity in administrative reform. Task-specificity refers to the factors that must be considered when choosing a reform tool for a particular organization or policy sector. It therefore raises the question of the suitability and adaptability of individual reform tools and focuses on the

characteristics of particular reform tools or models and their impact on policy outcomes. For instance, Erridge (2009), after examining the major theoretical considerations of internal and external service delivery in the U.K. public sector, concluded that, under certain circumstances, certain tasks are better carried out by internal agents rather than external, privately contracted agents. He argued that internal providers are better suited under circumstances where the future policy needs and priorities of service delivery cannot be predicted with certainty; outputs are diffused and difficult to measure; and flexibility, responsiveness, local knowledge and the exercise of political judgment are required for the successful delivery of services (Erridge, 2009, p. 100). What is described above (uncertainty of policy outcomes, difficulty or inability of measuring policy outcomes, and relevance of local expertise) clearly concentrate on the type of a particular reform tool and how it might impact the service delivery process. In other words, task-specificity is very sensitive to the choice of reform tool and its impact on policy outcomes.

From this perspective, task-specificity can be seen to stress that political organization and specific tools of reform are not neutral arbiters in the policy adoption, implementation and evaluation process, but rather play a key role in determining policy outcomes, successes and failures (Hall and Taylor, 1996). That means that to be successful, and for the purpose of this study, the choice of reform tools must be adapted to suit the specific tasks and informal procedures, routines, norms and conventions embedded in SOEs (Hall and Taylor, 1996). Only when this is done, and reforms are crafted to fit the specific tasks and norms of organizations, can positive outcomes be expected.

Task-specificity therefore means that not all public agencies — for reasons of their structure, the goods or services they produce, or their relevance and sensitivity to political, social and cultural environments — are suited for hands-off and arm's-length neo-liberal reform

prescriptions (Erridge, 2009). Hence, a law-like principle can be established that states that, in those cases where the tasks of SOEs can be clearly identified, quantified and measured, the neo-liberal CDA model is relatively better positioned to enhance and deliver superior VFM performance (Talbot, 2010; Radin, 2006). For example, in the case of the SIC, because its core task and outputs — the selling of insurance products — can be measured and quantified, it is relatively easy to implement performance management and measurement measures to spur on increased performance. Additionally, the government is able to fully grant extended managerial and policy flexibility and autonomy to the SIC, which makes it easy to establish rigorous internal reporting, evaluation and control systems to ensure accountability for results and transparency.

Furthermore, Larbi (2001) explains that the water sector in Ghana “is a politically sensitive public service, making it difficult for the government to allow managers to have full control over operational issues such as tariff setting” (p. 322). The same is true of the postal sector. For both sectors, the government approves their tariffs and appoints the CEO and the Board, while the Public Services Commission appoints or approves senior management. As was seen in the example of the GWCL in Chapter Five, no feature of contractualism can adequately address this basic contextual political issue because the problem is not one of management but of policy. Any reform effort that does not take these contextual realities into account is therefore bound to fail. That means the task of the GWCL, water management, is too sensitive to be left completely in private hands by policy makers.

The key lesson here for scholars, policy makers and practitioners is that, just as there is a conscious effort to copy these private sector-based styles, there should be no less of an effort to infuse in them the public sector norms and values that are critical to protecting the public nature of these organizations. Such an effort is needed to gain the trust and support of citizens and

maintain legitimacy in the reform process. It can therefore be concluded that the neo-liberal CDA approach is better for non-politically sensitive sectors of the economy and public organizations, such as finance and insurance, than for politically sensitive sectors that directly affect ordinary citizens and other stakeholders, such as water, health care, education and postal services. It is only when policy makers choose the appropriate reform tool for the right policy sector that they will be sure not to put square pegs in round holes in the reform process. In the reform process, task-specificity is tied to the concept of creative adaptation of reform tools.

9.3.3. There Is No One Best Way: Creative Adaptation Matters

The need for policy makers and practitioners to creatively adapt reforms to fit particular organizational needs, cultures and practices is another major contribution of this study. Creative adaptation goes beyond the simple choice of reform tools to consider how best to implement individual reform tools in order to achieve maximum efficiency and other desirable policy outcomes. It therefore translates into how to successfully translate the wishes of policy makers, unclear and contradictory as they might be, into real and tangible actionable plans and policy outcomes for the benefit of all. Creative adaptation is agency-specific and denotes the need for reformers to consider the fundamental conditions and circumstances — such as innovative ideas, appropriate technology, skills and expertise, adequate remuneration and worker motivation — within a particular policy sector of organization. It can also involve other critical policy resources, such as time, funding and even political support. Creative adaptation is therefore not different from what some contingency theory scholars have been advocating for several decades in connection with the need to adapt reforms to fit the specific institutional and organizational requirements of different policy sectors and agencies in different countries and policy sectors (Luthans and Stewart 1977; Luthans 1976).

Several studies of several organizations in different countries for example, have found empirical evidence of a direct correlation between improved organizational performance and environmental variables, technological variables, managerial variables and leadership style/culture (Woodward 1965; Fiedler 1967). This finding suggests that policy makers and reformers need to invest time and resources in creating an enabling organizational environment conducive to the kind of competition, cooperation and co-production that implementing administrative reforms entails. Such an approach may itself require changes in leadership style and in organizational structure and culture, together with the development of institutional expertise and capacity. Above all, it may call for a commitment to new, enhanced and improved accountability procedures, technology and mechanisms.

With regard to the aims of this thesis, contingency theory helps in making the case for the rejection of the “one-best-way” and universalist approaches to the prescription, adoption and implementation of policy. The present study advocates for caution and the need to customize and adapt — not just simply adopt — reforms in order to achieve positive outcomes. Specifically, it emphasizes the need to acknowledge, develop and identify the various functional relationships among local environmental variables, such as managerial culture, leadership styles and technological systems, in the development and implementation of any policy or management style within an organization.

This contribution is supported by the example of the SIC, which has been successful because reformers fully appreciated the importance of the context and task-specificity of its restructuring. Furthermore, the success of the SIC can be attributed to the ability of reformers, these being the policy makers and managers of the SIC, to creatively adapt and implement the right reform tool (autonomization), which, as has been indicated, met the SIC’s specific needs to

properly function in a highly competitive and liberalized financial system. In the case of the SIC, the BOD and senior management were also given the autonomy and flexibility to manage the company in a competitive environment and to use these powers to maximize efficiency. Similarly, this contribution is supported by the counter-example of GP, where power and authority were not fully decentralized to front-line managers, who need them most. Thus, this study advances the view that administrative reforms must be refined to meet the exigencies of particular administrative systems and policy sectors in which the reforms are implemented. This approach entails sharpening the skills and expertise of practitioners, aligning their inputs to expected outputs and establishing clear lines of accountability in public organizations. Otherwise, reforms tend to disappoint both reformers and citizens, as was the case with GP and GWCL.

9.3.4. Other Critical Contributions.

This study also makes a significant contribution in the form of the IRM theoretical framework and methodology. The IRM highlights critical success factors and adaptation examples such as the VFM and DG variables that are important for the context, task-specificity and creative adaptation of reforms that are often ignored or marginalized by scholars of modern administrative reforms. The IRM thus provides a holistic and comprehensive framework that is of wide application and can be adapted and used by other scholars to examine and study administrative reforms in different countries. Accordingly, it is a powerful analytical and explanatory tool of SOE reforms and can be added to the repertoire of options available to scholars and policy makers. Similarly, the methodological approaches developed here were able to assist in authenticating the core ideas of the study. Often, policy makers in developing countries remain defensive when they are accused of blindly copying neo-liberal reform tools in

a one-size-fits-all manner, mostly from developed countries or the IMF/WB. Yet the reality is, as the interviews in Ghana show, that such accusations often have some merit.

For instance, the SAP in Ghana was a wholesale imposition of policy by policy entrepreneurs, like the IMF/WB and a few neo-liberal advocates in Ghana. This approach is what led to the problems in the implementation of the GWCL and the AVRL amid the claims and counter-claims of non-performance by the parties involved. This outcome can be avoided by directly involving practitioners in the process of making and implementing policy, whether it involves negotiating contracts with private firms (GWCL), decentralizing management or autonomization. In this way, participants can highlight the implementation challenges generated by the various reform tools, and thus smooth the way to successful reform.

A further contribution of the study is that the comparative analysis of multi-case studies provides a powerful and informative approach to the study of administrative reforms. The analysis of several cases makes it difficult to doubt the robustness of the study and its findings because it reveals differences and similarities that, according to Pollitt and Bouckaert (2004, 2012), cannot be ascribed to chance or even methodological bias. For instance, compared with the GWCL and GP, reforms at SIC have been deep, more rigorous, comprehensive and better aligned to suit the organization's needs and structures as a financial institution operating in a competitive environment. These reforms have therefore led to changes in the culture, attitude and procedures and, in the process, improved performance. Compared with single-case studies therefore (whose results might be accidental), the results from multi-case studies such as this one are more likely to be reliable and useful because they reveal distinct patterns. For instance, this study was able to show a clear correlation between VFM and DG performance. As this result was true of all three cases, it can be accepted as reliable. It is therefore possible to gain a deeper

understanding and knowledge from a comparative multi-case analysis compared with a single case.

Comparative multi-case analyses also have added merit because they reveal what Bouckaert and Pollitt (2012) refer to as “treasure chests of examples of adaptation” (p. 216). That means multi-case analysis make it possible for the generalization and even transferability of results to other jurisdictions. For instance, this study indicated in Chapter One that the SAP in particular was imposed on all developing countries on the basis of a uniformity of adoption, implementation and post-reform evaluation (Williamson, 2004; Harvey, 2005). As a result, management tools like privatization, contracting out, public-private partnerships, decentralization and autonomization were adopted in a similar fashion and under similar circumstances in all developing countries to reform and restructure their public organizations. Also, as the study indicated in Chapter One, SOEs operate under similar structures and perform similar roles in the public service and welfare sectors of most developing and even developed countries (Bozec and Dia, 2007; Bozec et al., 2004). It is precisely because of this similarity of the SOE concept and the uniformity of their reform process and tools that the cases in this study offer valuable lessons and examples of possible adaptations to other developing countries. However, the study does not suggest that the IRM is a magic bullet or a new paradigm in the philosophy of social sciences (Kuhn, 2000; Gow and Dufour, 2000). Rather, it suggests that there is merit in learning and understanding the problems and successes of the reform of these three cases in Ghana if only to serve as a signpost or reminder of what to do and not to do within different individual administrative and organizational contexts and political systems.

Furthermore, while there are many studies on the neo-liberal and governance effect on and approach to modern agency reform (Verhoest et al., 2012; Pollit and Bouckaert, 2012; Van

Thiel et al., 2012), this study observed that most of this work is based on the experiences of many developed OECD countries. These studies also usually focus on a cross-national analysis of agencies, sometimes sprinkled with a number of cases (Bovaird and Löffler, 2009; Pollitt et al., 2004). In contrast, the present study focused on the experiences of a single developing country. Accordingly, it contributes significantly to the burgeoning literature and theory of administrative reforms and, in the process, enhances our knowledge and understanding of the reform process in a developing country. Specifically, and by highlighting the successful example of the SIC in the otherwise rather gloomy literature of agency reform failures in developing countries, it not only breaks a long cycle of reform failure in most developing but also offers encouragement to reformers and serves as a case of best practices countries (Larbi, 2008, Sakyi, 2008; Adjei, 2006; Christensen, 1998). At the same time, the success story of the SIC demonstrates the need for the creative adaptation of reform models in order to meet and address the specific structural, institutional and cultural needs of public organizations.

The final major contribution of the study is the observation that the reform process of public organizations is inherently political. Mostly in a democracy, values such as impartiality, accountability, public interest, social justice/equity are as important elements of performance as VFM (Kernaghan and Langford, 2004). The implication is that there is a need to go beyond the narrow neo-liberal performance concepts and include “broader democratic implications of class differences, power relations, trust and legitimacy” (Van Thiel et al., 2012, p. 431) of governments and their activities. Such a holistic approach to reform in general and performance in particular is crucial in a democracy because the fundamental goal and objectives of government and the public sector/agency are to serve all citizens equally, not to pick winners and losers as the neo-liberal approach does. In addition, Van Thiel et al., (2012) have argued that

“public administration is multi-functional and has to balance different values and norms, therefore, it is normally not a question of hierarchy, networks or market, the main challenge is how they can be combined and balanced in a supplementary way” (p. 415). The study subscribes to this assessment and further agrees that a narrow focus on VFM can “become problematic when it leads to a lack of transparency for citizens, stakeholders, parliament and government itself” (Van Thiel et al., 2012, p. 417) because it does not balance the different values and norms of modern public administration effectively.

The politics of reforms also refers to the significance of strategic leadership and what can be referred to as political commitment and support of reforms. Usually in a democracy, political commitment and support can be as critical to the reform process as are funding, technology and other scarce resources. Without it, most reform ideas and actual reforms may wither away under the least opposition or in the face of the least resistance. It is therefore important for practitioners to cultivate political support and commitment for their efforts.

9.4. Reflections, Limitations, and Prospects for Future Research

It was indicated at the outset that reforms must be creatively adapted to fit the politico-administrative context of the implementing country. This admonition by itself serves as a limitation of our study. Hence, public organizations and reformers that understand the significance of context are those, like the SIC, that perform better. Similarly, countries that “get it right” are those that understand the impact of context, creative adaptation and task-specificity in the reform process. They stand to achieve the improved policy benefits of reforms because of their efforts at avoiding unnecessarily large-scale solutions, overgeneralizations and the tendency to adopt the latest trend in the reform process without due consideration of the context and implementing environment.

Therefore, while this study offers significant scenarios for the successful adoption and implementation of reforms, it does not seek to prescribe the same tools, processes, and approaches to all countries. For this reason, no workable generalizations are provided because every situation is unique and the world of administrative reforms is too complex, uncertain and ever-changing for such an overly confident act of predicting general laws (Pollitt and Bouckaert, 2004; Schick, 1998; Caiden, 1999). The expectation and contribution are that this study presents an alternative approach to and understanding of the creative tensions between the commercial and social objectives of SOEs and advances our knowledge of SOE reforms, especially in developing countries.

Future researchers should also use the IRM to test the outcomes and findings in other politico-administrative cultures, especially in developing countries where SOEs are still the main vehicles for producing and delivering services to the public and are similar in structure and functions to those in Ghana. Furthermore, there is the need for more cases, instead of the three considered here, to see if similar results are generated and to further test the robustness of the multi-case approach in public agency reforms. Moreover, an important avenue for future research is opened up by the need for comparative multi-case research between a developing country (such as Ghana) and a developed country (such as Canada) that directly compares the commercial and social objectives of SOEs and how they affect their pre-reform decision making and post-reform performance evaluation. Such a study will further enhance our knowledge and understanding of SOE reforms in both developed and developing countries.

In conclusion, researchers interested in studying SOE reforms, whether in developed or developing countries, should first conceptualize the VFM and democratic governance

imperatives of SOEs as mutually inclusive. In this way, they will see that VFM gains and democratic governance imperatives are two sides of the same coin.

**Appendix 1:
Recruitment Letter**

Date:

Dear Sir/Madam,

PhD Doctoral Thesis: Request for Interview on SOE Reform in Ghana

I am a Ghanaian citizen studying for a PhD in Public Administration at the University of Ottawa in Ontario, Canada. The purpose of this letter is to request an interview on the pre/post reform performance of your organization, which is part of four state owned enterprises (SOEs) in Ghana chosen for this study based on their strategic importance to the Ghanaian economy and impact on the corporate governance of SOEs in Ghana. The main objective of the study is to examine the extent to which the focus on reform is mostly financial objectives to the neglect of democratic governance imperatives. In order to gain a deeper insight into the pre/post reform performance, I will prefer to interview a senior management member familiar with both periods.

Your participation in this interview will consist essentially of granting one interview, which will last for about 45 minutes, answering open ended questions that are focused on the financial, economic and good governance objectives of your organization. The interview sessions will be held at a time and place of your convenience. I intend to be in Accra between June and August 2010. Any time and place within this period will be most conducive. Please, should you agree to this interview, I will contact you either by phone or email to confirm an interview date, place and time.

Please, you may contact the Protocol Officer for Ethics in Research, University of Ottawa, Tabaret Hall, 550 Cumberland Street, Room 159, Ottawa, ON K1N 6N5. Tel.: +1(613) 562-5841. Email: ethics@uottawa.ca for any questions regarding the ethical conduct of this study. Your participation in this study will further improve our understanding of the complex socio/political and financial/economic objectives of SOEs. In this way, the broader society can be educated on the governance of SOEs with different ownership arrangements.

Thank you in advance for your acceptance and cooperation.

Sincerely,

Appendix 2: Organizational Questionnaire

With slight modifications, questions 1-6 were used at all the SOEs during the interview administration period. Questions 7-9, on the other hand, were used as and when necessary. Specifically, they were used at particular SOEs if the tool of reform corresponded with the SOE. Finally, question 10 was reserved for external regulatory agencies, government ministries, civil society and NGOs.

1. Introduction:
 - How long have you worked here?
 - What was your previous place of employment?
 - What exactly do you do in your current position?

2. General idea of SOE reform
 - What does the concept of reform mean to you?
 - What reform measures have you put in place of late?
 - Where do you get your ideas of reform from?
 - Have there been any significant changes in the last couple of years?
 - How would you describe the difference in the state of the organization now from what it was 5 years ago?

3. Performance mentality (VFM)
 - What do you understand by performance?
 - How is performance measured in your organization?
 - What are your performance indicators, and what are they used for?
 - To whom do you report these indicators?
 - Who determines these performance indicators?

4. Validation of performance data
 - How do you validate your performance data?
 - Are there internal and external checks and balances on your performance results?
 - What can you say about performance in the past five years?

5. Democratic governance imperatives
 - Who are your stakeholders, and how often, if at all, are they consulted?
 - What are your organizational core values and ethics?
 - What do equity and fairness mean in the organization?
 - What measures do you have in place to mitigate the adverse effects of your policies?
 - What do the concepts accountability and transparency mean to the organization?
 - What other institutions do you report to, and what are the lines of communication?
 - How will you describe your relationship with policy makers in Ghana?

6. Politico-administrative culture
 - What are the main structural factors that affect how well you perform?
 - How will you describe your relationship with your Minister/Department?
 - How will you describe your legal framework?
 - What internal and external influences impact your operations most?
 - What is your organizational culture?

7. Contractualism:
 - What measures are in place to prevent information asymmetry and shirking?
 - How often do you meet with AVRL?
 - Do you have any dispute dissolution mechanisms?
 - How will you describe your relationship with AVRL?
 - Generally, what do you think about the contract?
 - What information and reporting systems do you have in place?
 - If there is anything you could change in the contract, what would it be?
 - If there is anything you can add to the contract, what will it be?
 - In your opinion, do you think the contract was the best approach?

8. Autonomization:
 - What do you understand by the ‘freedom to manage’?
 - Where and how are decisions on hiring, remuneration and promotions made?
 - What does legal, financial and managerial autonomy mean to you?
 - Who has the final say with regard to budgets, human resources, and policy directions?

9. Decentralization:
 - What managerial and operational decisions are made at the grass roots?
 - How many levels do you have to go to seek clearance on key issues?
 - How long does it take to approve budgets/financial statements?
 - How will you define political interference?

10. Monitoring, Regulatory and Oversight Organizations
 - What exactly do you do?
 - How do you do what you do?
 - Do you have the required resources as an organization to perform your duties?
 - What type of cooperation do you have with the institutions you regulate?
 - What is their most common offence?
 - When was the last time you sanctioned an organization? What was it for?
 - What sanction mechanisms do you have? How effective are they?
 - Describe in brief, the state of the SOE sector in Ghana.
 - Based on your experience, what will you change, and what will you keep?

Appendix 3

Consent Form/Letter

Title of the study: Contractualism, Decentralized Management and Autonomization: A Critical Analysis of Value for Money and Democratic Governance in SOE Reforms in Ghana

Invitation to Participate: I am invited to participate in the above mentioned research study conducted by the researcher

Purpose of the Study: The research speaks simultaneously to the empirical, theoretical and conceptual aspects of SOE reforms in Ghana. Empirically, it speaks to the broader range of issues, such as the financial and/or value for money indicators of SOE reform. Theoretically, the dissertation seeks to propose a theoretical framework that addresses the public policy implementation aspect of SOE reforms that is different from a narrow financial perspective. Conceptually, it identifies the neo-liberal ideological context within which the debate over SOE reform is structured and shaped, and provides a historical account of the process leading to the emergence of the above listed models as preferred choices.

Participation: My participation will consist essentially of granting one interview, which will last for about 45 minutes, during which a couple of open ended questions about the pre- and post reform performance, the management and the corporate governance of my organization/agency will be administered and recorded. The interview sessions were held at a time of my convenience and a place of my choosing.

Risks: My participation in this study will entail that I volunteer non-personal but relevant information on my organization/agency within the general ambit of its core business, managerial practices, performance and governing policies. No risk whatsoever is involved as all measures will be taken to protect my anonymity.

Benefits: My participation in this study will help examine the complex role of my organization/agency both as a public policy instrument and as a profit seeking and maximizing organization. In this way, the broader society/community can be educated on the complexities involved in managing SOEs in view of their conflicting and sometimes contradictory objectives. Such a study I believe will contribute to the advancement of knowledge with regard to the general corporate governance of SOEs in Ghana, which is particularly lacking in the public administration literature and research.

Confidentiality and anonymity: I have received assurance from the researcher that the information I will share will remain strictly confidential. I understand that the contents will be used only for academic research, precisely, writing a PhD dissertation, and that my confidentiality will be protected by not using my name and personality, but instead referring to 'respondent in organizations'. This will ensure complete anonymity while safeguarding the integrity of the information.

Conservation of Data: The data collected in the form of hard copy and the electronic data of organizations/agencies, like tape recordings of interviews, questionnaires, notes and annual audited reports, will be kept in a secure manner on my personal computer, which is always locked by a password. Hard copies will be kept under lock and key in my office at the University of Ottawa, and only I and my thesis supervisory committee will have access to the information. The information will be stored for five years.

Voluntary Participation: I am under no obligation to participate and, if I choose to participate, I can withdraw from the study at any time and/or refuse to answer any questions without suffering any negative consequences. If I choose to withdraw, all data gathered until the time of withdrawal will be excluded from the study and the final version. Recorded interviews will also be erased.

Acceptance: I, agree to participate in the above research study

If I have any questions about the study, I may contact the researcher or his supervisor.

If I have any questions regarding the ethical conduct of this study, I may contact the Protocol Officer for Ethics in Research, University of Ottawa, Tabaret Hall, 550 Cumberland Street, Room 159, Ottawa, ON K1N 6N5
Tel.: (613) 562-5841
Email: ethics@uottawa.ca

There are two copies of the consent form, one of which is mine to keep.

Participant's signature: Date:

Researcher's signature: Date:

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