

**“GETTING THE STATE RIGHT”**

**“GETTING THE STATE RIGHT”: A CONTINGENCY  
THEORY OF ADMINISTRATIVE REFORMS IN ONTARIO  
AND GHANA**

By

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## **Dedication:**

This work is dedicated to Dr. & Mrs. John Frimpong-Boadu &  
Family of Brooklyn, New York



## **Abstract:**

Within the last twenty years, many states have been using quasi-market principles such as those expounded by New Public Management and the Structural Adjustment Programme (SAP) to reshape their administration. This is often perceived as a 'one-size-fits-all approach' to administrative reforms.

This dissertation utilises contingency theory to evaluate the implementation of administrative reform policies by comparing Ghana and Ontario in order to analyze whether the 'one-size-fits-all' approach to administrative reforms is, in fact, the case. In particular, the dissertation examines privatisation and performance management systems as policy options for changing the administrative state.

The study shows that countries face different institutional and capacity constraints. In addition (a) their histories; (b) levels of socio-economic and political development; (c) their governance systems; (d) the extent of external influence; and (e) their culture play a key role in the success of policies developed to change the administrative state. It suggests that in order to tailor the reforms to a country's environment, these variables must be taken into consideration when administrative reforms are being planned.

In conclusion, the dissertation confirms the argument that due to environmental differences 'one-size-does-not fit all.' It shows that policies that have worked in a particular country will not necessarily work in another, especially when the countries in question of transfer are developed and developing ones with markedly different cultural heritages.

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### **List of Abbreviations:**

AFRC	Armed Forces Revolutionary Council
ATMA	Accra-Tema Metropolitan Area
BOOT	Built-Owned-Operate-Transfer
CDP	Corporate Development Plan
CECBA	Crown Employee Collective Bargaining Agreement
CIA	Capital Investment Act
COGO	Committee of Government Organisation
COGP	Committee on Government Productivity
CPP	Convention Peoples Party
CSPIP	Civil Service Performance Improvement Programme
CSRP	Civil Service Reform Programme
CSR	Common Sense Revolution
CWSA	Community Water and Sanitation Agency
DIC	Divestiture Implementation Committee
EDC	Executive Development Committee
EPDP	Employee Performance Development Plan
ERP	Economic Recovery Programme
GDP	Gross Domestic Product
GoG	Government of Ghana
GoO	Government of Ontario
GWCL	Ghana Water Company Limited

GWSC	Ghana Water and Sewage Corporation
IDA	International Development Agency
IFI	International Financial Institutions
IMF	International Monetary Fund
IPSM	Internationalisation of Public Sector Management
ISI	Import Substitution Industrialisation
LCBO	Liquor Control Board of Ontario
MBS	Management Board Secretariat
MSD	Management Services Division
MOE	Ministry of Environment
MOH	Ministry of Health
MWH	Ministry of Works and Housing
NCAP	National Coalition Against Privatisation
NDP	New Democratic Party
NIEO	New International Economic Order
NGO	Non-governmental Organisation
NIRP	National Institutional Renewal Programme
NLC	National Liberation Council
NMC	National Media Commission
NPM	New Public Management
NRC	National Redemption Council
OECD	Organisation of Economic Cooperation and Development



OECP	Ontario Expenditure Control Plan
OEO	Ontario Economic Outlook
OFRC	Ontario Financial Review Commission
OPS	Ontario Public Service
OPSRs	Ontario Public Services Restructuring Secretariat
OCWA	Ontario Clean Water Agency
OWRC	Ontario Water Resource Commission
PARDIC	Public Administration Restructuring and Decentralisation Implementation Committee
PBH	Provincial Board of Health
PHA	Public Health Act
PMS	Performance Management System
PNDC	Provisional National Defence Council
PP	Progress Party
PRS	Performance Reporting System
PSP	Private Sector Participation
PURC	Public Utilities Regulatory Commission
SAP	Structural Adjustment Programme
SEC	State Enterprises Commission
SMC	Supreme Military Council
SM	Senior Management Group
SOE	State-Owned Enterprise
WDC	Workers Defence Committee

WSRS

Water Sector Restructuring Secretariat

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# **Chapter One**

## **Introduction**

### **1. 1: The Internationalisation of Public Sector Management:**

In the early 1990s, Gerald E. Caiden (1991) declared that administrative reform had come of age. The 1980s, Caiden noted, had been eventful years in which governments all over the world pursued administrative reform to an unprecedented degree. It was a decade in which administrative reform broke free of its preoccupation with forms and processes, and delved deep into the structural and institutional shortcomings of public administration. Many countries, particularly in the Organisation for Economic Co-operation and Development (OECD), and some developing nations in conjunction with some international organisations, embarked upon changing the nature of the state through a number of similar policy initiatives (Cammack 2002; OECD 1995). These initiatives have led to a convergence of policies around the issues of the limits of state action as they apply to both developed and developing nations, which has led to a “one-size-fits-all” approach to administrative reforms. The consequence of this policy convergence has been the declaration of the internationalisation of public sector management (IPSM) (McCourt & Minogue 2001; Mathiasen 2005).

The IPSM is part of the globalisation movement, which concerns the transfer of policies and the promotion of free market ideas in order to enable states to fit into the new global market. Thus, to achieve the objectives of globalisation, states must behave in a certain manner, irrespective of their national histories, cultures, and other institutional and capacity constraints (Gray 1998). The questions that need to be

addressed are: (1) Whether neo-liberalism and, consequently, the one-size-fits-all approach to administrative reforms were a cure for the ills of the administrative state in both developed and developing nations? (2) What accounts for the success or failure of the neo-liberal approach to achieving its goal of improving the effectiveness, efficiency, accountability, and responsiveness of the administrative state in different environmental settings? (3) Were there different institutional and capacity constraints in various countries that should have been considered in developing policies to change the state? (4) Were the service delivery mechanisms of the model appropriate to all countries? These questions are timely and important in view of the longevity of the neo-liberal policies. The time is ripe to evaluate policies of more than a decade's standing and their implications for the role of the public sector in modern administrative governance.

## **1. 2: Debating the State: Monetarist vs. Structuralist Arguments:**

Since the formal state came into existence in the 17<sup>th</sup> century, there have been attempts to define its contours in response to changing environments. The definition of the state, and the notion of what it should and should not do, continued to evolve, so that, by the 19<sup>th</sup> century, two opposing paradigms; namely, liberalism and statism-had come to characterise the interpretation of the function of the state. Both paradigms derived from economic theories, and reached their zeniths in the 1930s (Gray 1998; Stiglitz 2003).

Liberalism assumed that individualism would triumph over collectivism in the allocation of state resources. It exalted the role of the market in the distribution of public goods (over community-led or state planning), and incorporated the idea that people readily adapt to changing opportunities. In this case, "individuals, unfettered by state

interference, would use their ingenuity to the greatest extent... State interventions to relieve poverty would inhibit initiative, and would stifle investment because they would rely on increased taxes” (Rapley 2002: 7). In contrast, statism deemed that it was necessary to have a corporate spirit rather than an exposition of individualism. Statism

[S]ees the world as inflexible. Obstacles, bottlenecks, and constraints inhibit change. People find it hard to move or adapt, and resources tend to be stuck. In economic terms, the supply of most things is inelastic... Demands also are inelastic... Such general inflexibility was thought to apply particularly to developing countries, but not exclusively so... [T]here was much structural thinking about the adaptation of European countries to the situation in which they found themselves in the early post-war period (Little 1982: 22).

The inflexibility of people and the economy makes it difficult for the market to enhance development. It is, therefore, imperative that the state be allowed to be the agent of development to ensure a fair and equitable allocation of resources.

From the 1940s to the middle of the 1970s, statism was the main theoretical foundation for state development. The state was seen as a much more capable economic agent and instrument for national development than the market. It was thus given an undisputed primacy as the creator and implementer of development policies and to guide economies and societies along the path of modernisation (Turner & Hulme 1997). However, statism fell into serious disrepute following the world oil crisis in the late 1960s and early 1970s, primarily because of its failure to resolve the difficulties that emerged from the crisis. That failure provided the ammunition liberals needed to resurrect their idea of ‘marketisation’ over state planning. As the oil crisis deepened in Europe and among other developed nations, political power began to shift gradually away from governments that subscribed to statism to parties that upheld the belief in market fundamentalism. Thus, the political power of the state fell into the hands of people who

were ideologically opposed to the state's prominent role in the allocation of scarce societal resources. The upshot was that power shifted away from pro-state to anti-state politicians in developed nations.

By the late 1970s, the liberal paradigm repackaged into neo-liberal reforms had become the prescription for state reforms in many developed countries (Boston et. al. 1996; Hall 1993; Osborne & Gaebler 1993; Savoie 1994; 2003). The World Bank and the IMF accepted this worldview, and adopted it as the primary means to improve the economies of developing nations (Cammack 2002; Mbaku 2004; Tuner & Hulme 1997). In doing so, these institutions exerted significant pressure on the governments of these countries to reduce the direct involvement of the state in development in order to fit into the new global economy (Wallis 2004; World Bank 1996). The reforms were called “neo-liberalism”, or “new liberalism”, because they represented a revival of earlier theories of the free, liberal, and unfettered market (Wiarda 2004). In the developing world, the neo-liberal policies became known as the Structural Adjustment Programme (SAP)<sup>1</sup> and, in the developed world, as the New Public Management (NPM).

### **1. 3: Understanding the Policy Problem:**

Ideas concerning what the state should, and should not do, have been, and continue to be raised by both politicians and academics. Doing so has become necessary because of the barrage of criticisms that continues to be directed at the administrative state by politicians, academics, and the public due to a perceived ineptitude of the

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<sup>1</sup> Although SAP is the generic term for the neo-liberal reforms in developing countries, different names are assigned to the reforms in different countries. For example, in Ghana, it was referred to as the Economic Recovery Programme, and in Zimbabwe as the Economic Structural Adjustment Programme.



administrative state in serving the needs of the citizenry. Indeed, the administrative state has been charged with an array of crimes, such as: failure to perform; abuse of power; repression of employees, clients, and people in general; and being muddled, confused, expensive, unresponsive, bloated, and self-destructive to the extent that it is now seen as a “splendid hate object” that must be reformed or, even destroyed (Goodsell 1983; Caiden 1991; Peters & Savoie 1994). Neo-liberals were of the view that the problems faced by the modern state in the late 1960s and early 1970s were the product of the state’s expansion of its activities. They claimed that “if government was not the root of all evil, it certainly was more part of the problem than the solution” (Stiglitz 2003: 85). In view of these criticisms, there were calls from some quarters to banish or tame the administrative state (Osborne & Plastrick 1997). Others urged for drastic reform of the state if it is to serve any meaningful purpose in modern societies.

A fundamental assumption of neo-liberalism is a minimalist role for the public sector while enhancing the role of the private sector. To neo-liberals, it was time to curtail what they saw as the “intrusion of the state into people’s private lives” and, where it was not possible to interrupt that trend, subject the state to some of the rigorous practices of the market, which have led to the prosperity and better performance of the private sector as a whole. In short, neo-liberals complained about the state for engaging in activities that could and should be undertaken by private individuals or groups (Cammack 2002; World Bank 1996). Where such activities were beyond the capability of the private sector, it was held, the state should develop mechanism(s) that would serve the interests of citizens rather than the needs of the bureaucracy (World Bank 1997). In

this way, the bureaucracy could be subjected to an accountability regime that would lead to a reduction of its power.

For neo-liberals, the idea of curtailing the state and enhancing bureaucratic efficiency could be attained by limiting the state's role in service delivery, and by managing government like a private business, through privatisation and the introduction of market efficiencies and the tools of private sector management, such as the performance management system, into residual state functions (Wood & Roper 2004). Privatisation and performance management are, therefore, fundamental parts of the neo-liberal agenda, and have gained much currency in current administrative reform discourse.

These two policy instruments-*i.e.*, *privatisation* and *performance management*, however, have generated controversies in reforming the state. For instance, while privatisation evokes strong emotions amongst the general citizenry and, often, leads to energetic mobilisation of citizens to fight governments that attempt to implement it, performance management is seen as a recycling of an old policy to subject public managers to the derision of the public (Dibben & Higgins 2004). Performance management is, however, an important element under the current reforms, since all the other reform policies, including privatisation, contracting out, partnerships, civil service restructuring, the introduction of competition in public services, and others, depend for a successful outcome on their application to the measuring of both organisational and individual efficiency (Minogue 2001). Privatisation refers here to the systematic transfer of government activities to the private sector, while performance management denotes

the various activities that an organisation embarks upon to enhance its performance. It concerns the “collecting, reporting, and using of information about programmes to assess and improve the delivery of services” (Carroll & Dewar 2002: 413).

The neo-liberalism thus asserts managerialism over traditional public administration. Neo-liberalism asserts managerialism because neo-liberals view economic development as both a technical and a managerial problem. They, therefore, assume that economic growth will flow automatically once the correct laws, procedures, and market forces are put in place (Wiarda 2004: 128). Managerialism is defined as “the pursuit of result-oriented systems of government management through streamlined processes of decision making designed to allow greater autonomy but also greater responsibility for the field or programme manager” (Dixon et al 1998:166).

Managerialism, according to Dixon et al (1998:166-7), emphasises:

- Policy management and implementation rather than policy development and design in public administration;
- Efficiency, effectiveness, and quality, as against process and equity in the management of public resources;
- The use of private sector management practices in the public sector
- Diffusion of responsibility and devolving authority, with the establishment of corresponding management responsibility and public accountability structures;
- Shifts in the public accountability focus from inputs and processes to outputs and outcomes; and
- Creating, wherever possible, a competitive public administration, especially for those public agencies responsible for delivering government services.

It is believed that by adopting managerialism public organisations will be more efficient, effective, and accountable in the delivery of public services. There exists, therefore, “a-

one-size-fits-all' approach to public sector reform in both developed and developing worlds, although evidence from organisational and management theories indicates that outcomes of planned changes in organisations are conditioned by many contingent factors, especially those in the organisation's environment" (Turner & Hulme 1997: 240).

#### **1. 4: Administrative Reform:**

Administrative reform has been variously defined by scholars and public servants and in different contexts. It thus means different things in different nations with different political systems and to different people. Caiden (1969: 14) has described it as "deliberate and collaborative, aimed at shaping administrative phenomena in preconceived patterns." According to Samonte (1970: 288), administrative reform "involves changes or innovations, which are deliberately conceived and adopted to make the administrative system a more and effective instrument for social change, a better instrument to bring about political equality, social justice, and economic growth." Quah (1976: 58) on the other hand, defined administrative reform as "a deliberate process to change both the structures and procedures of the public bureaucracy and the attitudes and behaviour of the public bureaucrats involved in order to promote organisational effectiveness and attain national developmental goals".

There are common elements in the differences in understanding of the concept. For instance, administrative reform is synonymous with changes to public bureaucracies; is in close affinity with innovation; and involves systemic and wide-ranging changes, and the urgent coping with changes taking place in the administrative environment. We think of it as involving a deliberate change in the structure of the bureaucracy, and of the

attitudes and beliefs of bureaucrats, with the aim of enhancing their administrative capacity for service delivery to their political masters, in terms of policy advice, and to the citizenry in terms of service delivery. Administrative reform in this sense is a two-edged sword that looks at changes in the relationship between the bureaucracy and the politicians, on one hand, and between the bureaucracy and the citizenry on the other.

#### **1. 5: Argument and Objectives of the Dissertation:**

In this dissertation, the central argument is that the adoption of managerialism in the public sector, in some instances, has been treated as the goal or an end, as opposed to a method to improve public administration. This is an unfortunate situation. The end may be achieved in many ways including the adaptation of the policies to the socio-economic and political environment or to localised contingencies prevailing in any given country. According to Minogue (2001: 36), “problems of cultural variation mean that there needs to be substantial adaptation of generic reforms. Without such flexible adaptation to local conditions, reforms will not become rooted, will create empty, façade reforms which will be ineffectual, and do little more than create new bureaucratic layers.” In other words, the reform of the state, based upon these internationally acceptable norms of administrative behaviour, must accept “a diversity of cultures, regimes, and market economies as a permanent reality” (Gray 1998; 20). This will allow cultures embedded in different societies to achieve a level of modernisation that is amenable to their histories, circumstances, and distinct needs.

The managerial approached envisaged by neo-liberals for public services are neither appropriate nor sustainable strategies when applied across countries. Factors such

as cultural and organisational differences, political and ideological context and commitments, influence of external policy actors, and conflicts between local and international institutional standards must be considered in the adoption and implementation of reforms. In addition, the environment in which the policies are being implemented matters. Hence, the success or failure of many administrative reforms is contingent upon the influence of local structural and contextual conditions. The administrative state is interdependent with a larger environment and not an autonomous entity. Environmental influences mould sentiments, social controls, values, and norms as they are incorporated into the political system that the administrative state serves (Thompson 1967).

Thus, the administrative system, it must be said, is intimately associated with the political, economic, and social systems, and shares their systemic characteristics. “Therefore, the approach to be adopted should be refined, complemented, and continually adapted to suit the changing conditions of national needs and development objectives” (Bentil 2004:42). In short, different institutional settings call for different approaches to administrative reforms. The political, social, and economic conditions noted above are vital factors to be considered as states adopt and implement policies that have been implemented elsewhere. For the purpose of this dissertation, we focus on six variables, which have been divided into two categories: structural and contextual. The structural variables consist of (a) regime type, (b) ideology and (c) culture. The contextual variables are (a) record of economic development, (b) resource availability, and (c) independence of action.

The dissertation uses a structural contingency approach to emphasise the need to adapt reforms to a particular environment rather than a one-size-fits-all approach. The objective is to illustrate that the most appropriate management strategies for improving the administrative state must take cognisance of local environmental conditions although several essential lines of analysis emanating from different theoretical perspectives, such as institutional theory, have been developed to explain the successes and failures of the various reform models in both the developed and developing worlds. By using contingency theory, our intention is to demonstrate the need to be cautious in the adoption and implementation of these programmes instead of seeking to force every economy into a straitjacket sewn from the singular practices that compel countries to adopt public policies that do not fit their histories and needs. We believe that there are significant environmental differences and that what has worked for one country may not work for another.

#### **1. 6: Scope and Limitation of the Study:**

The new reform models implemented in both developed and developing nations encompass myriad policy instruments and areas (Polidano 2001; Turner & Hulme 1997). For example, there is the issue of the reorganisation of administrative institutions. This reorganisation consists of a number of policy initiatives, such as decentralisation, as well as internal reordering of the civil service organisation, size, recruitment, remuneration, career development, expenditure, and budget controls (McCourt & Minogue 2001; Baker 2004). Other issues concern the development of partnerships amongst state institutions and between state and private sector institutions, the contracting out of public services,

improved service delivery, human resources management, and information technology with an emphasis on electronic government. The present reform, therefore, does not limit itself to organisational restructuring, which is the norm for administrative reforms. Furthermore, the reforms rest not only with central governments, but also with local governments and non-governmental organisations and, also, involve new policy actors as well.

Taking the wide array of policy instruments and areas of reforms into consideration, it would be extremely difficult, dangerous, and naïve to attempt to undertake a comprehensive analysis of what the administrative state as a whole has been going through and the problems associated with the reforms. We, therefore, do not attempt a comprehensive study of all the features embedded in the new reform models. The study has limited itself to privatisation and performance management because of our inability to examine all the policies currently being implemented.

#### **1. 7: Organisation of the Dissertation:**

The dissertation consists of eight chapters. In chapter two, we discuss the literature on the SAP and NPM. To understand the importance of the environment and other necessities of the administrative state, we examine structural contingency theory and develop a number of contingency variables to test the hypothesis of the study. Chapter three addresses the methodological approach for the research.

In chapters four and five, we focus on the socio-economic and political developments in Ontario and Ghana, with a view to understanding the problems that bedevilled the administrative state and the circumstances that led to the adoption of the



neo-liberal reform models in both cases. In chapter four, we examine the socio-economic and political developments and administrative reforms in Ontario from 1943-2002. In chapter five, we analyse governance in Ghana from the time of independence in 1957 through to 1994. In both cases, we analyse the state's role in the economy, the problems that emerged with this development, and the various attempts to reform state institutions by government. The purpose of these discussions is to understand the influence of the political systems in governance. Furthermore, the discussions will allow for the understanding of the record of economic development in order to appreciate the trajectories of development, the institutional decadence, and the resilience of these institutions in development in both cases. Thus, we will be able to explain the irrelevance of the application of the idea that there is only one best way in public sector reforms.

Chapters six and seven examine the development and application of the two policy instruments in Ontario and Ghana, respectively. We examine the process of privatisation in the water sector and the introduction of performance management in some public sector institutions with a view to understanding factors that serve as obstacles to the implementation of policy. The information provided in these chapters was obtained from government documents and personal interviews. Chapter eight concludes the study with a comparative analysis of the cases and a summary of the major findings, which we believe will serve as a guide to administrative reformists as they continue to develop models for changing the administrative state.

## **Chapter Two**

### **The Theoretical Framework**

#### **2. 1: Introduction:**

The purpose of the chapter is to understand the theoretical perspective of neo-liberalism and to develop a theoretical framework to assess the effectiveness or otherwise of the SAP and NPM. We begin with a review of the literature on the SAP and follow it with that on NPM. Then we focus on structural contingency theory to explain the problems associated with the SAP and NPM and their claims to universal applicability.

#### **2. 2: The Structural Adjustment Programme (SAP) in Perspective:**

The early 1980s witnessed the emergence of the SAP as the blueprint of the World Bank and the IMF for developing countries that sought assistance from them in the mobilisation and provision of resources, the designing of public institutions, and the transformation of their national economies. The SAP is “a process of identifying, creating, changing, developing, nurturing, and sustaining a wide range of public and private sector organisations for the effective management of the economy and its constituent sectors” (Kiggundu 1990:43). The World Bank (1990:8) has defined the SAP as a broad reform of policies and institutions covering microeconomics (taxes and tariffs), macroeconomics (fiscal policy), and institutional interventions designed to improve resource allocation, increase economic efficiency, expand growth potential, and increase resilience in reaction to shocks. The programme was developed as a reaction to the economic crisis that had bedevilled developing nations due to the oil crisis of the

early 1970s. The crisis plunged many developing countries into serious debt because of their continual borrowing to deal with the economic fallout. The programme was, thus, a process designed for the shifting of economic policies away from state interventionism toward enhancing the market as the principal agent for the allocation of societal resources wherever possible, as well as for providing an enabling environment for private sector development. In this way, the SAP was a means not only to reduce the size of government, but also to narrow the range of hitherto executive and administrative decisions in order to release the forces of production from the state bureaucracy.

The SAP consists of two major policy prescriptions: 'stabilisation' and 'structural adjustment' (Yagci et. al. 1985; World Bank 1989). Stabilisation fundamentally falls within the purview of the IMF, with adjustment in the arena of the World Bank. These policy prescriptions, while mutually exclusive, complement each other in the design of a complete policy package. Yagci et al. (1985) have provided a clear distinction between them. To them, stabilisation and adjustment are related by two common elements: the objective of the actions, and the methodologies used. Stabilisation programmes are intended to correct a balance of payment deficit, while structural adjustment works simultaneously toward payments deficit reduction, the resumption of output growth, and the achievement of structural changes needed to prevent future payments and stabilisation programmes. Furthermore, stabilisation programmes take the parameters determining an economy's response to policy instruments as given, and attempt to manipulate these instruments in order to achieve the objectives set up in the programme in a relatively short time. In contrast, adjustment attempts not only to manipulate policy instruments

but, also, to increase the responsiveness of the objectives of stabilisation to these instruments.

Stabilisation, however, precedes adjustment, and is used as a mechanism to reduce fiscal imbalances of government. These include a high domestic rate of inflation and a deficit in the balance of payment, raising the interest rate, and the moving to market valuation of the foreign exchange (Khan & Knight 1981; World Bank 1988). Stabilisation seeks to improve the balance between supply and demand in an economy in order to moderate inflationary pressures and strengthen balance of payments. In essence, stabilisation deals with macroeconomic disequilibrium, which is an imbalance between aggregate demand and aggregate supply capacity. Such an imbalance normally results in undesired trends in both prices and the balance of payments deficit that precipitates corrective action. Whereas stabilisation addresses fiscal imbalances of government, adjustment programmes are long-term measures to change the fundamental outlook of the state. The aim is to reform public institutions to make a country's economy more efficient, and more flexible, and to enhance the use of resources and, thereby, engineer sustainable long-term growth (World Bank 1988). Adjustment serves as a means to achieve changes in internal and external balances, or changes in the structure of incentives and institutions, or both.

Stabilisation and adjustment, however, go together though one serves as a continuation of the other, and there is a fuzzy boundary between the two programmes. According to Nelson (1984: 984), "stabilisation and adjustment can usefully be viewed as a continuum, with 'stabilisation' programmes focused on demand management and

potential short-run gains in foreign-exchange earnings or savings, while ‘structural adjustment’ programmes emphasise supply side changes that usually take several years to bear fruit. The boundary between the two is not well-defined, and actual programmes usually include elements of both...” Stabilisation is used to put an economy on a sound footing while adjustment is for long-term institutional realignment.

The policies under the SAP are justified on the basis that the country embarking on the programme faces acute macro as well as micro economic distortions, such as impediments to factor mobility, barriers to domestic and foreign competition, and prices of goods and public services unrelated to opportunity cost. In addition, the state experiences institutional weaknesses, which are typified by a severely impaired financial system and poor economic management (World Bank 1990). The core ideas of the SAP are pursuing macroeconomic stability by controlling inflation, reducing fiscal deficits, opening developing countries’ economies to the rest of the world through trade and capital account liberalisation, liberalising domestic product and factor markets through privatisation and deregulations, and reforming a civil service that is believed to be “swollen” and suffering from “bureaucratic elephantiasis syndrome” (Gore 2000; Goldsmith 1999; Williams 1990a; 1990b). The SAP may also be implemented because of exogenous forces, such as a shift in terms of trade, failure of agriculture, and diminishing export markets. It may be undertaken because of inappropriate domestic policies carried out by the state, such as an excess of the investment level over that of savings, excessive government expenditure, insufficient incentives for exports, or aiming at growth targets greater than the economy is capable of achieving.

The rationale for the adoption and implementation of the SAP in developing nations is, however, to encourage and enhance economic growth. According to the World Bank (1990:1), “in a typical country initiating a structural adjustment programme, the government has realised that major policy reforms offer the best hope for restoring sustainable growth.” This economic growth will in turn lead to poverty reduction in these nations. Therefore, to undertake the SAP is to initiate new macroeconomic management for a nation, a management that focuses on institutional reforms in several areas of the economy including public enterprises, government finance, administration, and so on (World Bank 1996). The nucleus of the institutional reforms is a concentration on the need to increase the efficient use of resources by state institutions. The World Bank (1988) emphasised that reform to increase efficiency should focus on three distinct areas: improvements in public sector management; removal of price distortions that adversely affect productivity; and progress toward a more open economy. Thus, the purpose of the reforms is “to discourage the state’s typically multitudinous interventions in productive economies, and allow freer rein to more efficient and productive market forces” (Green 1991: 67).

The objective of the SAP as a policy instrument is to make short-and-long term institutional changes to existing institutional arrangements in a country. These institutional changes are expected to occur in the economic field and in the overall role of government in the economy (Biersteker 1990). In the first instance, government is expected to alter its economic policies and to strictly focus on inflation management involving strict control of monetary and fiscal policy. At the same time, price controls,

which many governments of developing nations had adopted, were to be discarded and liberalised, while allowing the flotation or realignment of exchange rates in order to maintain the international competitiveness of a country's exports (Abbey 1998). Such policies are expected to limit the government's role in the economy and to enhance the role of other economic actors. Under the SAP, governments were also expected to make the private sector the engine of growth, instead of continuing to rely on the public sector. Thus, it was expected that the freeing of the economy from the dominance of the state "would give rise to a dynamic entrepreneurial class that could substitute for the state's role in the economy, seize the initiative, and stimulate economic growth" (Wiarda 2004: 126). Ultimately, the reliance on the private sector meant that the government's role in the new economy was the provision of 'an enabling environment' to foster private sector growth.

Furthermore, the adjustment part of the programme is expected to change and limit governments' role in service delivery and, in particular, as the main employer. In this way, the twin problems of government: -bloated and inefficiency, and excessive state control of the economy-are expected to change. Under the SAP, government was supposed to "steer" rather than "row," *i.e.*, encourage competition in a hitherto uncompetitive environment with a view to getting the best from private enterprises that undertake to deliver services to the public (World Bank 1995)

### **2. 3: The New Public Management (NPM):**

The emergence of conservative politicians in most countries in the Western world, especially in countries practising the Westminster model of governance and the United States, in turn stimulated the growth of neo-liberalism in restraining and altering the state in the late 1970s. The various policies initiated to “hollow-out” the state, which had been described by these politicians as being too congested and overloaded with policy making and implementation, have been generally referred to as the New Public Management (NPM) (Hood 1991).

The main thrusts of the NPM include: a greater focus on results and increased value for money and on a client-and service-orientation; a strengthened capacity for developing strategy and policy; the introduction of competition and other market elements; changed relationships with other levels of government; explicit standards and measures of performance; a stress on private-sector style management practices; and a greater discipline and parsimony in resource use (Hood 1991). The defining characteristics of NPM are its entrepreneurial dynamic, its reinstatement of the competitive market as a potentially more proficient provider of public services than the state, and its proclaimed intention to transform managerial behaviour (Minogue 2001).

By mid-1980s, NPM ideas had been widely accepted by most OECD states. Pollitt (1993:2-3) attributes the acceptance of NPM to the shifting of the state to the beliefs that:

- The main route to social progress lies through the achievement of continuing increases in economically defined productivity;



- Such productivity increases will mainly come from the application of ever-more-sophisticated technologies including information and organisational technologies, as well as the technological ‘hardware’ for producing material goods;
- The application of these technologies can only be achieved with a labour force disciplined in accordance with the productivity ideal;
- ‘Management’ is a separate and distinct organisational function, and one that plays the crucial role in planning, implementing, and measuring the necessary improvements in productivity;
- To perform this crucial role, managers must be granted reasonable ‘room to manoeuvre’.

On the other hand, Hood (1991) attributes NPM’s rise to prominence to four administrative “megatrends,” including: (i) the attempts to slow down or reverse government growth in terms of overt public spending and staffing; (ii) the shift toward privatisation and quasi-privatisation and away from core government institutions, with renewed emphasis on ‘subsidiarity’ in service provision; (iii) the development of automation, particularly in information technology, in the production and distribution of public services; (iv) the development of a more international agenda, increasingly focused on general issues of public management, policy design, decision styles, and intergovernmental cooperation, on top of the older tradition of individual country specialism in public administration.

A number of distinguished writings seem to have influenced the emergence and acceptance of NPM in the developed world. These writings cover the spectrum from bureaucratic criticisms to hailing managerialism as the solution to the pathologies of the administrative state, and a host of others. One of the most controversial writings against the administrative state in modern times is Osborne and Gaebler’s *Reinventing*

*Government* (1993). This book is controversial because its rhetoric, especially on the relevance of the principles prescribed by the authors for public sector change, continues to stir up debate among academics, bureaucrats, and politicians. Osborne and Gaebler painted a dismal picture of the administrative state by noting that the environment in which we live now has changed, and yet the existing bureaucratic institutions keep failing because of their failure to adjust to the new environment. They, therefore, called for a new public administration, with institutions that are flexible and capable of adapting themselves to the current environment

Similarly, Michael Barzelay's *Breaking through Bureaucracy* (1992) provided additional insights into changing the "bureaucratic beast." The author argued that the existing bureaucratic model, while promising good government, really tended to constrain it, and produced weak, misplaced, and misguided accountability (xv). He called for a modification of the traditional bureaucratic approach to managing public sector institutions to enhance value for money. This instigated him to develop what he called the "post-bureaucratic paradigm" of the changing environmental context of public administration. The paradigm consists of a number of elements, including:

- A customer driven agency that focuses on customer needs and perspectives;
- That enables the organisation to function as a team; that defines itself by the results it achieves for its customers;
- That creates value net of cost; that modifies its operations in response to changing demands for its services;
- That competes for business; that builds choice into its operating systems when doing so serves a purpose;
- That engages in two-way communication with its customers in order to assess and revise its operating strategy;

- That empowers front-line employees to make judgments about how to improve customer service.

The neo-liberal agenda for state reforms challenges prevailing ideas of the scope of the state's actions. Unfortunately, the extent of the reduction of the state remains unresolved in spite of extensive discussions on the issue because scholars who have studied the subject would rather rely on an "univariable definition or indicator of state intervention rather than present much of an elaboration of the variety of ways in which the state intervenes in economic life" (Biersteker 1990: 479). There are, however, a variety of forms of state intervention, and it behoves scholars to differentiate between these forms in order to understand the state's role in modern governance. According to Biersteker (1990), the state intervenes in the economy in order to: influence the behaviour of private entrepreneurs; regulate or constrain their behaviour; mediate in conflicts among capital and labour; distribute or redistribute the social and private product of capital; produce goods and services itself; and plan and rationalise the entire process through the establishment of a comprehensive planning process.

The challenges facing both developed and developing nations in modern times are many. Tackling them calls for a multi-dimensional approach, one that will combine both public and private resources, rather than enhancing one at the expense of the other. Thus, whereas adjustment programmes may change the role of the state in certain areas, they are, at the same time, expected to strengthen the state in others. However, the forces of civil society, which the neo-liberal policies are, intended to free and enhance, need an organised state in which to flourish: a state anchored in the rule of law, and capable of expressing various demands and concerns at both the domestic and international levels.

Unfortunately, the challenges posed by neo-liberalism lead to serious legitimacy problems for the state. For instance, limited state involvement in the production of goods and services may undercut the state's ability to redirect its regulatory intervention on behalf of the private sector. This process also undermines the state's fiscal basis, especially its abilities to influence the activities of significant economic actors and to provide essential services. Reducing the state's redistributive intervention may also undercut its ability to mediate effectively between conflicting factions within the civil society: particularly, capital and labour. The elimination of subsidies on food and energy is also a recipe for the mobilisation of important segments of the urban population, which can effectively strangle the state's effort to mediate in labour disputes while trying to build a strong and broader coalition to enhance the continuation of major policy reforms and help sustain reform efforts (Biersteker 1990). Thus, the limitations imposed by neo-liberalism on the state in its redistributory functions and its ineffectiveness in undertaking regulatory responsibility have led to decreased confidence in the state.

#### **2. 4: Understanding Structural Contingency Theory:**

In a wide variety of studies, contingency theory has been used to explain both the outcome of policy issues and human behaviour (Turner & Hulme 1997; McCourt 2001; Polidano 2001). In the management of organisations, both in the public and private sectors, various reports have indicated that environmental conditions systematically affect the organisation as a whole (Caiden 1969; Thompson 1967). The essence of contingency theory is that organisational effectiveness results from fitting characteristics of the

organisation, such as its structure to contingencies that reflect the situation of the organisation. These contingencies include the environment and the size and strategy of the organisation, among others (Donaldson 2001). Child (1972:8) believes that “if organisational structure is not adapted to its context, then opportunities are lost, costs rise, and the maintenance of the organisation is threatened.” Contingency theorists, therefore, have found an essential relationship among external variables, internal states of differentiation and integration, and the process of conflict resolution (Donaldson 2001). Hence, organisational theory and, in particular, “contingency theory,” which relates an organisation’s structures to its environments or contexts, has expanded the array of explanations, to include, for example, origin and history, forms of ownership and control, size, technology, activity location, and extent of dependence on other organisations. In addition to these variables, we can identify cultural effects that would differentiate management strategies across nations (Hosftede 1980; Lynn 1998; Mendonca & Kanungo 1996; Wiarda 2004).

Kast and Rosenzweig (1973) have suggested that the contingency theory of organisation seeks to understand the interrelationships within and among subsystems, as well as between the organisation and its environment, and to define patterns of relationships or configurations of variables. It emphasises the multivariate nature of organisations and attempts to understand how organisations operate under varying conditions and in specific circumstances. Contingency views are ultimately directed toward suggesting organisational designs and managerial actions most appropriate for specific situations. Kast and Rosenzweig assumed that an organisation is a subsystem of

its broader environment, and composed of several major subsystems, such as goal and value, technical, structural, psychosocial, and managerial subsystems. They further assumed that there is a middle ground between the view that there are universal principles of organisation and management and the view that each organisation is unique and that each situation must be analysed separately. Furthermore, they argued that contingency theory is a mid-range concept, one that recognises the complexity involved in managing modern organisations but uses patterns of relationships and/or configurations of subsystems in order to facilitate improved practice.

Polidano (2001) also highlighted this view in his study of the applicability of the neo-liberal agenda in developing countries. Concerning managerial autonomy, he noted, “it seems the effect of managerial autonomy on the performance of public organisations is highly contingent: it works in some situations but not in others” (61). He further conceded that even if the outcome of policies is ignored, and attention is directed to implementation, one is bound to observe certain contingencies, which are necessary in explaining the successes and failures of reform models as a straitjacket agenda for changing the administrative state. For this reason, he acknowledged the importance of political factors as well as of the prevailing local circumstances. To him, political and administrative leadership makes a big difference in ensuring that reforms overcome the implementation hurdle, while the ability to secure the desired outcome for the organisational performance reflects the ability of reform initiatives to be adapted to prevailing local circumstances.

McCourt (2001), using the contingency approach, identified six contingency variables relevant to “getting the state right.” They are performance, capacity, integrity, neutrality, dependence, and emulation. He believed that these contingency variables could help determine whether reforms have worked. They do not, however, fully capture what is at stake when analysing administrative reforms in various countries. Turner and Hulme (1997) in their work, *Governance, Administration, and Development*, identified a number of factors, including economic, cultural, demographic, and political ones that affect the environment in which the state operates. They are indispensable in the quest to change the nature and functions of the state. To Turner and Hulme, all organisations exist in and relate to environments that affect their operations, and the environments, in which administrators and policy makers operate, in developing countries in particular, are both distinct and diverse. The organisational environment is, hence, an essential element in influencing the nature of policy, administrative reform, or any programme of planned change. To this end, practices of and prescriptions for administration in industrial countries may be particularly prone to failure when transplanted to radically different developing country contexts. This is because “actual behaviour is not identical with recommended patterns at all times, in all places, and with all administrations. Administrative techniques, arrangements, and styles suitable for one particular environment are not appropriate for another” (Caiden 1969:11).

Contingency theory provides an explanation of the problems inherent in the neo-liberal models as they continue to be transferred to other countries. It makes use of local environmental conditions to explain the inappropriateness of transferring one model

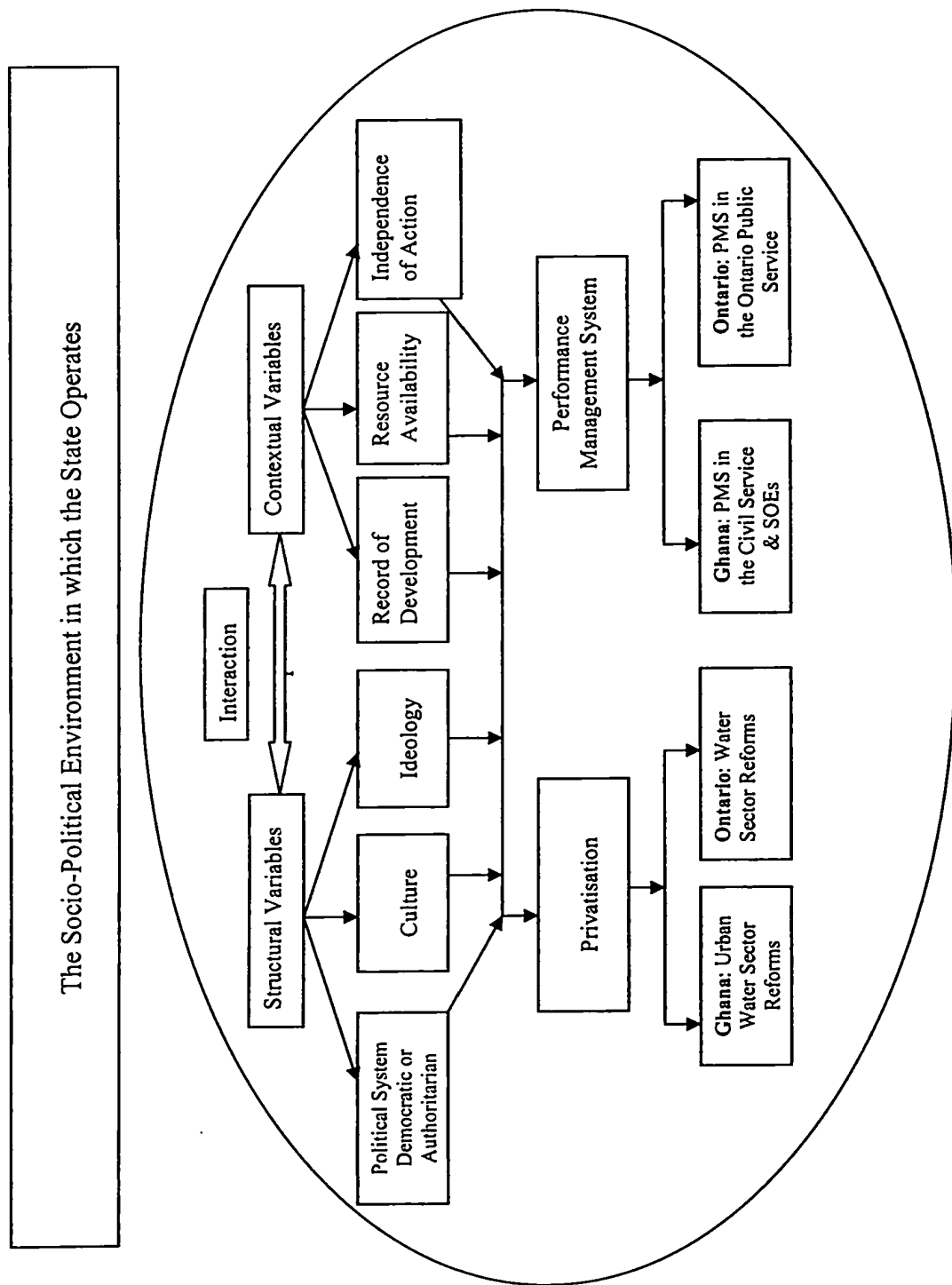
wholeheartedly, especially in terms of organisational reforms due to the functioning of the organisation(s). According to Kiggundu et al. (1983: 78-80),

Whenever the organisation can function as a closed system—either because of the nature of the practice involved or because the managers succeed in sealing its core technology from the intervention of “outside” actors—then what we know about organisations from North America seems to work fairly well. Whenever the organisation interacts with its environment, however, the resulting behaviour cannot be understood without significant adjustments to the theories of development in industrialised nations.

Organisations, however, do not function in closed systems. They are opened to external influence (Thompson 1960). This influence accounts for some of the commonalities noticed in the reforms in both the developed and the developing worlds, which have led to the proclamation of the internationalisation of public sector reforms. The study of the environment is to show that external conditions impinge upon the choices made by policy actors and that the environment presents decision-makers with both opportunities and constraints.

The theoretical framework presented here describes the influence of both internal and external environments in the pursuit of changing the state. The basic premise of the framework is that significant adaptation of the state to pressures and constraints posed by both the external and internal environments are essential in getting the state right. This is because the state depends on the environment for the necessary inputs and outputs. Hence, a clear distinction should be made between structural and contextual variables and their interactions in any setting. Transferred or contextually induced adjustments may be incongruent with relevant structural variables, and may negatively affect the effective governance of the state. In short, effective governance is possible only if “the systems and institutions of governance are congruent with the value orientations of the people





concerned. In the absence of such congruence, governance breaks down. Agencies and institutions lack legitimacy and compliance with regulations can only be enforced with draconic measures” (Noorderhaven & Tidjani 2001:80).

The internal environment consists of structural and contextual variables. In the structural variables, our attention is devoted to issues such as political regime type (*i e.* federal or unitary and democratic vs. authoritarian), culture, and the ideology of political leaders. Structural variables are important as they determine the boundaries of human interaction. For instance, the process of policymaking in a political system characterised by the diffusion of powers between central and regional governments in a federal state is significantly different than it is in a unitary state. In the same way, the policymaking process in a democratic system is different from an authoritarian state in the sense that in the former, the system is opened to external forces, including the citizenry for input. The political system also confers legitimacy in terms of policymaking and policy implementation. In this case, the significance of such conditions for understanding how policies of adjustment are created and the response the policies may receive from the public cannot be ignored.

Similarly, we are interested in identifying cultural effects that would differentiate strategic alignments and management strategies across nations. Culture is the “collective mental programming of the people in an environment” (Hofstede 1980: 43). Culture confers legitimacy on organisational structures and on the social controls and sanctions that values exert on behaviour at the organisational and individual levels (Lachman et al. 1994). Thus, “national culture may be a key determinant of the way in which activities

are conducted and may influence operational norms and practices as much as the public service manual of procedures” (Turner & Hulme 1997:3). Imported practices may fail, or be ineffectively implemented, if they are inconsistent with the core values of local settings (Lachman et al. 1994).

Culture, however, is dynamic and influenced by the external environment. Thus, as societies move from their traditional settings to modernity, their behaviours are influenced by the norms beyond their original confinement. In the same way, organisational structures and processes, role perceptions, and role behaviours may be modelled within the parameters of external resource dependencies and by legitimating values in the environment (Lachman et al. 1994). However, the extent of cultural influence may also depend on the extent to which resource dependencies are governed by material and contractual relationships and by the degree of consensus or dissensus and the strength of sanctions within the culture or the environment. Hence, any predictions concerning the paths of reform must clearly recognise the mediating influence of culture and influence that would predict differentiation, if not divergence (Lynn 2000). Cultural differences amongst countries may be understood in terms of

1. Power distance, which indicates the extent to which a society accepts the fact that power, in institutions and organisations, is distributed unequally;
2. Uncertainty avoidance, *i e.* the extent to which society feels threatened by uncertain and ambiguous situations and reacts to them by providing career stability, establishing more formal rules, not tolerating deviant ideas and behaviours, and believing in absolute truths and attainment of expertise;
3. Individualism, a loosely knit social framework in which people are supposed to take care of themselves and their immediate families only, while collectivism is characterised by a tight social framework in which people distinguish between in-groups and out-groups; in the latter they expect their groups (relatives, clan,

organisations) to look after them, and in exchange for that they feel they owe absolute loyalty to them; and

4. Masculinity, the extent to which the dominant values of society are 'masculine': that is, assertiveness, the acquisition of money and things, and not caring for others, or for the quality of life of other people (Hofstede 1980: 45-46).

These four dimensions of culture produce a behavioural pattern that affects people in any given context, and which they take to them when they join organisations, which "in turn influence the internal work culture, facilitating certain job behaviours and inhibiting others" (Mendonca & Kanungo 1996:69).

Mendonca and Kanungo (1996) have explained how these cultural factors affect organisational change especially in developing countries. According to them, high uncertainty avoidance, for example, leads people to avoid taking risks and accepting organisational change, and this manifests in the reluctance of individuals to take personal initiatives outside prescribed roles. They concede that, "each member of society has a specific role in society, which is a function of the person's age, occupation, and status. Any deviation from this prescribed role is not only discouraged, but also subjected to a host of sanctions. As a result, individuals tend to be dependent on outside forces for life outcomes and to develop an external locus of control..." (69).

On the other hand, contextual variables, which are circumstances or situations that induce change, examine such things as the role of the state in the distribution of scarce societal resources, that is, whether it occurs strictly through the state, through a mixture of state and market or, rather, a purely market mechanism, resource availability, and independence of action. The availability of resources tends to determine how actions are taken in any given circumstances. Where there is reliance on foreign resources, it

becomes difficult for actions to be taken independently due to conditionalities attached to such external resources. Second, the economic aspects of any society and its cultural values are intricately bound together (Lachman, et al 1994). However, since economic conditions differ across nations, the conditions prevailing within a nation are of particular importance for cross-national organisational theory and practice, especially in comparing developed and less-developed nations.

A number of external variables also impinge on what the state can do. These variables constitute the international arena or environment, and play a key role in the internal affairs of nations in both the developed and developing worlds. In Third World states, International Financial Institutions (IFIs), as well as the donor community, play a fundamental role in the way the state behaves (Commons 1998). As noted by Remmer (1986:3-4), “the willingness and ability of governments to implement stabilisation programmes may depend on... non-political factors such as the availability of external funding, the dynamism of world trade... and the speed with which resources can be shifted to the tradables sector”. Thus, to understand the adoption of neo-liberal models in both the developed and the developing worlds requires a systematic attempt to grasp the external and internal constraints states face in determining the direction of their development.

## **2. 5: Conclusion:**

The objective of this chapter was to discuss the existing literature on the SAP and NPM and to develop a theoretical framework using contingency theory to enable us to explain some of the constraints facing different countries in their attempts to change the

administrative state. The discussion illustrates the theoretical perspective of the neo-liberal models for reforming the state, which tend to promote a one-size-fits-all approach. While the discussion outlines what the state is being encouraged to do, it tells us little about the various constraints each state faces, and whether the models have had any positive effect on the way the administrative state behaves. In chapters six and seven, we examine the application of the models in Ghana and Ontario in order to ascertain the influence of the models on the administrative state.

## **Chapter Three**

### **Methodological Approach to the Study**

#### **3. 1. Introduction:**

The preceding chapter discussed the literature on structural adjustment and new public management and the theoretical framework for analysing the issues involved in public sector reforms. In this chapter, we turn our attention to the methodology employed in the dissertation. The chapter consists of three sections: (i) description of the data collection method and the use of content analysis; (ii) explanation of the use of qualitative, as against quantitative, research as well as of the essential significance of such an approach for the dissertation, and the problems encountered; and (iii) justification for the case study approach and the two cases studied.

This study was developed through the comparative method, and is case-oriented in nature. The use of the comparative method was essential because of the number of cases (two) and policy areas (two). The dissertation also makes use of the different systems design and the method of agreement. This is a “method that compares countries that do not share any common characteristics or features with the exception of the [policy] outcome to be explained as well as one or two of the explanatory variables conceived to be essential for the outcome” (Landman 2003:29) as a way of controlling for irrelevant variables, as well as to show the differences between the two cases.

The usefulness of this approach is in its capacity to explain the significant differences between Ghana and Ontario. Its strength is its effectiveness in revealing the characteristics that are held in common by the Ghanaian and Ontarian policies to reform

the administrative state, despite the differences between Ghana and Ontario, of which the fact that one is a developed, and the other a developing, country is an example. There is also the fact that one is a province within nation, while the other is itself a sovereign nation. Thus, whereas the political systems studied differed in a number of ways, they did not differ in terms of the phenomenon, *i.e.*, public sector reforms, being investigated.

### **3. 2: Methods of Data Collection:**

The research exploited four methods of data collection. These were: the review of literature; the use of content analysis; organisational surveys and specialised interviews; and the qualitative research method and personal interviews.

#### **3. 2. 1: Review of Existing Literature:**

The first method of data collection was reviewing existing literature on the SAP and NPM. A significant number of writings have been produced on the need for changing the state and on the adoption and the impact of neo-liberal reforms in both developed and developing nations. Review of academic publications, including books and journal articles, provided the background. The literature also served as a valuable source of information that assisted in understanding the models for reforms and the neo-liberal view on the role of the state in modern times. It also provided an understanding of the different environmental conditions within which such reforms are taking place, and of factors that continue to impede administrative reforms. The literature review inspired the development of the hypothesis explained in chapter two.



### **3. 2. 2: The Use of Content Analysis:**

The next step, following the review of the literature, was content analysis of government documents, including legislation, recommendations of commissions and committees, budget statements, correspondence between government and external funding agencies (especially in the case of Ghana), and memos. Content analysis is a “research technique geared towards making replicable and valid inferences from data to content” (Berelson 1959:18). The technique focuses on making inferences by objectively and systematically identifying specified characteristics of messages from documents relevant to what is being studied. Content analysis was used to ascertain the extent to which the neo-liberal administrative discourse has taken roots in the two cases.

The rationale for undertaking this study through content analysis is a matter of the objective of systematic analysis of communication and interaction among the major policy players, such as might have been influential in shaping the particular policies. In this sense, objectivity was seen as residing in the fact that there was transparency in the procedures for assigning the raw material to categories, which aided me in minimising personal biases in the process of determining the agenda setting, formulation, and perhaps the implementation of the policy. Furthermore, as noted by Bryman (2001:177), “the quality of being systematic means the application of the rule [was] done in a consistent manner so that biases [were] again suppressed.” This was important, especially when one looks at the fact that discussion of the policies that are implicit in the neo-liberal agenda in both the developed and developing worlds evokes emotions and long debates amongst theoreticians and practitioners, politicians, and the public as a whole. Thus, as

conceded by Bryman (2001:177), “the process of analysis is one that means that the results are not an extension of the analyst and his or her personal biases... [T]he key point is that, once formulated, the rules can be applied without the intrusion of bias.”

The examination of the correspondence between government and external agencies was essentially to determine the extent of the influence of external forces on the state. This was necessary because it helped in determining whether states, especially those in the developing world, are passive recipients of policies developed in the developed world. In Ontario, I relied on the *Office of the Freedom of Information in the Ministry of Environment* to obtain information concerning the privatisation of water testing laboratories. However, it was extremely difficult to obtain such information from Ghana because of the subject’s “political sensitivity.” I had to rely on interviews and personal conversations with public officials to determine the relationship between the government and external agencies and public institutions. It was not surprising that most interviewees could not describe the sort of influence such organisations had in the adoption of the policies, although all of them agreed to the suggestion that these institutions do or did influence government policies.

Subsequently, such influence affected the adoption of some of the public policies, particularly those relating to water and performance contracts in State Owned Enterprises (SOEs). Similarly, the budget statements and memos helped in ascertaining the influence of one-best-way discourse on determining policy directions in both cases. The continual and systematic use of such terms from the managerial lexicon as clients, customers, etc. to refer to citizens, the emphasis on a new management culture for public organisations,

and results and outputs orientation as the focal point for public sector organisations reflected the influence of the new neo-liberal discourse and culture in the approach to public service reforms in both cases.

Some of the important documents relating to Ghana included the *Halcrow Report on Restructuring of the Water Sector, Ghana's Water Resources Management Challenges and Opportunities, London Economics Report on Willingness and Ability to Pay, Demand Assessment and Tariff Structure, SOE Reform Programme 1984-1994: Review and Recommendations* etc. For Ontario, I concentrated extensively on the *Walkerton Report, particularly papers submitted to the commission, the Ontario Financial Review Commission Report, Doing Better for Less: Introducing Ontario's Business Plans, the Human Resources Plan for Senior Managers, and newspaper reports*. Other documents that proved relevant have also been appropriately acknowledged. The analysis of the content of these documents was intentionally done to the purpose of understanding the policies and how they have been or are being implemented, and factors impeding their success.

### **3. 2. 3: Organisational Surveys and Specialised Interviews:**

The third dimension of the collection of the data involved the use of organisational surveys and personal structured, and unstructured but specialised, interviews. Organisations and personnel to be interviewed were carefully and systematically selected through purposive or judgemental and “snowball-sampling” techniques. Purposive sampling was used in the selection of organisations based on the

policy areas under study which in this instance meant the organisations that had responsibility for or oversaw water testing and delivery in Ontario and Ghana as well as other public organisations involved in the sector. In Ghana, information was provided by the Water Sector Restructuring Secretariat (WSRS), which has the responsibility to develop and implement private sector participation, and the Ghana Water Company Limited (GWCL). The same approach was used to select organisations interviewed on performance management.

After identifying the organisations, letters<sup>2</sup> soliciting interviews were sent to the senior bureaucrats *i.e.*, assistant deputy ministers and chief executive officers of public enterprises, in the case of Ontario, and chief directors and chief executives in the case of Ghana-who recommended personnel to be interviewed. This was especially the case with Ghana Telecom and the WSRS, where there was a chain of referrals to people from different departments. On the other hand, snowball sampling, which is a process “where a group of research participants are gathered by first contacting one member of the target group or population, then asking that person to put the researcher in touch with other members and so on” (Baxter-Moore, et al. 1994:377), was used to identify the personnel interviewed. In this case, the first point of contact, the Chief Directors/Chief Executives, provided the names of officers who are in charge in the areas I studied. Likewise, some of these people recommended others with whom I could talk, and this proved quite significant with respect to the interviews on performance management.

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<sup>2</sup> See Appendix B for a sample letter requesting interviews

Thus, snowballing was used to determine the personnel to be interviewed, especially those involved in the development of the policies and those who oversee the implementation of the policy. This technique had a number of problems. For instance, it made the organisations selected unrepresentative. It also led to selection bias. However, it was instrumental for finding respondents and initiating a chain referral as well as for engaging respondents as informal research assistants, which ultimately resulted in access to the organisations as well as to the personnel interviewed.

The reason for conducting specialised elite interviewing was the fact that reforms are ongoing and do not necessarily stop at any particular point in time, especially when there is a continuous search for better ways to make government accountable, not to mention efficient and effectiveness in meeting the needs of the citizenry. Second, the interview technique was used as a means to comprehend interviewees' definition, views, and understanding of the situation(s) or problem(s). The interviews were conducted with an open-ended questionnaire, and contained twenty questions.<sup>3</sup> This allowed the interviewees to freely express their thoughts on the policy initiatives, the policy making process, the implementation process, the difficulties encountered, and the effect(s) they have had on the organisations as well as on the general public. It also allowed me to ask follow-up questions on issues that needed further clarification from the interviewees.

Personal interviews were imperative to determining triangulation, which is "the combination of methodologies in the study of the same phenomenon" (Denzin 1978:297). The essence of triangulation, according to Jick (1979: 604), is that "the weaknesses in

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<sup>3</sup> See Appendix C for sample questionnaire.

each single method will be compensated by the counterbalancing strength of another". This is because most of the factors identified by the interviewees as hindering the successful implementation of the policies have not been documented. In other words, this approach suited the research situation, because intentions are difficult to ascertain from documents, especially where bureaucrats are expected to "follow" or "obey" their political masters "without questioning". Candid identification of these factors helped in ascertaining the success or otherwise of the policies and in accounting for different constraints in the cases.

#### **3. 2. 4: The Use of Qualitative Research and Personal Interviews:**

In this study I employed qualitative analysis, which according to Carroll and Siegel (1997:28), "relies upon logical generalisation and involves a non-random sample and often fewer contacts or observations" of personnel or events than quantitative analysis, which normally involves large numbers of cases or aggregate data. Qualitative analysis is also largely an investigative process where the researcher gradually makes sense of a social phenomenon by contrasting, comparing, replicating, and cataloguing the objects of study. It is "a mixture of the rational, serendipitous, and intuitive in which the personal experiences of the organisational researcher are often key events to be understood and analysed as data" (Maanen 1979: 520).

I used qualitative analysis as the analytical tool for a number of reasons. First, it must be noted that the research study was to test the prevailing wisdom of one-size-fits-all in public sector management. The technique allowed me to familiarise myself with

the problems associated with the adoption and the implementation of the policies. It also allowed me to experience at first hand the problem(s) encountered by public officials in administrative reforms. Second, the study was intended to ascertain the extent to which bureaucrats were/are involved in the formulation of the policies, as well as the extent of the influence of foreign consultants/experts in the policy making process. Third, this method enabled me to identify and understand the major factors that continue to serve as obstacles to achieving the aims and objectives of administrative reform policies.

The interviews were conducted at the offices of the interviewees and were recorded with their consent. They were thus able to refer to documents when responding to some questions. After the interviews, I did a careful and systematic transcribing of the recordings, and edited and refined parts of them for clarity, particularly quotations used in the dissertation. In all, nine interviews were conducted in Ghana. Four of them were conducted with officials of the Ghana Water Company Limited (GWCL) and the Water Sector Restructuring Secretariat (WSRS). The other five interviews dealt with performance management two (2) being with individuals from civil service institutions, *i.e.*, the Ministry of Employment and Manpower Development and the Office of the Head of the Civil Service, one (1) from the public oversight agency, the State Enterprises Commission (SEC), one (1) from the State Enterprise--the *Ghanaian Times Corporation* and one (1) from the Ghana Telecom, a partially privatised enterprise, in which the state owes 70% shares while a private investment consortium owes the other 30%.

In Ontario, nine (9) interviews were conducted. This was the number of organisations and individuals who responded to interview requests, out of sixteen

organisations and individuals to whom letters were sent. Seven of the interviews were conducted with former and present officials in the public sector, while one was with an official from a non-governmental organisation (NGO). With the exception of two interviews that focused on the water (including that of the NGO official), the rest of the interviews were to solicit views on the issue of performance management in the public services. Of the seven from the public sector interviewed, two were former officials of government. One had worked with the Ministry of the Environment, and had submitted a paper to the Walkerton Inquiry, while the other was a former Chairman of the Management Board Secretariat.

**Table 3. 1: Number of Interviews Conducted**

	Ontario	Ghana
Privatisation	Three (3)	Four (4)
Performance Management	Six (6)	Five (5)

A number of scholars have challenged the use of the small N in social research, and especially in the use of Mills' method of agreement and method of difference, on the basis of its unreliability as a basis for generalisations, and the fact that a small N does not meet the requirements of a deterministic theory (Liebertson 1991; 1994). Despite these criticisms, we consider the small number of interviews used in the dissertation as



important for a number of reasons. First, the interest was to explain particular outcomes, which could only be undertaken in a rigorous manner with a small number of people. Second, based on the policy areas studied, it was paramount that only a small number of people, ones well-versed in the policies being implemented, and could provide in-depth analysis or discussions of the reform policies. Third, as explained above, the research was with an interest in particularities embedded in the cases, which could only be ascertained by talking to the major actors in the reform process. Another important factor that must be noticed is that in administrative reforms, many countries have developed specific agencies to implement them. Such agencies develop, implement, and evaluate the outcomes of reform policies. Hence, the dissertation considered such key agencies and their personnel a source of reform ideas.

The dissertation acknowledges the limitation of small N in terms of its ability to make generalisations. It may be argued that the use of two systems vastly different in their approaches to development, societal values, and external influences make it appropriate for generalisation. In short, the use of two cases in the study compensates for whatever shortcomings the small number of interviews may have with regard to the study's applicability in other cases.

### **3. 3: The Case Study Approach and Cases Studied:**

The dissertation was based on case studies in comparative analysis. The use of the case study approach (and the selection of Ghana in particular) was important, since Third World states are often treated as outliers in the development of theories for

analysing the state. Third World states are often ignored in the development of theories that scholars use in dealing with the problems of the administrative state. In short, many of the theories that have been developed to examine the state have been formulated in advanced Western societies. These theories, thus, reflect an ethnocentric bias against underdeveloped and other less studied regions of the world, and without detailed single-country studies, scholars would continue to advance theoretical arguments that are inappropriate, outdated, or totally irrelevant for a specific region (Bradshaw & Wallace 1991). Furthermore, the research dwelt on extensive historical analysis as a means to understand the adoption and implementation of neo-liberalism in both cases precisely because there have been fewer studies on the cases.

The difference between Ghana and Ontario has seemingly affected their development in terms of administrative reform. Ghana is an independent sovereign country, while Ontario is a province within Canada. In this case, the Ontario government shares power (constitutionally) with another level of government: *i.e.*, the federal government of Canada. This power-sharing between the two levels of government greatly affects what the provincial government can do. On the other hand, there is no power sharing between the Ghanaian government and any other levels of government. Whatever power has been given to decentralised institutions comes directly from the central government based in Accra, the capital.

Another difference that has affected the two systems is their level of development. Ontario is a developed province. Ghana, on the other hand, is a developing nation, one that relies on donor and international financial institutions for support. It is expected that

**Figure 3. 1: Comparing Ghana and Ontario**

Dimension	Ghana	Ontario
<b>1. Social/Culture (Hofstede 1981):</b>		
• Power distance	High	Low
• Uncertainty avoidance	Low	High
• Individualism	Low	High
	○ Communal	Individualistic
	○ Rural	Urban
	○ Community-centred	Hierarchical
<b>2. Economic</b>		
<sup>4</sup> Income levels (GDP)	Mostly agricultural \$369 (US)	Mostly industrial \$27,079 (US)
Property Rights	State/communal	Mostly individual
<b>3. Political/Legal system</b>		
	Traditional/legal	Legal-rational
	Lineage-centred	State-centred
	Collaborative	Hierarchical
	Low stability	High stability
<sup>5</sup> <b>4. Population</b>	21 Million	11 Million
<b>5. Landmass</b>	239,460 sq km.	1,076,395 sq km
<b>6. Reform dependence</b>		
• Goal of reform	External Growth and development	Internal Prosperity, and justice

Adapted from Peter Fuseini Haruna "Reforming Ghana's Public Service: Issues and Experiences in Comparative Perspective," *Public Administration Review*, vol. 63, no. 3, pp. 349

external influence will be great in the adoption and the implementation of reform models in Ghana than in Ontario. It is based on this international support that the Ontario government took it upon itself to provide the necessary support to Ghana in her quest to revamp public institutions. The implication of this support is the transferring of models that have been, and continued to be, used in reforming public institutions in Ontario to Ghana.

<sup>4</sup> See the UNDP: *Human Development Report 2005: International Cooperation at a Crossroads, Aid, Trade and Security in an Unequal World*, United Nations: NY, 2005.

<sup>5</sup> Information on population and landmass of Ghana was obtained from the CIA Fact book, and is based on a 2005 estimate, while that of Ontario's was obtained from Statistics Canada at [www.statscan.ca](http://www.statscan.ca).

The selection of cases is to some extent opportunistic. Being a Ghanaian and studying in an Ontario university (McMaster) provided the motivation to use the two systems where it was deemed that information would be easily obtained. Second, Ontario seems to be exporting its reform model to some developing countries that have embarked upon administrative reforms, although Ontario's reforms seem to have fallen short of expectation (Evans 2005). Reforms in Ontario, that is, seem to have encountered a number of problems, such as shortage of personnel, which made it difficult to ensure effective and efficient service delivery. A third factor is the need to examine the implication(s) of the "imposition" of ideas from the donor community and international organisations on Third World nations as they search for solution(s) to their underdevelopment.

In this case, we may argue that theories that have been developed to analyse public sector reforms, while they may be somewhat applicable to Ontario, may be less relevant to Ghana. This is because management practices in Ghana and other developing countries are dominated by Western management values such as rationalism, individualism, and autocracy, which are incongruent with the cooperative values and communal philosophy in these countries. It is the hope that the study may help develop a theory that may lead to a systematic understanding of Third World states from their own perspective; *i.e.*, by developing an indigenous management theory, which some scholars have been urging (Kiggundu 1990; Mendonca & Kanungo 1996; McCourt & Minogue 2001). By comparing Ghana and Ontario, the problem(s) associated with the "one-size-fits-all" in administrative reform will be well understood.

Furthermore, although the Ontario provincial government has adopted NPM to reform its public sector, the reform has been less radical than those in Britain, Australia, and, especially, New Zealand, which Third World states have been warned not to emulate (Schick 1998). We therefore considered it necessary to study the Ontario model in view of the fact that not much study has been done on it and also because of Canada's role in administrative reforms in Ghana.<sup>6</sup> We also believe that Ontario's assistance to developing countries in changing the nature and role of the state is more collaborative in nature than the American melting-pot idea, which seems to be the hallmark of the international financial institutions. We must, however, not lose sight of the fact that public sector restructuring in Ontario was highly driven by neo-conservatism and neo-liberalism and, therefore, was more radical in approach than in most provinces and at the federal level in Canada (Lonti & Verma 2004).

### **3. 4: Conclusion:**

This chapter discussed the methods used in obtaining the information for the dissertation. Through these methods, I was able to obtain first-hand information on the difficulties facing public officials as they attempt to develop and implement policies to reform the state. The chapter also discussed the advantages of these methods, and provided justification for the study of Ghana and Ontario.

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<sup>6</sup> Canadian institutions such as the Institute of Public Administration Canada (IPAC) and the Canadian International Development Agency (CIDA) are very much involved in public sector reforms in Ghana. The IPAC, for instance, is one of the leading institutions contracted by the World Bank to undertake public sector reform and management. These institutions are using Canadian models as the basis for public sector reforms in Ghana. There are also a number of Canadians working on the reforms in the various sectors.

## **Chapter Four**

### **Governance, Development, and Administrative Reforms in Ontario, 1943-2002**

#### **4. 1: Introduction:**

Does past development help shape future administrative reforms? Can such past development also lead to the explanation of different administrative reform outcomes in different countries or systems? One of the variables developed in the theoretical framework in chapter two is record (past) of development. Record of development in the theoretical framework was considered as a contextual variable, one that may impact the success of the reforms. In this chapter, the intent is to understand how this variable affected the adoption and implementation of neo-liberal policies in Ontario. Indeed, by focusing on this variable, the paths the two systems in the study have travelled over the years, and the importance of developing different reform policies for each system will become clear.

From 1995 to 2002, Ontario underwent massive socio-economic and political changes unprecedented in the annals of the province's history at the hands of a rejuvenated Conservative Party under Mike Harris. This period can conveniently be dubbed "the era of the Common Sense Revolution" (CSR). It was an era in which the Conservative (henceforth Tory) Party that came to power after 10 years in the political wilderness decided to undo what its predecessors had done with respect to the involvement of the state in service delivery. It was a period that saw the unleashing on the province's public services of massive neo-liberal policies and a return to market fundamentalism. It was a period when the values of the private sector were energetically

forced into public services delivery in the name of efficiency, effectiveness, accountability, and value for money. Why and how did this 'revolutionary change' take place?

There is no doubt that Ontario has undergone tremendous changes throughout its existence. The province's public services expanded over the years from what they had been in the early days of the Confederation (Hodgetts 1995). That expansion and the changes that accompanied them were routed through the political system, which over the same period had been institutionalised. Thus, understanding those changes necessitates understanding the state structure, the process of change, and the values those changes imposed on the overall economy.

The years 1943 and 2003 were important milestone in the political, economic, and social governance of Canada's most populated province. The year 1943 marked the ascension to power of the Tory and, which it kept for nearly half a century. That event also marked the acceptance of 'moderate conservatism,' conceived of as the attempt to limit state power while at the same time preserving it in governance; a development theory replacing the laissez-faire/market fundamentalism that had guided policy makers in their choice of developmental instruments for the province. On the other hand, 2003 marked the end of the CSR, with the defeat of the Tory in the 2003 general elections. By that time, the operating principles of the bureaucratic apparatus of the state had changed in many ways because of a number of steps taken, in both the cultural and the logistical perspectives, by the government with regard to the citizenry (White 2002).

As part of infusing neo-liberalism into the public service, the Tory government had by 1996 accepted the laissez-faire approach to governance, with privatisation and performance management as key policy objectives. Until this period, privatisation, for instance, had not been a policy option for the government. According to a former minister in the Bill Davis government, “privatisation was never a policy option of the provincial government. We never thought of privatising any government service.” We must, however, acknowledge that while the Harris government attempted to limit the role of the state in the economy through privatisation and other forms of alternative service delivery mechanisms, not much was achieved. Thus, although privatisation discourse featured prominently in the government’s policy pronouncements, little was accomplished in the privatisation of the state’s asserts.

We noted in chapter two how administrative governance within a particular environment is highly influenced by a number of factors, such as the system of governance, the nature of the economic development, independence of action of the state, and culture. These variables no doubt shape the minds of policy makers and policy implementers, and strongly distinguish the ability of one country from another when it comes to adopting different philosophical approaches to national development.

The chapter begins with a brief look at Ontario prior to 1943. This is followed by an examination of Tory rule from 1943, and the policies that laid the foundation for modern Ontario, until 1985, when the party lost power. The third section (1985-1995) deals with a period that may be aptly described as a period of uncertainty in Ontario governance. It witnessed the coming to power of the Liberal Party (1985-1990) and the



New Democratic Party (NDP) (1990-1995). The last section looks at the return of the Tories with their Common Sense Revolution.

Before the Second World War, Ontario underwent a serious but gradual transformation with the purpose of meeting the demands of its citizens. These demands were precipitated by urbanisation, industrialisation, and technological advancements that affected communication and transportation. This culminated in the need for the province to expand public agencies, especially those involved in natural resources. The province responded to these demands in the form of regulatory expansion and hands-on administrative modes. These were reflected in the consolidation of departments, the creation of new organisational units, the growth of staff, and the emergence of central agencies to reform, coordinate, and control in the name of efficiency and accountability (Hodgetts 1995). The state was not a major actor in the economy, although “politics and public administration were important elements in the life of the province” (Rea 1985: 15).

The province’s economic and administrative development was dictated by the liberal approach to economic development, which reserved a significant role in the economy for the private sector. “The government’s role in the economy was essentially that of regulator, although some efforts were made to promote resources development and other industrial ventures when the opportunity arose to do so. The civil service was an insignificant source of employment. The government’s total spending amounted to less than 7 per cent of the estimated value of the provincial production” (Rea 1985: 16).

#### **4. 2: Governance and Administrative Development in Ontario, 1943-1985:**

In 1943, the Tories won a decisive electoral victory over the ruling Liberal Party after presenting a platform titled “the 22 Points Declaration,” and described as a ‘great social document’ by the *Globe and Mail* (1942: 2). Before the 1943 victory, economic development in the province had slowed down as a result of the Great Depression of the 1930s. As in other developed countries, the devastating effect of the Depression coupled with the problems caused by the Second World War, led the government to intervene in the economy. The failure of the market which the government had relied upon to address the needs of the economy, led to a decline in confidence in the market system. That decline meant a significant role for the state in the development of the economy. This is not surprising, since Keynesian macro-economic policy was the accepted economic philosophy of the time.

The Tory platform contained a number of promises, and “was an eloquent invocation of the attitudes and expectations that underlay much of the economic and social policy activity of the next quarter of a century” (Rae 1985:18). The centrepiece of the platform was the role of central planning in the economy. One may argue that the idea of central planning and intervention in development was incompatible with conservatism. The idea of central planning, however, represented “a traditional old Canadian conservatism... a tradition that incorporated the view that active government participation in the economic development of the country was appropriate, so long as it was consistent with the fostering of business enterprise and general expansion” (Rae

1985: 18). In this case, the state's involvement in the economy was a means to enhance the development of well functioning public and private sectors.

The acceptance of planning as an instrument for development led to the establishment of a number of public service institutions dedicated to enhancing development. The most prominent of these was the Department of Planning and Development, the purpose of which was "to co-ordinate the many planning agencies now looking to the future, and also to stimulate new planning in directions which have not yet been explored by any organised effort" (GoO 1951). The department brought together several earlier administrative institutions that had been established to perform specific types of planning, including community planning and industrial development (Rae 1985). Throughout the period, and especially from 1949, under Leslie Frost, the state's role in the economy was greatly expanded in order to create "a favourable investment climate for private business in the province" (Rea 1985: 23). White (2002) has described the state under Frost as a 'builder-facilitator.'

As the state became involved in planning activities, the need for efficient and effective public sector institutions accountable to the legislature also became paramount. This idea was reflected in a report submitted to Parliament by the Provincial Auditor. The report (GoG 1959:17) noted:

One of the major problems of public administration is how best to reconcile public control and public accountability with giving rein to the creative urge without which the purpose of any great enterprise can never be achieved. Petty haggling and pruning do not always ensure more effective or efficient service; a balanced appreciation, however, will ensure both that services are maintained at the smallest possible cost to the taxpayer and that these services represent the best possible return for a limited outlay.

The report also called for attitudinal change in the administrative organisations as related to the use of funds if efficiency, effectiveness, and accountability were to be achieved. The weaknesses within public organisations identified by the provincial auditor led the government to embark upon its first major administrative reform. To this end, the government issued an order-in-council that called for the appointment of a committee “to examine into the administrative and executive problems of the Government of Ontario in all divisions of the provincial public service, and to examine into the relationship of Boards and Commissions to the government and the legislature, and to report thereon to the provincial secretary” (GoG 1959:89). In 1959, the government established the Committee on the Organisation of Government of Ontario to examine: (a) the issue of abuse of power and authority and the insistence upon the accountability of government for all its activities, including those conducted by departments and agencies and the rights of individual citizens; (b) the provision of adequate supervision and control over all administrative actions performed in the name of government; and (c) how the bureaucracy could operate as smoothly, efficiently, and economically as possible.

In its report, the Committee recommended frequent reviews of government activities in four areas: ministerial responsibility; financial accountability; grouping of related functions; and the provision for appeals. These four areas were deemed paramount because the committee believed that sound democratic government administration required adequate supervision and control, safeguards against abuse of power and authority, and efficiency in operation. The committee noted that “these four general principles--ministerial responsibility, financial accountability, the grouping of

related functions, and provision for appeals--constitute the basic standards to which, in our view, the structure and operation of the government machinery in this province should conform" (GoG 1959:15). Focusing on these areas was also necessitated by the increase in the size and scope of government activities and the delegation of responsibility and authority. In all, the Committee made 48 recommendations and, by April 1960, six had been implemented.

In 1961, John P. Robarts succeeded Leslie Frost as premier. At the time Frost left office, the 'Ontario state' had expanded considerably, and its internal operations had changed as well. When Frost took power in 1949, the provincial civil service numbered about 13 000, and had a budget of \$247 million. However, by 1961, civil service employment had risen to nearly 34 000, and its budget to over one billion dollars (White 2002). John Robarts' succession did not change the role of the state in the province's development. He also expanded the state's administrative institutions and employment such that, at the time that he left office, civil service employment had risen from 34,000 to 65,000 as a result of his "aggressive recruitment of young, dynamic staff with specialised expertise" (White 2002:16). Apart from the civil service, there were numerous other institutions, such as boards, agencies, and commissions that were involved in other activities on behalf of the state (Fleck 1973). Thus, under Robarts, the state continued to pursue interventionist policies in development to the extent that by the time he left office in 1971, Ontario had fully blossomed as a 'service state' actively participating in service delivery (Lang 1974).

By the late 1960s, the administrative state was facing a number of criticisms. It was considered, to a large extent, ineffective, remote, inefficient, wasteful, and insensitive. To address these criticisms, Robarts decided to modernise public service institutions. He “recognised that no matter how talented the government’s staff, its antiquated organisational forms were unequal to the tasks of modern public administration” (White 2002; 15). This recognition of the need to reform and modernise the public service led to the establishment of the Committee on Government Productivity (COGP), the purpose of which was to “inquire into all matters pertaining to the management of the Government of Ontario and to make such recommendations as in its opinion would improve the efficiency and the effectiveness of the Government of Ontario” (Fleck 1973).

The COGP issued 10 interim reports, with each report containing a number of recommendations for the modernisation of the entire public sector. It accepted the principle that organisations responsible for programme delivery should be allowed considerable latitude and variety in the use of management methods and organisational designs. It called for a simplification of the personnel management system to allow more flexible deployment of resources in changing situations. The COGP also recommended the conversion of the existing system of centralised control of classification to one where standards were set centrally, but where the responsibility for applying classification standards would be delegated to each ministry. In addition, it recommended the implementation of a system of goal setting and performance reviews based on the Programme Planning Budgeting System (PPBS) in order to allow public managers to set

their aims more clearly and then relate those aims to the available resources and results. The government accepted these recommendations, but their implementation was left for Robarts' successor to undertake.

In 1971, Bill Davis succeeded John Robarts as premier. Bill Davis did not undertake any comprehensive administrative reforms as his predecessors had done, but rather, focused on implementing and consolidating of what they began. Graham White (2002:17) refers to the Bill Davis years as the period of 'consolidation and maturation.' As noted, by the time Robarts left office, Ontario was an activist state, participating actively on the socio-economic front. Although one would have expected this state activism to diminish, Bill Davis continued the trend set by his predecessors in terms of expanding public services in such a way that while the OPS employed 65,000 people with 16 departments and a budget of \$4.8 billion (registering \$65 million deficit) when he assumed office, at the time of his departure the OPS employed 69,000 people, had 24 ministries and three policy secretariats, and a budget of nearly \$24 billion with a deficit of \$2.7 billion (White 2002).

With the expansion of public services emerged a number of concerns about the state's institutions. They included that the public sector had become too large, intrusive, and too expensive to maintain. Others were about the efficiency and effectiveness of the bureaucracy in managing the economy. To overcome these problems, the government took steps to reorganise public service functions. It embarked upon some ministerial reorganisations, which led to the collapse of some agencies, such as the Ontario Water Resources Commission and the creation of new ministries, including the Ministries of the

Environment, Energy, Culture and Creation, and Northern Affairs. Some ministries were broken up, including the Ministry of the Treasury, Economics, and Intergovernmental Affairs into separate ministries. Other institutions, such as a Women's Directorate and Secretariats for youth, the elderly (senior citizens), and the disabled, were also established (Lindquist & White 1993). The government also embarked upon a major decentralisation project. This project involved the transfer of a number of government agencies from Toronto to other parts of the province. As part of the project, the government relocated 960 positions within the Ministry of Health (OHIP) to Kingston, and 600 positions within the Ministry of Revenue to Oshawa between 1977 and 1983 (GoO 1991).

Bill Davis paid significant attention to the issues of efficiency and public accountability. This is not surprising, since this was an era in which the NPM philosophy, with its emphasis on managerialism and accountability, was taking shape. In 1980, the Management Board of Cabinet initiated three major projects to improve the quality of public sector management. These were (a) Management Standards Project (MSP), (b) Management by Results, and (c) Internal Auditing. The MSP dealt with the issues of accountability and the quality of management practices within the OPS. To the government, the MSP was necessary because effective management of employees, including human resources and management processes was a key factor in achieving organisational effectiveness, efficiency, and public accountability (MBS 1983).

Another important step taken by the government to enhance public sector management and accountability was the commissioning of Price Waterhouse Associates



to study and make recommendations on government restructuring. In its report, the consultant (Price Waterhouse) found that the existing institutional mechanisms for service delivery and accountability were sound, but called for the revision of management processes and procedures, the assimilation of a new administrative culture into the public service, and the strengthening of mechanisms to ensure accountability. With respect to accountability and responsibility, the report noted, "...[w]hile underlining the deputy minister's day-to-day responsibility to the minister, links between deputy ministers and Management Board, and between deputies and the Premier, should be clarified and enhanced" (Price Waterhouse 1985:1).

On the question of administrative rules, the report recognised that whereas the rules in the government's Manual of Administration were sound and accepted, there was a need to improve their content and format, as well as to strengthen commitment to compliance, while keeping them up-to-date with emerging needs to the end of ensuring that such rules did not inhibit efficiency or creativity. Furthermore, the report recognised the positive working climate and the attitudes of senior civil servants, especially in regard to management organisation and getting work done, but called for changes in order to inculcate consistent and strongly held values of getting things done within the established rules (Price Waterhouse 1985). The report made over 11 recommendations covering the various areas the study examined.

In spite of the changes wrought by the Davis government, the early 1980s became very difficult for it because of a number of unpopular policies it initiated, as well as some embarrassing criticisms in the reports of the provincial auditor. These problems affected

the popularity of the government and manifested themselves in its inability to form a majority throughout the period.<sup>7</sup> By the early 1980s, the 'Tory dynasty' was in disarray. These problems were further exacerbated by the sudden departure of Davis from politics at a time when he enjoyed enormous public support, by the acrimony that characterised the election of his successor, and by the failure of the party to learn from "the lessons of compromise they had been forced to practice during the minority period from 1975 to 1981" (Ehring & Roberts 1993: 135-6). In spite of these difficulties, when the election was called, the Tories managed to hold on to power, but with fewer seats in the legislature. The Tories were, however, defeated by the Liberals and the NDP in a non-confidence vote in May 1985.

#### **4. 3: The Liberals and New Democrats Come to Town, 1985-1995<sup>8</sup>:**

In May 1985, the Liberal party under David Peterson formed the government. The Liberal period of governance can be divided into two phases. The first phase (1985-87), of a minority government, was shaped by an agreement with the NDP: the "Liberal-NDP Accord," or "the Accord" (Spiers 1987; White 1998). The second phase (1987-1990) saw a Liberal majority government. The Accord committed the two parties to a two-year program of public policy and legislative reforms with a view to improving not

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<sup>7</sup> Under Bill Davis, the Tories formed three minority governments.

<sup>8</sup> The period between 1985 and 1995 has been called "a period of revolutionary change in Ontario." See Graham White "A Revolutionary Change in Ontario" in Evert A. Lindquist ed. *Government Restructuring and Career Public Service in Canada*, Toronto: IPAC, 2000. The two parties that governed introduced a number of reforms that brought significant changes to the Ontario Public Services. This section draws significantly on three major works: Evert A. Lindquist and Graham White "Streams, Springs, and Stones: Ontario Public Service Reform in the 1980s and the 1990s," *Canadian Public Administration*, vol. 37, no. 4 pp. 267-301; Graham White, *Change in the Ontario State 1952-2002*, 2002; and *Ontario, Transforming Public Service for the 21<sup>st</sup> Century*, Ontario Public Services Restructuring Secretariat, Cabinet Office, 2000

only quality of life for Ontarians, but also public access to and information about the legislative process in the province. To attain the aims of the Accord, the Liberals set out to implement a number of programmes to enhance the role of the state in the economy.

To implement these programmes, the government established a number of committees and commissions to examine existing programmes as well as establishing new ones while at the same time making recommendations to ensure that the programmes did not encounter difficulties in their implementation. It also established the Social Assistance Review Committee. The aim of the Social Assistance Review Committee was to ensure that Ontarians were equally treated in terms of sharing responsibilities and personal dignity for all, and to help individuals to make the transition from dependence to autonomy, and from exclusion and existing on the margins of society to integration within the mainstream of community life (GoO 1988). The government implemented a number of statutes and programmes, and reclassified over 700 part-time employees. As a result of these policies and programmes, public sector employment and expenditure began to climb.

In addition to these programmes, the government created a number of public sector organisations, which led to the swelling of public sector employment numbers. Nine new Northern Development Councils, for example, were created to advise it on achieving northern development objectives. The Eastern Ontario Development Corporation was also established to examine development in the eastern part of the province. Significant financial commitments were made for the development of these areas. For instance, the government established a \$100 million Northern Development

Fund in support of community adjustment, business, and tourism development, and a Northern Ontario Heritage Fund to help ensure long-term economic growth and diversification, while a new Eastern Ontario Community Economic Development programme, to enhance growth and employment opportunities in that region was established and allocated an amount of \$25 million. In terms of public sector employment, by May 1987 the government had increased overall employment by 312,000 jobs, and increased the average number of provincial public servants by 1,945 (GoO 1988), so that by March 1988, the OPS had 71,120 classified employees, 15,009 unclassified employees, and 1,126 other crown employees (Loreto 1990).

Between 1985 and 1990, the government undertook a number of initiatives to reform the OPS to reflect the needs of the province. The reforms emphasised attitudinal change intended to enhance accountability and instil a new service culture in the OPS by reorganising its human resource management. In October 1985, the government commissioned a private-sector executive, W. P. Moher, to review “the role and mandate of the Civil Service Commission, in the context of new and innovative management philosophy and techniques” (GoO 2000:13). The government believed that excellence in human resources was the foundation of organisational culture within the OPS (MBS 1986). At the same time, the reform was to transform the service from one of tradition, risk-averse behaviour, and preoccupation with the formalities of power into one focused on dynamism and initiative, in which senior employees were encouraged to concentrate on effectiveness and results rather than on adherence to hidebound bureaucratic routines (White 2002). The review paid attention to five areas: (a) the corporate role and

responsibilities of human resources management; (b) the responsibility of the Civil Service Commission to preserve and protect the merit principle; (c) the role of Deputy Ministers; (d) the efficacy of key policies and practices in human resource management; and (e) the appropriateness of existing legislation (MBS 1986).

Focussing on these areas “was in sharp contrast to the traditional fixations of public administration: government structure; policy processes; expenditure control and accountability” (OPS 2000:13). That such a contrast was realised is not surprising, since neo-liberal ideas challenging traditional public administration had fully emerged by this time. Thus, the Moher review was “informed by contemporary thinking around organisational management, largely adapted from the private sector, [and] represented a significant departure from the preoccupation of traditional public administration. It also ushered in an era of increasing attention to the executive leadership of the OPS” (OPS 2000:14). The report recommended instruments such as performance measurement and positive reinforcements at the senior management levels of the public service (MBS 1986).

By 1988, a number of the recommendations had been implemented. These included the establishment of a new central agency with responsibility for human resource problems, policy, and strategic planning (Lindquist & White 1994). Another essential element of the reforms was the issue of employment equity, to which the government paid particular attention. This was done through the passage of pay equity legislation, the inclusion of other target groups, such as disabled persons, Francophones, native peoples, and racial minorities, and the implementation of a *French Language*

*Services Act* (Loreto 1990). Other initiatives included the development of new administrative policies for ministries and agencies to promote efficiency, effectiveness, and accountability in government (McLellan 1997).

A 'relocation initiative' programme, similar to the one implemented under Bill Davis was another reform project. The government established the Northern Ontario Relocation Project to transfer 700 public service positions from Toronto to five Northern Ontario Communities (GoO 1991). Two ministry headquarters--Correctional Services and Northern Development and Mines—as well as some other bureaucratic sub-units and agencies were relocated to Northern Ontario "in order to share with the resource-dependent hinterland the benefits of stable, well-paid white collar jobs previously concentrated in Toronto" (White 2002:21). Other organisations moved were: The Ontario Lottery Corporation; the Forest Research Group of the Ministry of Natural Resources; the Ministry of Transportation, and the Solicitor General to Sault Ste. Marie; the Student Support Branch of the Ministry of Colleges and Universities and the Registrar General Branch of the Ministry of Consumer and Commercial Relations to Thunder Bay; and Northern Development Mines to Sudbury (GoO 1991: 49).

In addition to the relocation project, the government also undertook a 'Tomorrow Project,' a reorganisation of the civil service, which focused on redesigning the service to make it more responsive to emerging public needs and demands. However, "this was less a formally structured exercise than a shared vision, in at least certain circles, of management reform out of which specific projects devolved" (Lindquist & White 1994:280). The reform was, however, a wide-ranging but loosely integrated set of

initiatives with the objective of altering the approach and culture of the public services. It encompassed a strong 'customer service' ethic, interest in horizontal management in dealing with organisational problems, and enthusiasm for the responsibilities of modern technology and private sector inspired organisational reengineering (White 2002: 21).

In spite of the government's commitment to reorienting the public service in response to growing public demand and as part of the global movement for altering public sector management, little was achieved in this direction. The Tomorrow Project for instance, was not completed because of the change in government in 1990. The NDP government that succeeded the Liberals was sceptical, and allowed it to 'dissolve gracefully' in 1990 (Walkom 1990). The OPS, however, believe that the project could have propelled a reorganisation and streamlining of the public service had the NDP not formally wound it down (OPS 2000).

#### **4. 4: Governance and Reforms under the New Democratic Party, 1990-1995:**

In mid-1990, Premier Peterson decided to renew his mandate, and called an election; but the Liberals were defeated (Erhing & Roberts 1993; Gagnon & Rath 1991; Walkom 1994). Surprisingly, the NDP swept the polls by obtaining 37.6% of the popular vote and 74 out of the 130 legislative seats, which was a "huge increase over its previous levels... but nonetheless the first majority government of Ontario with less than 40% of the vote" (Erhing & Roberts 1993:289).

The NDP, like other social democratic parties, entered government with a different view of governance from its predecessors. Ideologically, the party stood and still stands at the left with the belief that government must play a central role in

development. Consistent with that belief, the NDP in 1990 developed an election platform based on what the party called *An Agenda for People*. This platform detailed what the party would do should it be voted into power (Gagnon & Rath 1991). The *Agenda for People*, therefore, was seen as the party's blueprint for governance. Some NDPers, however, saw it as only representing the party's policy views for electoral purposes, and not as such a blueprint (Monahan 1995). According to Cameron and White (2000:19), "the *Agenda for People* was hurriedly assembled during the election campaign with no thought that it might have to be implemented." Likewise, some of the party stalwarts believed that the party "had no notion that [they] might ever have to implement it" (Gagnon & Rath 1991:314).

The *Agenda for People* focused on introducing new and increased corporate taxes to a minimum of 8 percent, with the expectation of bringing over \$1 billion a year into state coffers, and at the same time implementing what the party termed succession duties on the rich and super-rich, estimated to give the government over \$190 million a year. It also sought to provide tax relief for the poor through the elimination of income tax for people living below the poverty line. There is no doubt that the *Agenda for People* set the NDP on the path of the social agenda of the Liberal-NDP Accord. It however, portrayed the party as a firm believer in Keynesianism at a time when the validity of the theory was being challenged in many developed nations. According to Monahan (1995), no one familiar with the NDP's policy positions would have been surprised by anything in the *Agenda for People* because it accurately represented the long-standing policy views of the NDP, including that government should play an active role in society. White



(1995) is of the view that many New Democrats, at least, were still attached to the Keynesian economic principle that governments can intervene successfully to promote economic growth. Monahan (1995:16) has further noted:

Running throughout the agenda was a single theme: resources should be allocated by state planners rather than by private markets, to redistribute wealth rather than to create it. The central message, as the treasurer, Floyd Laughren, summed it up later, was "Make the Rich Pay."

Monahan (1995: 16-17) believed that the programme had two overriding problems: first, and perhaps the most serious, was that the platform paid no heed to the critical question of the impact that government measures have on the incentive of people to work, save, and invest in productive and efficient ways. The second overriding difficulty with the NDP's platform was its focus on the rights of groups rather than those of individuals.

Examining the *Agenda for People*, it is obvious that had the Ontario economy not been in a recessionary period, the NDP would, perhaps, have ignited a social revolution in Ontario. The agenda reflected the conviction based on the economic buoyancy the province experienced under the Liberals before the 1990 election. However, later events proved that Ontario was entering a recession and the NDP would have been wise to have set a balanced agenda that focused on growth or wealth creation through the combination of state and market mechanisms. For instance, the last Liberal budget had forecast a balanced budget, with an actual operating surplus of about \$30 million for the 1990/91 fiscal-year (Laughren 1990). However, a week after the election, it was revealed that revenues had fallen in July and August, and that the revised forecasts for 1990-91 projected a \$700 million deficit, while a \$3 billion deficit was forecast for the fiscal year (Courchene & Telmer 1998).

The NDP's response to this economic gloom was an increase in government spending and other measures to protect workers, policies that would create jobs and provide social assistance throughout the recession. The government's faith in public sector intervention in those circumstances, and its spending spree, featured strongly in the 1990 Throne Speech. In it, the government declared its intention to spend \$700 million for necessary maintenance and renovation of public sector facilities, and indicated that the projects were meant to create critically needed jobs while, at the same time, helping the government address the accumulation of the consequences of many years of inadequate financing of public infrastructure. The government also initiated an agenda that would spread the financial burden on all. It remarked that "a fairer and more democratic economy must share both the benefits and the burdens of change arising from the time of major economic adjustment in which we live" (Laughren 1990: 2).

The measures the government announced to fight the recession were based on this philosophy. They included a provision for an employee wage protection fund for workers of bankrupt companies; support for labour adjustment committees in industries affected by dislocation; stronger measures on layoff notice, severance, and other adjustment issues; an increase in the minimum wage to 60% of the average industrial wage; pension reforms; rent-control legislation; expanding the supply of affordable housing; extension of child care; and support for people retrenched from their jobs and unable to provide for themselves and their families. The estimated cost of these programmes was approximately \$4.9 billion. The employee wage protection programme was also estimated at over \$175 million in 1991-92, with a further \$32.5 million labour

adjustment initiative to help workers re-enter the job market. These policies were undertaken amidst a mounting deficit estimated to jump from \$3.0 billion to \$9.7 billion in 1991-92 fiscal year.

As the economic recession intensified, and just as Ontarians were expecting the government to restrain public spending, the government expressed its social beliefs with further expansions in the public sector, with steps to create jobs while maintaining existing public services by enhancing provincial transfers to public institutions including hospitals, colleges, universities, school boards, and municipalities at pre-recession rates. For instance, in the 1991 budget these institutions received increased funding as follows: 9.5% for hospitals; 7.9% for school boards; 7.3% for colleges and universities; and 5% for unconditional grants to municipalities. In terms of job creation, the government introduced the Jobs Ontario Programme with three major funds to support new jobs. These included a \$1.1 billion JOBS ONTARIO Training Fund, a \$2.3 billion strategic capital programme known as JOBS ONTARIO Capital Fund, and JOBS ONTARIO Homes Fund to support non-profit housing (Laughren 1992). In addition to these programmes, the government committed itself to meeting the environmental needs of the province and a programme of expanded public transit, meant not only to help the movement of goods and people, but as a strategy for improving the environment and the economy. These commitments were made against the backdrop of the expectation that the deficit would grow by almost \$17 billion in 1993-94. Thus, when the NDP was faced with a huge decline in spending, jobs, and investment, it responded, in classic 1970s fashion, by increasing transfers. It ran up repeated \$10 billion deficits, spending the

money on increased welfare, higher public service salaries, and government-sponsored job creation. To keep the deficit from escalating out of control, it also increased taxes from 53 to 58% (Walkom 1994).

In its quest to enhance service to the public, the government introduced Bill 40, which extended the right of certain categories of professionals and certain classes of agricultural and horticultural workers to obtain union representation. It also changed the organising process concerning strikes and picketing activities on companies' property, and altered the certification process through which unions obtained bargaining rights. Furthermore, it provided access to first contract arbitration after parties have been in a lawful strike or lockout position for 30 days. The Bill amended the *Employment Standards Act*, the *Hospital Labour Disputes Arbitration Act*, and the *Occupational Health and Safety Act*.

By the latter part of 1992, the province was in bad economic shape, characterised by a fiscal deficit. In 1993, the government realised that it could not sustain high levels of public spending and a vast bureaucracy. This realisation, though belated, led to the adoption of some economic contraction policies and other measures to constrain public expenditure. For instance, in the 1993 budget, the Finance Minister announced a reduction in operating spending on government programme by 4.3 per cent from the previous year's level, and the introduction of new taxes to boost revenues and enhance savings, and the reduction of public employment by 5,000 (Laughren 1993).

These were bitter pills which the government was forced to swallow, since the core of its supporters were public sector employees and their unions. The government's

measures were developed in three documents: Ontario's Expenditure Control Plan (OECF); The Social Contract (SC); and Ontario Economic Outlook (OEO). The OECF dealt with measures to reduce government spending by reforming and restructuring ministries and programmes, and was expected to save almost \$4 billion in 1993-4 through greater efficiency, including expenditure cuts that would reduce services and entail the loss of 11,000 public sector jobs. The Social Contract was designed to trim \$2 billion from the wages of over 950,000 people for three years, while the OEO consisted of a series of income and other taxes worth over \$2 billion (GoO 1993).

Curtailing spending on social welfare and restructuring government also became vital to the premier, Bob Rae, in the early days of 1993. His realisation of the urgency of the situation compelled him to call for a new look at the social welfare system. At a press conference, he remarked: "[W]e've got to reform the system so that it's more active and so it's more positive, so that it provides more positive incentives for training and, eventually, for a return to work" (Mackie 1993: A1). The premier also likened the bureaucracy to the "Spanish Armada, big billowing sails, big ships, and there are a lot of Francis Drakes out there who are going to beat the hell out of us unless we change" (Mittelstaedt 1993: A2). He began to stress the need for the government to operate efficiently and effectively. He noted that "the clear message to the public is that we want government to work more efficiently... Every organisation in the world is becoming more efficient, is having to become less bureaucratic, less hierarchical, and more focused on service" (Mittelstaedt 1993: A1). Mittelstaedt aptly described the changing nature of Rae as "a politician donning a new, Tory blue look" (Mittelstaedt 1993: A1). To him,

“Rae [was] Canada’s most important social democrat, but in words and deeds, he [was] starting to sound a lot like a middle of the road conservative politician... [Y]esterday, he veered to the political right to attack welfare dependency and the excessive bureaucracy of government and to stress the need to keep deficits in check” (Mittelstaedt 1993: A1)

The most vicious attack on the bureaucracy came in the form of a Social Contract, which focused on getting “public-sector management and their unions to address the need for savings, and to achieve these savings without big reductions in service to the public or unemployment among public-sector workers” (Rae 1996:204). The Social Contract was to be used to achieve “basic trade-offs between economic performance measures, such as productivity enhancements and the containment of compensation costs, in return for employment security gains and labour’s empowerment in planning processes... while maintaining quality public services to the community” (GoO 1993:13). In terms of restructuring, the government merged a number of ministries to avoid what it termed duplication in service delivery in order to cut costs.

The Social Contract and ministerial merging, therefore, were the NDP’s solution to the conundrum of constraining the public sector wage bill without substantial retrenchment of public sector workers. In the view of the Social Contract, the broader public sector, including hospital workers, employees of municipal governments, teachers and university staff, whose pay was directly or indirectly footed by the province, were to have their compensation reduced by 5 %, with the exception of workers earning below \$30,000 per annum. Another measure in the Social Contract was a mandatory ‘day off without pay.’ The Social Contract was to be achieved through a negotiated settlement

between the government and public sector unions. However, the bill introduced to implement the policy gave the Minister of Finance substantial powers to impose wage settlements if the unions refused to agree to demands of voluntary wage reduction. This was done through the fail-safe clause that gave the government powers to freeze public service wages for three years if workers did not agree to have their wages cut (Walkom 1993).

The Social Contract and the government approach were fiercely denounced by both public and private sector unions, who felt the government was sacrificing the bureaucracy for political gains, and resolved to fight the premier (Galt & Mackie 1993). In spite of this denunciation, Schwartz (1994), for instance, considered the Social Contract one of the most profound achievements of the NDP government. To him, it provided a new approach to funding and enhancing relations between government and the public sector, while retaining a united caucus in the face of fierce opposition. However, if the Social Contract was seen as a cure for the problems of the government, it rather alienated it from its natural allies; the public sector unions. In spite of Rae's rhetoric about changing government, its actual downsizing in the face of a booming deficit was limited. Some ministries were consolidated and the Public Service was reduced from about 85,700 to 81,250 (Lindquist & White 1994).

One major initiative undertaken by the NDP was the introduction of a new accountability regime through the Shared Accountability Framework (SAF). The idea was to improve and enhance ministerial and administrative accountability for the implementation of management reforms. At the same time, it was to be the "vehicle for

administering staff reduction targets and for monitoring progress on downsizing and also on objectives such as management delayering and employment equity” (Lindquist & White 1994: 290). Furthermore, it was supposed to relate human resources development to other issues, such as service quality and the consolidation of the line ministries’ reporting framework through the Information Technology Strategic Plan. In short, the SAF was an encompassing policy direction for achieving most of the policy goals of the regime, and it represented a new approach for improving the accountability of the ministries to cabinet. It was also an attempt to define a new role for the Management Board (McLellan 1996).

The NDP reforms had a significant impact on the administrative structure and function of the OPS. For example, the Social Contract created labour turmoil, which affected the relationship between the government and labour unions, and led the latter to denounce the party. The appointment of politicians to the bureaucracy and the imposition of central control over decision-making and policy implementation were conceived of as politicising the ‘non-partisan public service.’ The policy “produced mutual misunderstanding and antipathy between the politicians and their staffs and those in the senior and middle ranks of the OPS far beyond the normal tension which characterises the political-bureaucratic relationship in any government” (White 2002:23).

Throughout this period, there were few institutional changes to the public service. With the exception of some ministerial consolidation, which reduced the number of ministries from 28 to 21, the NDP made few extensive structural changes, as they were more concerned with the nature and the operating principles of the public service (White



2002). The seemingly lesser enthusiasm by the NDP for structural and institutional reforms stemmed from its grass roots support; *i.e.*, labour unions, which would have absorbed most of the changes. The government's limited success at institutional changes in the OPS must be seen in light of the economic recession the province underwent during the period that made any reforms to the public service unpalatable.

The inability of the NDP to address the fiscal imbalance that had crippled the Ontario economy, the confusion generated by the Social Contract, and the denunciation of the party by its grassroots supporters meant that the party was doomed and ready to be gotten rid of by Ontarians in the next provincial election.<sup>9</sup> Its programme to resuscitate the Ontario economy throughout its period of governance has been described as “fiscalamity” (Courchene & Telmer 1998: 122). According to Walkom (1996), “if the Rae government was guilty of one mortal sin, that sin was fiscal. In the space of a scant four years, Ontario more than doubled the entire accumulated provincial debt, from \$39 billion in fiscal 1989-90 to almost \$90 billion in fiscal 1994-95.” At the end of Rae's regime, Ontario's debt had doubled to 29% of the province's gross domestic product. The government's spending spree went on in the face of economic difficulties, as it continued to balloon the deficit by increasing public expenditure on infrastructure and the environment, as exemplified in both the 1994 and 1995 budgets.<sup>10</sup>

The 1995 budget projected for a total operating spending of \$52.3 billion, with a total of \$43.5 billion in programme spending, all within a revenue shortfall of \$48.4

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<sup>9</sup> According to one official, 18 months before the election, everyone in Ontario knew that the NDP was going to lose.

<sup>10</sup> The 1995 budget was not presented to the legislature due to the election call.

billion, with the deficit estimated at \$5.8 billion (Ontario 1995). Courchene and Telmer (1998) contend that the 1995 budget more than anything else, set the stage for the CSR. This was because the deficit and the growing public debt played directly into the hands of the government's most aggressive right-wing critics. The policies of the NDP government angered its grass-root supporters to such a degree that the little support the party had enjoyed before, and in the face of the economic difficulties had evaporated by the time of the election.

By 1995, the province's economy needed radical surgery. It was within the context of these institutional and fiscal difficulties that the NDP called for general elections in 1995 which led the Tories under Mike Harris to present their CSR platform. The CSR promised to perform that radical surgery on Ontario fiscal policy, and to create jobs through reliance on the private, rather than on the public sector. Harris was optimistic that what the Tories were selling was a "good product" that would be bought by Ontarians. Not everyone, however, was enthusiastic (Walker 1996; Walkom 1996). In spite of the scepticism, the Tories won an overwhelming majority in the election, with 82 seats, representing 44.8% of the popular vote. The Liberals had 30 seats and 31.3% in the popular vote, the NDP retained 17 seats and 20.6% of the popular vote, and there was one independent (Dare 1997).

#### **4. 5: Back to the Palace: The Conservatives and their Common Sense Revolution:**

The Common Sense Revolution (CSR) aimed at taking Ontario into the global revolution of economic restructuring, tax cuts, and bureaucratic dismantling initiated in

the early 1980s by neo-conservative leaders. The preamble of the document stated that “government isn’t working anymore” (1994:1). The document further asserted that “if we are to fix the problems in this province then government has to be prepared to make some tough decisions” (1994:1). The CSR viewed Ontario as a bankrupt enterprise, which had to be revamped by adopting new business methods. In so doing, the Tories set to change the way government worked. The view of David Lindsay, the principal secretary to the premier, was that “we’re changing the style and the way government works. Since the Second World War, government has been in an expansionist mode. Now we’re into managing a downsizing of government” (Rusk 1995: A4).

The CSR promised tough changes based on the belief that Ontarians were probably the most over-governed people in the world. According to the Tories, it was not the time to talk about tinkering, incremental changes, or short-term solutions. The document claimed:

Its time for us to take a fresh look at government. To re-invent the way it works, to make it work for people. While many goals remain important to us—creating jobs, providing safe communities, protecting health care—we are governed by a system that was designed to meet the needs of the 1950’s, not the challenges of the 1990s or beyond (1994:2).

The fundamental changes on which the CSR focused included the reduction of the state and the expansion of the private sector in the delivery of public services. These were to be achieved through the introduction of new forms of service delivery, such as privatisation, contracting out, and, if necessary, partnership between the government and the private sector. In addition, the CSR intended that the public sector should function in a more business-like manner by introducing business-sector values, such as performance

management and customer-friendly actions. The premier, in discussing the plan to introduce performance management for the bureaucracy, noted that “it was an attempt to run the government more like business” (Walker 1996 A1). These ideas were not out of place with the fundamental ideas of neo-liberals and the one-best-way philosophy that had emerged to shape the thinking of governments in the developed world.

These approaches to government business indicated the ideological stand of the Tories, although Harris had consistently denounced the ideological position of the Liberals and NDP. The Tories claimed:

The Ontario government has been driving jobs out of the province through 10 years of ideologically driven legislation and over-regulation. No one knows for sure how many jobs these policies have cost us but estimates range up to hundreds of thousands... [W]e don't have time in Ontario for sterile political debate using the outdated labels of “left” and “right.” In our opinion, it is time to stop arguing and take the common sense, practical steps we know will work here in Ontario (1994:2).

To the Tories, these changes were necessary because the province had lost its way in the previous decade and needed to be brought into line with the new thinking. In fact, the premier described the period between 1985 and 1995 as “the lost decade” (Eves 1997).

The CSR was founded on three fundamental objectives: cutting taxes and creating jobs; cutting spending and balancing the budget; and providing Ontario with a real plan for growth (Cameron & White 2001). The CSR had five main components (OPC 1994): (a) cutting provincial income taxes by 30%; (b) cutting government spending by 20% in three years in all areas except health care, law enforcement, and classroom funding for education; (c) cutting government barriers to job creation, investment and economic growth; (d) reducing the size of government and adopting new ways of delivering public

services, as well as a performance management system for bureaucrats, and (e) balancing the provincial budget.

There is no doubt that the plan was based on the neo-liberal agenda. To Harris, supply side economics had always worked, and the secret was to ensure that tax cuts were accompanied by an assault on government spending. To the Tories, taxes had to be reduced in order to make the province more attractive to potential investors, encourage consumer spending and stimulate the economy, and counteract the economic drag caused by government subsidies and the reduction in public service employment. The Tories believed that Ontario's tax rate was amongst the highest in North America. Reducing taxes, therefore, was crucial to making the province more competitive. In addition to this economic argument, tax cuts were seen as a way to reduce the size of government and its offensive intrusion into the body politic. They believed that a government with less money would interfere less in the individual liberties of citizens (Ibbitson 1997).

The first initiative of the government to revamp the ailing economy was introducing a package of strenuous spending-control measures and cutting expenditure. This was to enable the government to reach its goal of implementing income tax cuts, balancing the budget, and reversing a number of NDP policies and programmes. The Premier and his Finance Minister, Ernie Eves, were seriously committed to this initiative. In his first press conference, Harris told reporters that to accomplish the main goals of the government, "we need to get government spending under control very, very quickly... We will be looking to move just as quickly as we possibly can" (Mittlestaedt 1995: A5).

Three weeks after taking power, the government axed \$1.9 billion of its expenditure. It chopped welfare rates by 22% for more than 500,000 social assistance recipients and over 500,000 children who depended on it, capped pay equity raises, cut all social service agency spending by 5 percent, ended job training on a massive scale, cut spending on colleges, universities, and school boards by 2 percent, cut a \$46 million out of Ministry of Housing and Municipal Affairs funding, and ended most grants and subsidies to business, and major construction projects, along with a host of others measures. These massive cuts were designed to bring the provincial deficit down to \$8.8 billion, without which it would have soared to between \$10.3 billion and \$10.8 billion within the year (Walker 1995; 1996; Walkom 1995).

With respect to the OPS, the premier provided a clear indication of his plans to reduce the number of civil servants by 13 000 jobs, or 15% of the total workforce, as a cost-cutting measure. He told reporters: “[C]ertainly we are looking at the downsizing of the civil service, sooner rather than later... [T]hat means that we haven’t ruled out the summer” (Mittlestaedt 1995: A8). This measure was to reduce the OPS to its 1985 level and save over \$650 million in the following two years. Under the Tories, the OPS was reduced from over 81,000 full-time positions to 61,620 (White 2002:26).

The government repealed Act 40, which dealt with collective bargaining and employment, and the power to strike, and replaced it with Bill 7, which was an act to restore balance and stability to labour relations and promote economic prosperity, and to make consequential changes to statutes concerning labour relations. The government believed that repealing Act 40 was a means to trigger economic growth. To the

government, Act 40 was an affront to the growth of the private sector, and was described as “a job killer,” that had upset a careful balance, set by labour laws, between the legitimate rights of employees, trade unions, and employers, and had done so by replacing it with uncertainty and tension between labour and management. Furthermore, to the Tories, the Act had driven jobs away from Ontario, stifled expansion, and discouraged employers and investors from locating in the province. Thus, Bill 7 made substantial changes that were aimed against labour, and favoured the private sector.

The government committed itself to a number of local policy initiatives, including a new *Municipal Act* and the *Planning and Development Reform Act*, eliminating red tape, expediting planning processes, empowering municipalities, and balancing economic and environmental interests. The intention was to get the provincial government out of the delivery of certain public services by downloading such services to the various municipalities or through privatisation, contracting out or by any other form of alternative delivery mechanism to the communities, the business sector or the non-profit sector of the economy. Through such alternative delivery mechanisms, the government intended to save over \$1 billion a year (Eves 1996). Privatisation became a vital part of the Tory reform agenda because they considered that Ontarians were indifferent to the issue of who would provide the desired services. According to the Premier, “the programme or the service might be sacred, but who delivers it is not sacred,” (Walker 1996: B1).

Indeed, the purpose of Bill 26, the *Savings and Restructuring Bill*, was to achieve fiscal savings and promote economic prosperity through public sector restructuring, streamlining, and efficiency, as well as to implement other aspects of the government’s

economic agenda. The bill allowed the government to dismantle regulations that it perceived as barriers that hindered private sector growth and job creation. The government, furthermore, limited the regulation of some private industries, including travel agencies, car dealerships, and real estate agencies. Thus, Bill 26 became the forum in which the Tories unveiled the model of corporate governance it intended to deliver to Ontarians. Overall, the bill amended over 43 separate pieces of legislation and enacted three new ones.

Bill 26 targeted the state's welfare programme. Indeed, the CSR's assault on the state essentially focused on the welfare regime that had been promoted under the Liberals and the NDP. According to Harris, "...the whole system needed to be restructured... [W]e think our benefit levels were out of whack with the rest of the world" (Walker 1995 B1). The Tories intended people to work rather than rely on social assistance from the government. They made it clear that they intended "to open new opportunities and restore hope for people by breaking the cycle of dependency" (OPC 1994). They aimed at "breaking the cycle of dependency and encouraging a work ethic and encouraging able-bodied people to view welfare as something temporary and not a life-style" (Walker 1995: B1).

While rolling back the state, Bill 26 strengthened the hands of politicians in making decisions that affected the public by centralising public power in the cabinet in order to allow the government to accomplish programmes enshrined in the CSR in a relatively short time. For instance, it bestowed on the Minister of Health the unilateral power to shut down hospitals, cut or increase medical fees paid to doctors, and limit the



number of physicians anywhere in the province. The bill thus provided myriad powers to the government, with no recourse for the Ontarians who elected it, or their representatives (Walker 1995).

In addition, the Bill served “to centralise power in the hands of the cabinet to an unprecedented degree while, at the same time, transferring power into the hands of corporations through excessive forms of deregulation and privatisation” (Walker 1996 B1). Furthermore, it indicated that Harris’ intention was not to eliminate government, but rather to re-engineer it to serve the interests of transnational capital. According to Walkom (1995; C1), “Harris [was] getting government out of the business of helping the poor. He [was] getting government out of the business of environmental and business regulation. But where Harris figured state action [was] needed to promote private enterprise, government power [was] being strengthened.” The Bill effectively removed certain requirements such as the one for local councils to hold referenda before selling off transit services, water works or any other municipal service. To Walkom (1995; C1 & C4), “if power [was] devolved at all in this Bill, it [was] to the corporate world—to mining firms, drug companies, those waiting on the wings of privatised public services.” The opposition claimed that the “Bill [was] about one thing and one thing only, and it [was] a government giving itself the powers that it wants to make cuts deep and fast to be able to deliver its income tax cuts to the most well-to-do in this province” (Walker 1996 B1 & B4). It is not surprising that the opposition termed it a “bully bill” (Ibbiston 1997).

Viewed from the perspective of the bill, one could discern that Harris’ intention of strengthening the hands of politicians by centralising power in the cabinet was also in

tune with the ideological position of neo-conservatives. Neo-conservatives believe that the bureaucracy has become self-serving, and must be tamed by subjecting it to the authority of elected officials. As suggested by Walkom (1995; C1 & C4), “Harris’ vision of the state is not laissez-faire but dirigiste or centrally directed. His model is less Adam Smith than Lee Kwan Yew, the Singapore strongman who created a model state for capitalist activity.” There was, therefore, the need to make the bureaucracy accountable in everything it does. “The Progressive Conservative government will radically alter the way the province is run by releasing ministry-by-ministry ‘business-plans’ covering the next two to four years” says Harris, (Walker 1996: A1). The government’s attempt to introduce business plans and a performance management system was also intended to curtail fourth quarter spending by the bureaucracy in order to protect the purse.

The need to make the bureaucracy work efficiently and effectively and to better use resources led to the development of various accountability frameworks to enhance planning, reporting, monitoring, and evaluating of government programmes to ensure that they met the real needs of the public (OFRC 1995). That need led to the adoption of a new performance management system by the government. The attempt to change the workings of the bureaucracy through Bill 26 was the most significant aspect of the government’s intention to run the province like a business entity. As noted by Harris, “...[I]t is the most significant thing we’re doing...[I]t is massive. It is a tremendous amount of work and a tremendous challenge to the bureaucracy... but we believe it is necessary to go through what private sector companies have gone through with a complete restructuring. I believe it is long overdue in government” (Walker 1996 A1).

With the acceptance of privatisation as a policy instrument to reduce the state's role in the economy, a number of steps were initiated to implement the policy. The first step was the establishment of the Office of Privatisation within the Ministry of Finance in 1996. The Office of Privatisation was mandated to examine all government activities and to find ways that would lead to the opening up of such activities to private sector involvement. By the end of 1997, a number of public organisations and activities had been referred to the office for review. These included Ontario Hydro, the Ontario Clean Water Agency (OCWA), the province's Toll Highways, TVOntario, the Liquor Control Board of Ontario (LCBO), Teranet, and a host of others. Despite these initiatives, that privatisation had become a stalled policy option in the province became apparent after an attempt to privatise Ontario Hydro generated strong opposition from civil society groups. There was a huge public outcry, and a court ruling that the government had no legal right to privatise the corporation (Brennan et. al. 2003; Olive 2002). The difficulty associated with the privatisation of Ontario Hydro in 2001 led the government to scrap the idea and embark on a prolonged restructuring of the corporation (Brennan, et. al. 2003; Hrab 2004). The government also shed a number of other privatisation initiatives, including that of the LCBO (Benzie 2003). Thus, by 2002, only the privatising of Highway 407, Teranet, and the closure of water testing laboratories had been accomplished (Hrab 2004; Daniels & Scrivens 1997; O'Connor 2002).

Recognising the difficulties associated with privatisation and the deteriorating infrastructure of the province, in his budget presentation in 1999, the Minister of Finance announced the Superbuild initiative, a five-year \$20 billion programme to improve the

province's infrastructure, including transportation, education, health care, utilities, and technology. As a corollary to this initiative, the government established the Ontario Superbuild Corporation, a Crown Corporation to coordinate all government capital infrastructure investment and to spearhead the development of public-private partnership as an alternative service delivery mechanism. The Office of Privatisation was folded up and its activities transferred to the Superbuild Corporation. The Superbuild Corporation, like its predecessor, reported directly to the Minister of Finance, who also happened to be the Deputy Premier.

#### **4. 6: Conclusion:**

In the foregoing, we have explained how Ontario politics and public administration changed in the period from 1943 to 2002. It was an adventure that led to diversification of views about the role of the state in the economy. Different forms of philosophy characterised the governance of Ontario during this period. The hegemonic period of the Tories witnessed the expansion of the state and some attempts to make state institutions function efficiently and effectively through the democratic process. The expansion of the state continued under the respective regimes of the Liberals and the NDP. While the Liberals favoured a state that would be able to meet the needs of the citizenry, the New Democrats saw the state as the ultimate custodian of public services, and the Tories' view of government was of a small and lean state facilitating the enrichment of the private sector. To them, where the state was required, its institutions and activities were to be subjected to strict political adherence and accountability.

It may be argued that throughout the Liberal and NDP eras, attempts at public sector reform focused more on structural changes than on the issues of accountability to elected politicians, service delivery standards, and cultural change. This situation was

**Table 4.1: Governments of Ontario since World War II: 1943-Present**

<b>Government (Party)</b>	<b>Leader</b>	<b>Dates of Tenure</b>
Progressive Conservative	Col. George A. Drew	8/1943-10/1948
Progressive Conservative	Thomas L. Kennedy	10/1948-5/1949
Progressive Conservative	Leslie M. Frost	5/1949-11/1961
Progressive Conservative	John P. Robarts	11/1961-3/1971
Progressive Conservative	William G. Davis	3/1971-2/1985
Progressive Conservative	Frank S. Miller	2/1985-6/1985
Liberal	David R. Peterson	6/1985-10/1990
New Democrat	Robert K. Rae	10/1990-6/1995
Conservative	Michael D. Harris	6/1995-4/2002
Conservative	Ernie L. Eves	4/2002-10/2003
Liberals	Dalton McGuinty	10/2003-Present

*Source: Ontario Government: The Premier's Kid Zone, [www.kids.premier.gov.on.ca](http://www.kids.premier.gov.on.ca)*

due to lack of interest in the “management of government, apart from the traditional election responses to [the complaint that] ‘the government is too big’.” (Barnes 1997:28-29) The Liberal and NDP governments also relied on existing management philosophies such as Management by Results, Management by Objectives, and Total Quality

Management to evaluate the effectiveness of public services delivery and accountability, although these systems had their own pitfalls.

Under these systems of public allocation and management of resources, broad expenditure targets for the fiscal year were provided to the various ministries. In turn, they gave the MBS a list of fiscal proposals that requested incremental changes to the planning allocations. Although some of these measures were intended to strengthen public accountability, their objectives proved unachievable. For example, whether to publish their strategic plans was left entirely to each ministry's discretion and most did not bother (Barnes 1997). Fulford (2001:38-39) has noted a number of problems associated with these systems of allocation and evaluation of government programmes primarily centring on issues of completion of allocation and the relationship of these decisions with the priorities of government policies and accountability. In terms of programme allocation, Fulford contends:

Depending on the focus of the government in power and the prevailing fiscal situation, ministries underwent disconnected increases and decreases to their allocations... [I]ncremental changes requested by ministries related to individual programmes, little effort was put into analysing the overall impact on the entire spectrum of programmes... Also, the connections between individual proposals and the policy priorities of the government as a whole were not clearly linked when a proposal was prepared or approved... [B]ecause a coordinated planning framework was not in place, resources were at time allocated in a manner that may not have been the optimal approach to support overall priorities of the government.

On accountability of policy/programme results, Fulford noted:

This too resulted from the incremental fashion in which projects were funded and the lack of rigorous analysis applied to the base funding already in existence... Periodically, there would be initiatives aimed at improving accountability. These were usually stand-alone programmes not linked to programme or expenditure management targets. Management by objectives... gave goals to senior management and periodically evaluated their performance against these. The process, however, did not develop these goals by directly linking them to the policy and expenditure priorities of

the government and/or the ministry. Meeting the goals, therefore, was not in most cases integral to achieving the overall priorities of government. Other accountability initiatives... suffered from the same lack of overall coordination and linkage to the priorities of the individual ministry and the government.

A problem that emanated from these programmes was massive fourth quarter spending by the ministries in a deliberate attempt to protect their level of funding. This action was necessary, since ministries were “punished” for not spending money allocated to them by the reduction of their allocation for the following year, according to one interviewee. Indeed, innovation and financial prudence on the part of the bureaucracy were considered by the government to prove lack of need during the period. Thus, public managers, according to one interviewee, “got screwed for being good managers” with a reduction in programme spending. As a result, managers became what were sometimes called ‘maximizing bureaucrats’ through spending whatever savings they had made in order to protect their levels of funding for the next fiscal year. It was this problem that led the Tories to develop different policy instruments for public services while ensuring that these institutions were accountable to elected politicians. Chapter Six will look at the implementation of these policies and how they shaped public services, at difficulties associated with their implementation in the period under study, and at the theoretical explanations for these difficulties.

## **Chapter Five**

### **‘Things Fall Apart’: Crisis of Governance in Ghana, 1957-92**

#### **5. 1: Introduction:**

The preceding chapter analysed the development record of Ontario. As a contingency variable, it helped explain the adoption and implementation of neo-liberal reforms in Ontario. In this chapter, the objective is to continue the discussion of that record with particular reference to Ghana. Doing so should help us understand the path of development Ghana has taken, and whether that path should have been carefully analysed at the time of the adoption and implementation of reform policies. Furthermore, this discussion will help explain how the outcomes of the Ghanaian reforms differed from those in Ontario.

The starting point is 1957, the time of achieving political independence, and the end is 1994, when the fruits of the reforms were expected to be ripe for harvesting. It begins with the era of Kwame Nkrumah and his Convention Peoples Party (CPP), and the effort to involve the state in all aspects of the economy. Nkrumah and the CPP are followed by the National Liberation Council (NLC) and the Progress Party (PP) period, 1966-1972. The third section examines the period from 1972 to 1983, which witnessed the return of the state into every facet of national life. It was also a period of enduring political instability and of deterioration in the social, economic, and political fields. It saw the emergence of five different regimes: the National Redemption Council (NRC); Supreme Military Council (SMC) I & II; the Armed Forces Revolutionary Council (AFRC); the Peoples National Party (PNP); and the Provisional National Defence



Council (PNDC). The last section of the chapter discusses the adoption of the SAP and the reform of the civil service and State-Owned Enterprises (SOEs) by the PNDC.

From 1957 until the latter part of the 1980s, the Ghanaian state expanded significantly in all spheres of the national economy. This expansion could be attributed to the philosophy of governance of the various regimes that ruled the country from 1957 to 1983. The state's expansion manifested itself in the establishment of numerous public institutions including SOEs and quasi-governmental organisations, and in the expansion of the bureaucracy. We must, however, acknowledge that, unlike Ontario, where the expansion of the state was to complement the efforts of the private sector, in the Ghanaian scenario the state was expected to assume the commanding heights of the economy with little private sector input. Most of these public sector institutions, however, failed to realise their objectives due to a number of debilitating factors. Throughout the years, especially from 1966 to late 1980s, a number of steps were taken by government to reform and restructure these institutions to meet their objectives.

These attempts at reforms culminated in the establishment of a number of commissions and committees with mandates to examine, and make recommendations in areas that included ministerial reorganisation, state enterprises reforms, administrative and political decentralisation, service and pay grading systems, motivation, and civil service legislation. Unfortunately, most of the recommendations made by the commissions and committees could not be implemented because of: (a) lack of political will on the part of politicians and civil servants; (b) political instability; (c) economic mismanagement; and (d) lack of resources, including inadequate involvement of agencies

in implementing public policies, inadequate institutions, shortage of skilled manpower, and inadequate policy instruments and projects (Ayee 1991; Nti 1975).

## **5. 2: Ghana under the Convention Peoples Party (CPP) 1957-1966:**

On March 6, 1957, Ghana gained independence from colonial rule under Kwame Nkrumah and his CPP. With the granting of independence came the prospect of developing Ghana into an industrialised society capable of self-sufficiency and economic independence. In the course of the independence struggle, Nkrumah had promised Ghanaians 'to seek ye first the political kingdom and all other things would be added unto it.' The fulfilment of this promise dwelt on the philosophy of governance of the regime: in this case, enhancing the role of the state with respect to the provision and distribution of public services. This philosophy fell within the international prevailing wisdom of development, more accurately described as Keynesianism (Killick 1978; Mbaku 2004).

The CPP pursued a policy of a mixed economy between 1957 and 1960, where the state and the private sector co-existed and played complementary developmental roles, due in large part to the influence of Britain.<sup>11</sup> In the early 1960s, Ghana moved into another phase of development, and adopted an Import Substitution Industrialisation (ISI) approach as the necessary measure for modernisation (Hutchful 2002). In reality, Ghana's economy had been agrarian with little diversification. However, Nkrumah

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<sup>11</sup> Between 1957 and 1960, Ghana's political system was modeled after the Westminster system with Nkrumah as the Prime Minister and head of government and the Queen as the Head of State. In 1960 Ghana became a republic and adopted the Presidential system with Kwame Nkrumah as the first President.

moved beyond what the ISI intended by arguing for a big push to catapult Ghana into the paradise he had envisioned. He believed that his envisioned paradise could only be realised if the state actively participated in service delivery in all sectors of the economy (Omaboe 1966). Nkrumah's quest to engage the state in the country's development was further boosted by his change of ideology following his visit to the Soviet Union, China, and other Eastern European countries in 1961 (Anin 1991).

To realise this objective, in 1961 the CPP introduced a socialist philosophy of development that sought to apply socialist ideas to Ghana's developmental problems. A seven-year development plan resulted, with the state as the major instrument (Omaboe 1966). The CPP believed that the seven-year plan could ensure rapid development without destroying social justice, freedom, and equality, all central features of Ghana's traditional way of life, while at the same time quickly expanding the economy (Omaboe 1966). The plan was also implemented because of the supposed absence of an indigenous entrepreneurial class able to undertake development at the speed Nkrumah wanted (Killick 1978). In addition, Nkrumah was also "deeply suspicious of foreign capital and other trappings of 'neo-colonialism'" (Killick 1978: 215). According to Omaboe (1966: 451):

The CPP recognise[d] also the importance of freeing the economy from 'alien control and domination.' This [was] the only way by which economic independence [could] be won to supplement political independence. Planning could only be effective if the state was in a commanding control of the 'major means of production, distribution, and exchange.'

The implementation of the plan led the state to become involved in every sector of the economy, including agriculture, commerce, finance, education, construction,

manufacturing, laundries, sawmills, oil processing, cold storage, and every aspect of public service. Marketing Boards and SOEs sprang up in almost all parts of the economy and at every place suitable to Nkrumah. The SOEs were, thus, seen as instruments for achieving the regime's goals (Huq 1989; Gyimah-Boadi 1991; Killick 1966; 1978).

Apart from SOEs, the state's administrative structure was also expanded through the establishment of numerous public institutions and the policy of Africanisation of the Civil Service (Adu 1969; Muwanga-Barlow 1978). There was also the establishment of quasi-governmental institutions, including Community Development Departments, and regional offices of the various ministries to aid national development. In addition, specialised secretariats, such as the State Planning Commission, the State Control Commission, the Productivity Centre, the Water Resources and Power Secretariat, the Volta River Authority, the State Enterprises Commission, and the Civil Service Commission, proliferated outside the regular public services and under the office of the president (Kraus 1971; Omaboe 1966). The Africanisation policy was geared towards replacing all expatriates in the bureaucracy, especially in areas of policy advising and formulation.

The growth of public institutions that were parallel to the regular public service changed the outlook of the administrative structures of the state from one of concern with law and order to an interest in development and provision of public services, and further centralised the decision making process (Crook 1983; Haruna 2003). This created an administrative labyrinth for the state with 31 ministries, 53 state enterprises, and more than a dozen joint state/private enterprises and over two dozen public boards by 1965

(Berg 1971; Rimmer 1991). The expansion of the public sector through “Africanisation” and SOEs also resulted in increased job creation by the state at the time it lacked sufficient revenues, thereby creating substantive internal debt. For instance, the total number of employees in the public sector engaged in the provision of services excluding economic activities such as agriculture, mining, manufacturing, and construction increased by 67.7 % (Berg 1971; Huq 1978; Mills-Odoi 1967).

Under the CPP, little emphasis was placed on administrative reforms, such as reforming public institutions for efficient and effective delivery of services. The government’s priority was the general development of the country through its socialist agenda, which it believed could be accomplished through central planning with the president playing a major role. Consequently, there was massive centralisation of administrative authority and the politicisation of the public service. According to Nti (1975: 169), “the distinctive features of the period 1960-66 were the assumption of a great deal of ministerial powers by the President, the proliferation of ministries, the creation of presidential secretariats, and the very frequent reshuffling of ministerial portfolios.” Muwanga-Barlow (1978: 100) has also noted:

... [b]y 1966 the President was the substantive minister not only of a number of ministries he wanted to personally control, but in addition, he was responsible for the army, the police and the Budget Bureau... [I]n addition, the President had created “presidential secretariats” with the same or parallel responsibilities as many of the numerous ministries. The Public Service Commission had been dissolved and its functions merged with those of the Establishment Secretariat under political control.

To the centralisation and the politicisation of the public service was added the weakening of some ministries, culminating in their break-up into smaller units. At the same time, Nkrumah created new organisations, and moved existing units out of their

parent organisations to form separate secretariats. The reorganisation and the politicisation by the government affected every segment of the civil service and other public service institutions (Nti 1975).

The statist approach, however, failed to propel Ghana into the paradise Nkrumah had envisaged. By mid 1960s, the financial base of Nkrumah's development strategy was in dire need of resuscitation because of the collapse of favourable commodity market conditions, corruption, and substantial public deficit (Hutchful 2002). The political governance system also failed to limit the activities of the state. Thus, "the inability of existing institutional arrangements to adequately constrain the exercise of government agencies resulted in widespread policy failure" (Mbaku 2004: 131).

### **5. 3: The NLC and PP Governments' Neo-Liberal Experiment, 1966-72:**

In February 1966, the CPP government was overthrown in a military coup. The junta established the National Liberation Council (NLC) to govern the country. This coup marked a watershed in the politics of Ghana because of the regime's aim of breaking from the politics that had characterised the Nkrumah regime and introducing Ghana to another path of development: namely, monetarism. It also marked the beginning of a long period of political instability that turned the political arena into a "revolving chair" alternating between military and civilian regimes until the second coming of Rawlings in late 1981.<sup>12</sup>

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<sup>12</sup> Rawlings first came onto the political scene on May 15, 1979, when he was arrested for his attempt to overthrow the SMC II government. On June 4, 1979, he was released from prison by fellow soldiers who staged a successful coup and proclaimed the Armed Forces Revolutionary Council (AFRC).

To overcome the problems created by the CPP, the NLC with assistance from the IMF initiated a stabilisation programme to reduce the role of the state in the economy while also promoting the private sector (Hutchful 1987). The NLC concentrated on restoring internal and external macroeconomic balance in the economy. It adopted deflationary policies to alleviate shortages of foreign exchange and other essential commodities required for the efficient functioning of the economy (Hutchful 2000).

The NLC was also dissatisfied with the structure and performance of public service institutions. Consequently, it decided to review them in order to enhance their efficiency and effectiveness in policy implementation. This led to the appointment of the Mills-Odoi Commission in 1967 to investigate the organisation and structure of public service institutions, particularly the civil service, and to make recommendations for their reform. The establishment of the Mills-Odoi Commission marked the first major attempt in the post-independence era to reform the state with a focus on institutional efficiency and effectiveness to ensure national development. The Commission's mandate included the needs to (a) establish a civil service structure that met the requirements of a machinery of government geared to rapid social and economic development, and (b) improve the efficiency and economy of programme administration and eliminate government waste (Mills-Odoi 1967). The Commission observed a number of factors that continued to impede the state in development, including:

- Excessive centralisation of authority and responsibility with a corresponding heavy concentration of senior civil servants in Accra,
- The involvement of ministries in Accra in the day-to-day management of field programmes,

- The grossly inadequate and neglected role of ministries in the determination of objectives, priorities, and strategies and the allocation of resources at the national level,
- Excessive fragmentation of government functions affecting coordination, and
- The machinery of government being an unwieldy instrument capable of responding to the demands for a balanced economic development (Mills-Odoi 1967).

The Commission made a number of recommendations with the belief that their acceptance and subsequent implementation would lead to the improvement and efficient functioning of the machinery of government, and enhance national development (Mills-Odoi 1967). These recommendations were accepted by the government, and led to the establishment of the Office of Government Machinery to implement the reforms. As part of the reforms, the NLC reduced the number of ministries from 31 to 17 and of secretariats from 23 to eight. It further decentralised a number of government functions, including primary education, parks and gardens, social services and community development, fire-fighting, road construction, and programme management to the regions under the control of regional heads of departments (Nti 1975). It also reduced the number of diplomatic missions and sub-vented organisations.<sup>13</sup>

With respect to SOEs, the government privatised a number of them, and reduced the operations of others. However, the privatisation programme could not be carried to its logical conclusion due to the uproar it provoked from the public (Anin 1991). The inability to privatise SOEs led the NLC to implement less ambitious reform, such as the creation of the Ghana Industrial Holding Corporation (GIHOC) as a conglomerate for all manufacturing SOEs with the aim of controlling their activities and bringing order and

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<sup>13</sup> Sub-vented organisations are organisations that are partially funded by the Government



rationality to the utilisation of resources. In all, GIHOC took over the operations of 20 SOEs, involving 29 factories (GoG 1970).

The NLC created other SOEs, including the Tema Cement Works, changed the electricity department into a public corporation, and created the Export Promotion Company and the Cotton Development Board (Anin 1991; Pozen 1972). The NLC also entered into partnership and joint ventures with Union Carbide, the United Africa Company and the Ghana Textile Manufacturing Company (Hutchful 1987). A critical assessment of the NLC regime indicates that although it attempted to break away from the policies of the CPP, it did not fundamentally alter the involvement of the state in the economy, nor did it reform the welfare role, especially from 1968, when it began to pursue more expansionary policies (IMF 1975).

In 1969, the NLC ceded power to an elected civilian administration. The Progress Party (PP) under K. A. Busia that assumed power was ideologically inclined towards less state involvement in the economy. Given this ideological position, it was not surprising that the regime continued, in part, the stabilisation programme of the NLC. It encouraged the involvement of the private sector in national development, and tried to curtail the role of the state in areas where private enterprises could successfully operate (Killick 1978). The regime, however, reserved a place for the state in some policy areas. Indeed, policy pronouncements by the government from 1969 indicated the government's preparedness to embark upon expansionary policies with significant increases in capital spending in the face of serious economic constraints (Frimpong-Ansah 1991). The government paid greater attention to rural development, agriculture, and private sector development, and

resorted to sustaining higher consumption, public services, and a return to the CPP's high investment/high growth strategy (Green 1988).

The expansionary policy of the government reached its peak in 1971, when it refused to take any action that would impact the economic expansion that had begun to emerge after it assumed power (Frimpong-Ansah 1991; IMF 1975). These policies led to the creation of a number of SOEs, including the Bust Fibre Board, the Ghana Food Distribution, the Cotton Development Board, the Ghana Tobacco Company Limited, and the Grains Development Board, while maintaining the SOEs established by Nkrumah and the NLC. The regime also turned some government departments into public corporations (Pozen 1972).

In terms of administrative reform, the government did not embark upon any major policy initiatives, although it accepted, in principle, the need to implement some of the recommendations made by the Mills-Odoi Commission, especially the decentralisation of personnel to regional and district offices of ministries. However, although the PP government accepted the wisdom of decentralising public services, especially public services personnel, it moved "in the opposite direction with its assignment of personnel control to ministers...[and] failed to consider delegating some appointment powers to heads of departments" (Nti 1975: 173). The government also tightened central control of personnel, and proceeded to appoint Regional Chief Executives and Chairmen of District Councils. Thus, whereas Mills-Odoi's commission saw decentralisation as a means to improve the operational efficiency and effectiveness of public institutions, the PP government saw it as a means to strengthen those institutions. The government refused

to decentralise because of the fear that the programme would “result into a politically uncontrollable civil service” (Muwanga-Barlow 1978:101).

In all, the policies initiated by the regime showed no more desire to alter the fundamental relationship between the state and the market (GoG 1970). The PP government’s attempt to reform the administrative state was half-hearted and quite disappointing. In this regard, the regime made nonsense of the initial attempt to liberalise the economy and restructure public sector institutions and, even, expanded public sector activities. As a result, government expenditures, for example, increased substantially, especially in the provision of social services. For instance, there was 9.5% economic growth from the 1969/70 to the 1971/72 fiscal years, to 15.1% in 1972/73, with social services at 41%, general services 31%, economic services 10%, and community services 3% (IMF 1975). What's more, wage, price, and import controls were not discarded (Herbst 1993). Further expansion of the public sector through government expenditure also occurred. For example, between 1969 and 1970, the recurrent budget rose from ₵314 million to ₵355 million and to ₵368 million in 1971. This was against the backdrop of a steady decline of cocoa prices in the world market, which led to the collapse of the cocoa market (IMF 1975). Busia’s regime was also terminated by another military coup in February 1972.

#### **5. 4: The Deepening Crisis and the Near Collapse of the State, 1972-82:**

As noted earlier, the 1966 coup marked a watershed in the politics of Ghana. It created a situation that made the military see itself as the ultimate custodian of the state

and as having the responsibility to intervene in politics any time it felt there was something fundamentally wrong with the governance system. It was against this milieu that two and a half years into another constitutional democracy after the 1966 coup, the military struck again and set the tone for future military adventurers to continue their penetration into the Ghanaian political scene until 1992.

The importance of the 1972 coup cannot be underestimated. It sent Ghana into a decade of serious economic, social, and political mismanagement that accelerated the country toward a social, economic, and political abyss. According to Rado, “these eleven years (1972-83) [were] Ghana’s nightmare...This period saw the recurrence of all the faults of the Nkrumah period of economic management, only magnified manifold” (quoted in Huq 1989: 16). Huq (1989:16) is of the opinion that “in retrospect, Acheampong’s overthrow of the PP government was probably the ‘greatest single disaster in Ghana’s history.” The coup was staged in the midst of the deepening economic crisis that had overtaken the PP government. The straws that broke the camel’s back were the government’s devaluation of the local currency, which plummeted the purchasing power of workers and some authoritarian tendencies the regime exhibited toward groups that opposed its policies, including the Trades Union Congress.

The junta proclaimed a National Redemption Council (NRC)<sup>14</sup> with the purpose of rescuing Ghanaians from the consequences of Busia’s supposed mismanagement of the economy. However, if Ghanaians were to be rescued by this government, later events proved otherwise. Acheampong denounced the PP government’s approach to economic

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<sup>14</sup> In 1975, the NRC was changed to the Supreme Military Council (SMC). While the NRC had some civilian administrators, the SMC was composed mainly of high-ranking military officers.

management and accused it of being corrupt, which had also been the shortcoming of the CPP regime and precipitated the coup in 1966. The NRC reversed a number of policies of the NLC and PP governments.

The first major policy of the NRC regime was “yen tua,”<sup>15</sup> the repudiation of all foreign loans that the Busia regime had contracted. The NRC renounced \$94 million in suppliers’ credits to four British companies, on the basis that the transactions were corrupt and fraudulent, and unilaterally rescheduled a further \$294 million supplier’s credit on International Development Agency (IDA) terms. It further repudiated an accumulated moratorium interest on the supplier’s credit, but accepted the World Bank, IDA, and official government loans on their original terms. The government defied the IMF by revaluing the Ghanaian currency by 42%, and substantially expanded the state’s involvement in the economy (IMF 1975). The NRC abolished a 5% National Development Levy imposed by the PP government on all incomes greater than ₵34 per month to finance its rural development programme, the student loan programme that had been initiated by the PP government, and restored public sector benefits that had been withdrawn by the PP government (Goldsworthy 1973; Rimmer 1992).

In its objective of making Ghana a self-reliant nation, the NRC launched the National Self-Reliance Project with two major policies: Operation Feed Yourself, aimed to expand agricultural production, and Operation Feed Your Industries to produce raw materials for Ghana’s industries (IMF 1975; Kraus 1978). The aim of the National Self-Reliance project, however, was to allow the government to play a significant role in

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<sup>15</sup> “Yen tua” is an Akan (a Ghanaian language) expression meaning, “We won’t pay.”

determining who gets what, when, and how. It was also to enable the state to capture the commanding height of the economy (Hutchful 1979). In short, the intention of the NRC was to follow the path of development initiated by Nkrumah and eliminate what it perceived as neo-colonial agents and Ghana's dependency on external sources of supply, especially from the Western world, while allowing Ghana to have effective control over significant areas of its economy (IMF 1975). As a corollary to the two policies, an array of material and moral incentives were offered by the state to those engaged in the agricultural sector. These incentives enabled the programme to achieve some degree of success. For instance, there were increases in rice production from 11,000 to 61,000 tons, and of maize from 53,000 to 430,000 tons, between 1971 and 1973, while average acreage under rice cultivation increased from 92,000 in 1974 to 162,000 in 1975, and cotton from 10,000 to 32,000 (IMF 1975).

The regime also initiated moves to create more SOEs, as well as strengthen existing ones. It fully and/or partially nationalised a number of foreign companies, asked some companies to transfer a fixed proportion of their shares to Ghanaians, and compulsorily acquired 55% shares in a number of timber, mining, and oil firms (Hersbt 1993; Hutchful 1979; IMF 1975; Rimmer 1992). In addition, the government set up Regional Development Corporations (RDCs) for all nine administrative regions in the country.<sup>16</sup> The RDCs served as distribution points for goods and other services, and carried on any businesses of an industrial and commercial nature. It created a Meat Marketing Board and a National Procurement Agency, expanded the role of the Food

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<sup>16</sup> Until 1982, Ghana was divided into nine administrative regions. This changed to 10 because of ethnic conflict between the Nanumbas and the Kokumbas in the Upper Region.

Distribution Corporation, and entered into joint ventures with some local and foreign companies (Gyimah-Boadi 1991; IMF 1975; Rothchild 1980). In 1977, the SMC converted the Produce Buying Company, a subsidiary of the Cocoa Marketing Board, into a sole licensed cocoa-buying agent.

Acheampong also attempted to reform the administrative institutions, particularly the civil service, by setting up the Okoh Commission in 1976. The Commission was to: (a) investigate the organisation and structure of the service and its methods of operations and make recommendations for any reforms needed; (b) enquire into any other matters that appeared to the Commission to be reasonably related to the above; and (c) report their findings to the NRC, making recommendations with special regard to the need to transform the service into a dynamic instrument of social change and economic development. The Okoh Commission, like the Mills-Odoi Commission, recommended the reorganisation of the civil service to focus on sector policy planning, coordination, monitoring, and evaluation activities of government while, at the same time, divesting itself of policy implementation. It further recommended the decentralisation of central agencies so that these agencies would focus on implementing government programmes and report to their political heads of the regional organisations. Although the government accepted the recommendations of the Commission, it failed to act on them, because it was so preoccupied with legitimising itself through the Union Government idea (Ayee 1991).

The external environment that had buoyed the Ghanaian economy at the onset of the regime did not last. By the mid-70s, the oil shocks that had gripped the world in the early years of that decade had begun to exert tremendous pressure on the Ghanaian

economy. For instance, fuel imports jumped from 6 per cent of the total import bill in 1971 to 40% in 1974 (Hutchful 2002). At the same time, the value of the Ghanaian currency soared, creating a severe balance of payment deficit. The regime could not devalue the currency in view of the justification of Busia's overthrow on the grounds of the unacceptability of such devaluation. The failure to devalue the currency created a huge differential gap between official and black market exchange rates. This affected the importation of basic essential goods, allowing traders of these goods to hoard and sell them above the normal prices. As the crisis deepened, the NRC resorted to price control and import restriction measures. These measures were maladministered and abused by the members of the regime (Jeffries 1982). Internally, severe drought hampered agricultural production, which led to increases in staple food prices beyond the buying power of ordinary Ghanaians. There was a breakdown of infrastructure, including communication and roads, especially in the rural areas, to which the government paid little attention, making it difficult for farmers to export food to urban centres.

The government's inability to deal with the shortage of foreign currency especially the US dollar, and other macroeconomic problems led to the expansion of the black market. That led to what became known as "*Kalabule*," which meant "any form of cheating, trade malpractice or black marketing behaviour... but broadly covered all types of illegal transactions including smuggling of cocoa, timber and gold; diversion of goods from official to unofficial channels; tax evasion and over-invoicing of imports and under-invoicing of exports" (Huq 1988:309). By 1977, the *kalabule* economy accounted for almost 40% of the total economy (Huq 1988). Everything went wrong with the economy



during the period. The budget deficit rose substantially from ₵17 million in 1971 to ₵718 million in 1977, with a corresponding rise in money supply of over 500%, from an average of ₵281 million in 1971 to ₵1761 million in 1977 (Hutchful 2002; Rothchild & Gyimah-Boadi 1986). Corruption, which had become endemic under Nkrumah and Busia, flourished and reached pandemic proportions due to the regime's use of government munificence for its sustenance. Most state institutions were weakened by corruption. Civil servants engaged "in pervasive moonlighting because of inadequate pay. Educated Ghanaians sought better-paying jobs elsewhere... This brain drain further weakened the universities and other institutions" (Tsikata 2001: 58).

By 1978, Ghana was experiencing social, political, and economic difficulties for which the regime had no immediate solution. Civil society groups began agitating for the restoration of constitutional rule. This agitation led to a series of confrontations between the regime and the various groups. In the heat of these confrontations, Acheampong was replaced by General Akuffo, and placed under house arrest, and the government reconstituted as SMC II. The SMC II sought to tackle the economy, which was on the brink of total collapse, and a return to constitutional rule. Economically, the new regime undertook measures, including controls of money supply and a reduction in recurrent and development budget expenditure, to resolve the fiscal imbalances and to fight inflation, which had soared to more than 100%. The regime devalued the currency, cancelled the unnumbered licensing system for the importation of commercial goods, increased the rates of import duties, raised interest rates to stimulate savings, and made systematic attempts to hold down government expenditure (Rothchild & Gyimah-Boadi 1986). In

this case, the regime did not substantially increase the role of the state in the economy. Politically, the regime set to return the country to constitutional rule by September 1979. Unfortunately, the attempt to resuscitate the economy and return to civilian rule was curtailed because some junior army officers overthrew the regime in a coup on June 4, 1979 and set up the Armed Forces Revolutionary Council (AFRC) to govern the country.

The brief interregnum of the AFRC was interesting and eventful. The Council took power without the euphoria to rule for a long period of time and, as such, introduced no economic plans, but did vigorously enforce price controls and waged a campaign against *kalabule* and those who profited from it (Brydon & Legge 1996). That led to the blowing up of Makola No. 1 market,<sup>17</sup> considered the citadel of *kalabule* and hoarding. The AFRC's objective was to redeem the tainted image of the military institution, which it believed had been severely damaged by the irresponsible behaviour of the Acheampong and Akuffo regimes. The AFRC undertook a house-cleaning exercise, which saw the execution of eight former military officers, including three who had served as heads of state (Afrifa 1967-69, Acheampong 1972-78, and Akuffo 1978-79), and the conviction and imprisonment of a number of high-ranking officers and public officials. The government nationalised a number of private enterprises it believed had benefited from *kalabule*. A consequence of this action was the swelling up in the number of SOEs (Gyimah-Boadi 1991). In spite of the excesses of the AFRC, it adhered to the timetable announced by the SMC II for the return to constitutional rule and ceded power to an elected civilian regime, the PNP, led by Dr. Limann in September 1979.

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<sup>17</sup> Makola No. 1 was the most famous market in Ghana and considered the citadel of *kalabule*, as most of the hoarding and other illegitimate trade took place there.

The PNP was a Nkrumahist party and, therefore, believed in Nkrumahism and its socialist agenda. However, the socio-economic and political crisis that the regime faced made it difficult to follow this path. Consequently, the PNP was forced to negotiate an economic package with the IMF: but by early 1981, this negotiation was stillborn on the issue of currency devaluation. The PNP placed greater emphasis on the expansion and development of industries tied to Ghana's natural resources, with the establishment of a pulp and paper industry, the exploitation of bauxite deposits, and increased production and processing of rubber, timber, palm oil, and gold. It also expanded the state's role in the agricultural sector through producer price incentives and subsidised inputs, and provided assurance that the state agricultural enterprises would not be sold to private interests (Rothchild & Gyimah-Boadi 1986).

Before the PNP could undertake any meaningful economic and political development, another military coup, led by Jerry Rawlings, overthrew it, and established the Provisional National Defence Council (PNDC). The PNP's solution to the dwindling economy was more disastrous than had been anticipated. For instance in 1981, the PNP resorted to the printing of more money as a way of overcoming the budget deficit. This subsequently increased the money supply by 55%, and thereby caused inflation to climb to over 116% (Mufson 1983).

#### **5. 5: The Rawlings Revolution, the Economy, and the Administrative State:**

By the early 1980s, Ghana found itself in a precarious situation that called for the radical realignment of its governance system. This state of affairs was due, in part, to the

intrusion of the state, which continued to extract and consume extensive public resources while lacking the ability to achieve its own policy objectives (Rothchild & Gyimah-Boadi 1986). For instance, there were over 324 SOEs, a substantial number of public corporations, commissions and boards, and a bloated civil service. The economy, which was booming just after independence, was in an advanced state of collapse. Per capita gross domestic product (GDP) showed negative growth throughout the 1960s, and fell by 32% per year from 1970 to 1981, while cocoa production declined from 550,000 tons from 1964/65 to 158,000 tons in 1983/84. The real minimum wage had decreased by 13% from its 1975 level. Gross investment amounted to less than 4% of GDP, the transport system was in poor condition, communication systems had broken down, and inflation surged from over 50% to 150% annually. The public sector was rickety. Tax revenues had collapsed to about 4% of GDP, while the budget deficit had risen, dragging government expenditures down and seriously eroding the government's ability to function and maintain infrastructure. Salaries and conditions of the civil service had eroded dramatically, leading to an exodus of personnel from the sector, and contributing to growing inefficiencies in the state apparatus (Callaghy 1990; Chand & Til 1988; World Bank 1983). Indeed, the Ghanaian state at this time suffered from *Kwashiokor*.<sup>18</sup>

By 1983, the public sector and, particularly, most of the SOEs had become bankrupt, and the support from the national budget had increased to over ₵1.1 billion, or approximately 10% of government expenditure (Adda 1989:306). The SOEs incurred such large deficits that their total operating deficit in 1982 amounted to over 3% of gross

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<sup>18</sup> Kwashiokor is a Ga word (a Ghanaian language) meaning malnourishment.

**Table 5.1: Governments of Ghana since Independence**

<b>Government</b>	<b>Leader</b>	<b>Dates of Tenure</b>
Convention People's Party (CPP)	Kwame Nkrumah	1957-1966
National Liberation Council (NLC)	J. A. Ankrah	2/1966-4/1969
National Liberation Council (NLC)	A.A. Afrifa	4/1969-10/1969
Progress Party (PP)	K.A. Busia	10/1969-1/1972
National Redemption Council (NRC)	I.K. Acheampong	1/1972-1975
Supreme Military Council (SMC I)	I.K. Acheampong	1975-5/1978
Supreme Military Council (SMC II)	F.W.K. Akuffo	5/1978-6/1979
Armed Forces Revolutionary Council (AFRC)	J. J. Rawlings	6/1979-9/1979
People's National Party (PNP)	Hilla Limann	9/1979-12/1981
Provisional National Defence Council (PNDC)	J. J. Rawlings	12/1981-1992
National Democratic Congress (NDC)	J. J. Rawlings	1/1993-1/2001
New Patriotic Party (NPP)	J.A. Kuffour	1/2001-Present

*Source: Adapted from Ebo Hutchful, The Institutional and Political Framework of Macro-Economic Management in Ghana, UNRISD, DP. 82, 1997*

domestic product (GDP), which was a little less than government spending on education, health, social security and welfare combined in that year (Tangri 1991). According to the World Bank (1983:5), “the total financing deficits of the public enterprises rose from ₵67 million in 1973/74 to over ₵4 billion in 1982 or equivalent to 50% of government expenditures and were one of the major contributory factors to the propagation of inflation over the years.” As at 1986, the government’s support to SOEs had increased substantially from ₵1.1 billion to ₵7.35 billion, and tax arrears doubled from ₵1.27 billion

in 1984 to ₵2.5 billion in 1985, while outstanding government loans increased from ₵500 million to ₵1.9 billion in 1985, with virtually no interest or principal repayment being made on these loans (Adda 1989:306). This burden continued until 1986, when it was realised that it could not be sustained, providing the government with the opportunity to seek alternative means of public service delivery in order to revamp the ailing economy.

In addition to the fiscal burden of inefficient SOEs, a large but inefficient and ineffective bureaucracy further aggravated the economic situation. So inefficient and ineffective was it that one observer described it as “a moribund paper-pushing institution” (Nti 1980: 2). The bureaucracy suffered from many weaknesses, including: being unwieldy, bureaucratic, and bound by red tape; lengthy and cumbersome procedures in promotions; over-centralisation and over-concentration leading to slowed decision making processes; a weak data base for decision making; underpaid staff, resulting in low morale and low productivity; wastefulness in allocating resources due to lack of cost-consciousness and the absence of effective performance evaluation system; and apathy and inertia because of lack of political direction and commitment, and the inability to implement public policies as a result of resource constraints (Kaku-Kyiamah 1982-quoted in Ayee 1993: 27).

Looking at the prevailing socio-economic and political environment, one is bound to accept Herbst’s observation that “by the end of 1982, Ghana had completed the transition from a prosperous middle-income developing country with great hopes at independence to a nation suffering from Fourth World Poverty” (Herbst 1993: 27). According to Hodder-Williams (1984: 233), “it would be absurd not to recognise the

collapse, for instance, of the Ghanaian state. To some extent, Ghana [was] a state only because the outside world assert[ed] that there [was] a Ghanaian state...” Within this socio-economic and political milieu, Rawlings re-emerged onto the political scene with the intention of remedying the Ghanaian state’s ills.

Rawlings proclaimed a “revolution,” one that he believed would change the socio-economic and political malaise that afflicted the country. His immediate action to resuscitate the subjugated economy and implement his ideas took the form of populist rhetoric and the mobilisation of youth to be part of the decision-making process. This was done through the setting up of revolutionary organs to undertake public services, including cocoa evacuation in remote villages, road repairs, etc., while at the same time serving as societal watchdog and enforcing price controls (Ray 1986; Nugent 1995).

Rawlings attributed the woes of Ghana to external forces and the activities of multinational corporations and vowed to end their stranglehold on the country. His avid intention was to take Ghana away from the Western capitalist system that was, he maintained, designed to perpetuate the underdevelopment of developing nations. To this end, he forged alliances with communist countries, including Cuba, Libya, Nicaragua, and the Soviet Union, although not much was gained from these friendships apart from oil exports from Libya. He also blamed the bureaucracy for being an “agent of imperialism and neo-colonialism which should be overthrown rather than being simply reformed” (Ayee 1993: 28). The government subsequently decided to invigorate the bureaucracy to make it efficient and effective in implementing its policies.

Consequently, the PNDC set up the Kaku Kyiamah Committee in May 1982 to advise it on how to restructure the bureaucracy (Ayee 1993). The Committee in its report called for the civil service to restrict itself to: (a) formulating of policies; (b) serving as the administrative support units for political heads; (c) co-ordinating and monitoring programme and activities within the ministerial sector; and (d) conducting inter-ministerial relationships. It further called for the ‘politicisation of the position of the principal secretary,’ because it believed that some of the principal secretaries had the habit of “resisting or blocking the flow of professional advice direct to the political head” (Woode 1984:46). Woode, however, believes that in making this recommendation, the committee “did not show any rigorous intellectual appreciation of the subject in all its ramifications. It failed to provide concrete evidence that principal secretaries ‘resist and block the flow’ of advice to the political head” (Woode 1984: 46). It also recommended the democratisation of the advisory mechanism, which would allow all heads of directorates in a ministry equal and easy access to the political head.

The acceptance of the committee’s report by the government led to the establishment of the Public Administration Restructuring and Decentralisation Implementation Committee (PARDIC). The purpose of the PARDIC was to implement the recommendations made by the Kyiamah Committee, including: (a) decentralising central government ministries to regional and local levels, with the exception of the Ministries of Defence, Internal Affairs, Justice and Foreign Affairs; (b) converting ministries into planning, monitoring, and evaluating organisations; (c) abolishing the post of principal secretary; (d) democratising of access to the political leaders in the



ministries; and (e) politicising the top echelons of the civil service (Ayee 1993 27-28; Woode 1994).

For a variety of reasons, not much was achieved by the PARDIC's attempt to restructure public services. These included: (a) the status and recognition of the PARDIC as a body legally clothed with the authority to reorganise the civil service, since the committee was established not by law, but by a letter from the office of the PNDC Coordinating Secretaries; (b) the lack of dedication of the reform committee; (c) unqualified and incompetent personnel at its secretariat; (d) an unrealistically drawn timetable; (e) the unfriendly relationships between PARDIC and international agencies that would have supported the reforms; (f) resistance from within the bureaucracy; (g) and the rapid turnover of PNDC secretaries (Ayee 1993).

Despite these initiatives by the government, the socio-economic and political situation continued to worsen. The problem was compounded by the deportation of over one million Ghanaians from Nigeria in early 1983 and the bushfires that swept across the country. The effect of these two circumstances was that the economy, which was on the brink of collapse, could not absorb the numbers repatriated from Nigeria, while the bushfires wiped out food as well as other crops, like cocoa, that the government could have sold for foreign exchange.

In this economic predicament and with no end in sight, the PNDC had no alternative than to turn to the Bretton Wood institutions for help, even though it had, at the beginning of the revolution, denounced them as neo-colonial agents. Rawlings' dealings with these institutions and with Western governments had a tremendous effect

on the political stability of the country. It created a political environment characterised by upheaval with coups and counter coups, the terrorising of innocent citizens, and significant human rights abuses (Nugent 1995). The initial response from these institutions was that of caution due to the PNDC's populist rhetoric and lessons learned from Acheampong's policy of 'yen tua'. However, they willingly agreed to help Ghana overcome its economic quandary (World Bank 1983). The economic package culminated in the Economic Recovery Programme (ERP), and was announced in 1983 by the Secretary of Finance.

The ERP occurred in two phases: Phase I extended from 1984-86, and phase II from 1987-89, with each phase having specific goals and targets. Phase I, the stabilisation phase, dealt with: the arrest and reversal of the decline in the industrial and export commodity production sectors, particularly agriculture; controlling inflation; stimulating exports and curbing the consumption of luxury imports; restoring overseas confidence in Ghana; rehabilitating the productive and social infrastructure; and mobilising both domestic and foreign resources to restore the living standards of Ghanaians. Phase II, the adjustment and development phase, focused on economic growth and development, with special emphasis on social services.

An examination of the stated objectives indicates that the first phase of the ERP focused on strengthening the distorted economic structure that successive regimes had failed to correct or what Callaghy (1990: 275) called the "postcolonial syndrome." The adjustment aspect was not approached, perhaps due to the magnitude of the problem, and because it was the first time such an extensive economic package was being introduced in

Ghana. Unfortunately, the failure to examine and modify the existing mode of public service delivery meant that government supported moribund public institutions, especially SOEs and the bureaucracy, without adequate returns from them. On the other hand, phase II of the programme, the adjustment phase, was expected to ensure substantial economic growth, stimulate substantial increases in the levels of saving and investment, place the balance of payments on a sounder footing, and improve public sector management. Thus, phase II was set to strengthen and consolidate the gains that would be made from phase I, as well as to introduce new public service delivery mechanisms in order to roll back the state in service delivery and strengthen the capacity of the civil service in the area of policy making.

Phase I of the programme was vigorously pursued, so that by the mid 1980s, the government had significantly reversed the economic difficulties Ghana faced at the beginning of the decade. For the first time in more than two decades, the economy recorded a growth rate of almost 5% (Green 1988; Loxley 1988; Hutchful 1991; 1995; World Bank 1995).<sup>19</sup> The remarkable economic recovery made Ghana a spectacular example of stabilisation and a test case for the World Bank and the IMF and their policies and programmes in Africa, not to mention a 'blueprint' for Sub-Saharan Africa (Minogue 2001).

As Phase I of the ERP ended, the government turned its attention to the adjustment aspect by introducing administrative reforms, such as reducing the personnel

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<sup>19</sup> Economic activity witnessed its biggest surge during the early years of the ERP with 5.3% annual growth rate from 1983-1986 and an aggregate growth rate average of 4.7% per annum from 1987. From 1984 to 1986, real GDP also increased by 7.6%, 5.7%, and 5.3% respectively.

level of the civil service, enhancing its capacity in policy formulation and implementation, and increasing accountability, as well as adopting alternative forms of service delivery, including the privatisation of state enterprises. These activities were essential steps in view of some of the difficulties encountered during the implementation of the first phase, and because of the continuous drain the SOEs placed on the national budget. The complexities encountered during the stabilisation phase led to the recognition of the need to seriously address the problem of improving the management of resources in the public sector, including efforts to enhance economic and financial management and to strengthen public administration. The government (1985) noted:

Weaknesses in public sector management and implementation have emerged as serious obstacles to the full success of economic and financial policies. Key economic and financial management institutions are understaffed and suffer from severe shortcomings in organisation and equipment. In particular, policy analysis and the planning process, budgetary control, and aid coordination, and debt management needs to be strengthened

The realisation of the weaknesses of the civil service and the drain of the SOEs culminated in the adoption of a number of institutional reforms in phase II of the programme. The reforms were premised on the recognition that

[t]he public sector [would] by necessity continue to play a pivotal role in the economy. However, this role [would] be restructured through a reform of wages and employment policies, and of the state enterprise sector. Institutional restructuring (including performance monitoring), management reforms, rehabilitation of some enterprises, increased financial and social profitability of the commercially oriented enterprises, and improved economic efficiency of the rest are goals that must be infused throughout the public sector (GoG 1985).

In 1987, the government embarked upon a Civil Service Reform Programme (CSRP) to address the weaknesses identified with the civil service under ERP I. The CSRP, therefore, became a key component of phase II of the ERP, since “the successful implementation of the structural adjustment programme and the promotion of long-term

development, all demanded a system-wide reform of the civil service” (Larbi 1995: 1). These problems not only constrained the capacity of the service to implement policies and its responsibility for economic and public management; it also affected its morale and performance, leading to low public sector productivity. The overall objective of the government was to re-dynamise the service in order to restore it to its former pre-eminence and enable it to actively contribute towards the success of the ERP.

The CSRP was intended to improve the service’s motivation and performance. This objective was to be achieved through job analysis, classification and re-assignments, and the rationalisation of the staffing levels. The CSRP set out to examine the overall salary structure of the service, which had considerably deteriorated, affecting the morale and productivity of the service and making it difficult to attract qualified personnel at the senior and policy management levels. The programme was also aimed at reviewing and revamping the Management Service Division (MSD) of the service, enhancing the training and staff development, and assisting with a functional and redeployment study. The rationalisation of the staffing levels was necessary, since the service had grown rapidly over the years, and by 1982 its total workforce was estimated to be around 144,000 (Haruna 2000; Larbi 1995). Ironically, the bulk of the growth was concentrated at the lowest levels: *i.e.*, low paid clerical and unskilled employees (Hutchful 2002). In this way, a high premium of the reform was assigned to downsizing the service through the shedding of unskilled jobs.

Although the CSRP achieved some success in remodelling the service and reducing its size to about 93,000 in 1993, as well as in strengthening the MDS, it

**Table: 5:2: Size of the Civil Service, 1975-1986**

<b>Year</b>	<b>No. of Staff</b>	<b>Year</b>	<b>No. of Staff</b>
1975	110,100	1981	126,988
1976	112,743	1982	130,036
1977	115,449	1983	133,157
1978	118,210	1984	136,353
1979	121,105	1985	139,925
1980	124,012	1986	143,237

*Source: George Larbi, "Implications and Impact of Structural Adjustment on the Civil Service: The Case of Ghana" in R. Bartley (ed) The Role of Government in Adjusting Economies, 1995*

nevertheless could not seriously revamp the service towards its core function: the delivery of public services (Hutchful 2002). The service continued to rely on the command-and-control approach to bureaucratic management (the hierarchical structure of the organisation) and to be rule-focused in service delivery, while at the same time restricting itself to policy advice rather than service delivery. Civil servants were entangled in a bureaucratic web that seriously restrained individual innovation and efforts. As a result, although bureaucratic procedures were minimised through improved record management, very little was achieved in terms of service delivery, innovation, financial accountability, and value for money. The reform concentrated on cost containment, and neglected the human and structural capacities of the service. For instance, no training programme for civil servants to undertake policy implementation was instituted, and this affected the implementation of the reforms. The CSRP was not as successful as it could have been because of the emphasis on size and cost, without

adequate attention to other dimensions of the impact of the SAP on the service (Larbi 1995).

State Owned Enterprises (SOEs), which had been key instruments for development since the colonial period, suffered along with most other businesses in Ghana. They had experienced major deterioration because of the economic conditions and institutional weaknesses noted earlier. As a result, many were heavily subsidised, and had become a drain on the country's resources (Adda 1989). Under pressure from the World Bank, and in accordance with the principles of the ERP, the government adopted a SOE Reform Programme in 1988, under structural adjustment credit (SAC) I (1987) and II (1989). The programme consisted of two major components: the privatisation of non-core enterprises, and the reform of core or strategic enterprises (DIC Law 1989).

The process of reform began with an initial assessment of 100 SOEs by a number of local and foreign consultants that carried out a comprehensive diagnostic survey of the sector. The reports produced by these consultants led to the creation of a Task Force on SOE reform in 1985. The Task Force was charged to draft a policy statement on the sector, identify measures to be involved in the reform programme, and prepare an action plan for its implementation. Furthermore, the Task Force was to identify those parts of the reform programme that could be used as the basis for negotiating for support from the World Bank and other donors for the programme's implementation.

The Task Force identified a number of factors that had contributed and continued to contribute to the abysmal performance of SOEs. These included: (1) a poor policy framework; (2) problems of management as a result of the lack of competent managers

and the absence of management information; (3) the ineffectiveness of state institutions that exercised responsibility over the sector; (4) the seeming largeness of the sector, which made it difficult for government to monitor and manage; and (5) the poor feasibility studies on capital projects as a hindrance to the performance of the sector (SEC 1994). The Task Force developed a policy framework that the government was to use to revamp the SOE sector. It recognised the need for a larger role for government in respect of the provision of subsidies and the recapitalisation of enterprises. In addition, assigning a new role to the SEC and privatisation, as a way of improving the efficiency of enterprises, were considered paramount if the objectives of the institutional adjustment were to be realised (SEC 1994).

The recommendations of the Task Force led to the formulation of a reform programme with a view to ensuring that SOEs operated in a more commercial manner. Furthermore, it allowed the government to institute institutional and legal reforms to ensure that SOE managers had greater autonomy in the managing of enterprises, and strengthening their accountability to government. It also allowed the government to undertake the divestiture and mergers of enterprises in order to reduce the financial and managerial burden on government, as well as to rehabilitate some of the SOEs considered financially viable and critical to the success of the ERP. There was also improvement of SOE management and efficiency through the preparation of corporate plans and financial audits that established clear guidelines and procedures for government-SOE financial relations (SEC 1994:11).



As part of the reforms, the government announced that 22 core enterprises, including utility corporations, transport, cocoa, and mining enterprises, would not be privatised. The privatisation programme seemingly affected commercial and industrial enterprises, since the government believed that leaving such enterprises in the public sector would be at variance with its policy objectives of promoting private sector participation in the development of the national economy. To facilitate the process of privatising SOEs, a Divestiture Implementation Committee (DIC) was established to examine SOEs slated for privatisation and negotiate their sale on behalf of government. In 1988, 32 SOEs were put up for sale, followed by another 42 in 1990. By December 1991, 60 SOEs had been divested, of which 16 were sold outright, 11 were sold through public shares offerings, 24 were liquidated, three were leased, and six became joint ventures; by 1998 the total had risen to 212 (Ohemeng 2000). Privatisation thus assumed a greater importance in the government's plans, and led to the neglect, until 1994, of the restructuring of the SOEs that were considered as strategic for the government's developmental agenda.

#### **5. 6: Civil Service and State Enterprises Reforms under SAP:**

As noted in the above discussion, reform of the public administration system constituted a major part of the adjustment phase of Ghana's programme. Yet the reforms carried on in the civil service and SOEs paid inadequate attention to structural, capacity building, and attitudinal changes. The reforms focused mainly on cost reduction, with little or no attempt at identifying output constraints, such as outdated missions,

centralised and elongated processes of decision-making, and negative work attitudes. As a result, no serious attempt was made to introduce a performance management based on service delivery standards and productivity.

Consequently, until early 1994, there was no general performance management system with indicators to allow appraisal of the performance of public sector institutions. Agency performance was evaluated through annual reports, with financial statements of accounts indicating their financial positions and audited by the Auditor-General. Service delivery standards were not part of this evaluation system, and individual employee performance was not critically assessed and, in the words of the chairman of the PNDC, J. J. Rawlings, individual performance evaluation “was just a matter of routine: almost everybody--that is, the hardworking and the lazy--gets a good confidential report” (quoted in Nkrumah 1991:30). It is, therefore, not surprising that the reforms failed to stimulate or energise the public administration system to meet the exigencies of national development.

By the early 1990s, it had become clear that new approaches to institutional reforms were necessary, as the efforts and investments made under the ERP I had not adequately improved the capacity of state institutions to perform their functions and enhance accelerated growth objectives. Thus, at the time that the reforms were expected to yield the desired result, the public sector continued to operate inefficiently and ineffectively, with outdated budgetary and management systems and little input from modern financial and management performance practices and techniques. Public sector management continued to be characterised by delays, and lack of clear objectives, annual

work plans, and performance measures. The absence of an effective performance management system led to the public service being devoid of accountability, teamwork, and high productivity. Additionally, the service suffered from a number of shortcomings, including a monitoring and evaluation system which affected ministerial supervision and guidance of sector departments' and agencies' operational performance. Besides, there were no well-developed internal management control functions that would have allowed management to take on greater responsibilities for decisions from government, says one interviewee.

The absence of performance indicators and standards that would have allowed the monitoring of both inputs and outputs affected the way financial resources were disbursed and utilised. The sector also suffered from insufficient planning and budgeting, linkages between sector ministries, departments, and agencies' operational performance, and the lack of a clearly defined client population (Boateng 1997). There were also the problems of specifying client needs, insufficient participation of clients and poor targeting, insufficient linkages between policy objectives, planning, budgeting, and evaluation of programmes, and the absence of a centrally managed performance and management inspection and audit to induce accountability, efficiency, effectiveness, and economy in public service programmes (Dodoo 1997).

The civil service, in particular, was riddled with perverse incentives. There was no discipline and personnel could do whatever they deemed fit and for their own benefit. For example, a large number of officers seem to have had the authority to commit government expenditure regardless of the budget. At the same time, the reactions to

discipline were often an attempt at even more centralised control of allocation of personnel, assets, authorities, and financial resources. This in turn led staff in these institutions to practice deceitful and evasive tactics; at first, to get everything done, and later to look after themselves, according an official of the Head of the Civil Service.

With these shortcomings, the need for a new approach to service delivery and management entered a greater dimension in 1994 when the government decided to embark on a new reform agenda. D. S. Boateng (1997:3), a presidential staffer, noted:

... [a]lthough the main business of the civil service is to deliver services, the key issue of operational efficiency has traditionally attracted only a low priority among senior staff, compared to giving policy advice to ministers. Given the prime importance accorded to results, there is the need to re-orientate systems and attitudes to focus on the delivery of services, and link them to the needs of the recipients of those services both inside and outside the government machinery.

Attention to service delivery to customers and a new managerial culture led to the adoption of a Civil Service Performance Improvement Programme (CSPIP) as part of a National Institutional Renewable Programme (NIRP) that had been established in 1994 to coordinate all public sector reforms and to develop appropriate measures for the Civil Service and SOEs. The CSPIP focused on improving the overall performance of the Civil Service in service delivery, developing a culture of results and a performance orientation, providing value for money in all endeavours, achieving a higher level of efficiency through cost effective methods, innovation, market/customer sensitivity, and transparency/accountability, and enhancing the culture of good governance (CSPIP 1997).

The CSPIP sought to rectify the shortcomings and the implementation gaps identified in the CSRP, and steer the service towards its transformation into effective,

efficient, and compact machinery for policy formulation, monitoring, and evaluation (GoG 1997). It was also to respond to new challenges by undertaking an urgent and critical review of available capacity in the civil service, identifying constraints on its effective utilisation, and developing programmes to ensure that the civil service became not only proactive but also capable of evolving policies for growth and for delivering services efficiently (CSPIP 1997). In all, the CSPIP attempted to overcome the administrative inertia in the public services. Indeed, the bureaucratic perception that had prevailed in the Ghanaian administrative environment in the pre- and post-independent eras until the early 1990s was that the service was a tool for advising government, and not a service delivery institution for the citizenry. As noted by Dodoo (1999; 26-27):

Traditionally, civil servants have often tended to regard the government as their main 'customer' or 'client' and consequently have often tended to downplay their responsibilities to the public in general and to the business community... In consonance with tenets of the New Public Administration, we believe that the citizen should be able to count on good public services...

Consequently, it was believed that if the Civil Service was to focus on its customers, the need would be acknowledged for the service to have standards of service similar to those prevalent in the best private sector organisations. A performance management system, therefore, became part of the new round of reforms in the early 1990s. Furthermore, the CSPIP sought to address the urgent need for policies and measures that would enhance economic sustainability and accelerate development by considering issues of capacity building institutions.

Similarly, a new approach was developed to re-orient and restructure core SOEs to make them effective and efficient rather than subjecting them to the vagaries of privatisation. The essence of this approach was to change the outlook of management by

allowing it some autonomy, encouraging managers to be commercially orientated by allowing them to operate as businesses rather than as political tools, in order to enhance their efficiency and effectiveness in service delivery and profit making (SEC 1994). In this way, greater attention was devoted to changing managements by empowering them to utilise resources that would lead to the realisation of their enterprises' core missions. It also developed clear and unambiguous mandates for them that promoted the socio-economic development of the country. These were done through corporate development plans with specific annual targets (SEC 1994).

#### **5. 7: Conclusion:**

The above discussion indicates that Ghana, unlike Ontario, has had a chequered socio-economic and political history since attaining nationhood in 1957. Faltering economic development due to poorly-chosen policies was interspersed with political instability and greed originating from both leadership and policy fields. The trajectory of Ghana's development has seen it experimenting with the two major economic strands of the twentieth century, capitalism and statism, with the latter enjoying a long spell, while attempts to restructure state institutions have been stalled due to the attitudes of the politicians and the bureaucracy. The inability of the statist approach to fundamentally change the developmental contours of the country led to the adoption of market mechanisms in the form of the SAP, which had gained economic ascendancy in the latter part of the century and thus introduced new roles for the state.

Throughout the 1990s, new reforms were embarked upon to address all the inefficiencies and ineffectiveness within the public sector. At the core of these reforms was the performance management system that was expected to inculcate a new management culture, in terms of service delivery and value for money in public sector institutions. Greater public sector efficiency and professionalism were necessary to meet the challenges of maintaining macro-economic stability and accelerated growth, as well as of maximising the use of available resources for effective implementation of development. In view of this objective, more attention was devoted to increasing technical and administrative efficiency and productivity through the improvement of administrative capability and organisational structure. Furthermore, a new approach to the allocation system was developed. The previous system began with the Ministry of Finance, which formulated a macro-economic framework with regard to targets for GDP growth rate, rate of inflation, balance of payment, monetary expansion, and revenues and expenditures patterns (GoG 1997:262).

As part of the reform of budgetary allocation, the government also decided to introduce the Medium-Term Expenditure Framework (MTEF), which was part of the Public Financial Management Reform Programme (PUFMARP). This new system was expected to involve intensive and extensive collaboration between all public sector institutions, particularly the Ministry of Finance and the National Development Planning Commission, on the one hand, and the MDAs, Regional Coordinating Councils, and District Assemblies on the other. The new system was also expected to link resource allocation to the national developmental goals and objectives under a new Medium-term

Development Plan. The purpose was to ensure that budgeting became a management tool for effective planning and management of sectoral development programmes. Incorporated into this programme was an annual review plan or process to examine the “extent to which results were achieved, given the actual resources used, in the review year... [and to] give an indication of the track record of the MDA and also the capacity to achieve its objectives” (GoG 1997:263). There was also a mid-year review of the activities of government departments and agencies, which concentrated on their strategic plans and cost estimates.

In chapter seven, we shall analyse the implementation of privatisation with respect to the Ghana Water and Sewerage Corporation and the performance management system in the Civil Service and other SOEs. The objective is to ascertain their effectiveness in dealing with governance problems. The analysis will also examine factors, especially those that emanate from the environment in which the programmes are being implemented, that continue to serve as hindrances to their implementation.



## **Chapter Six**

### **Issues Involving Water Sector Reforms and Performance Management under the Common Sense Revolution:**

#### **6:1: Introduction:**

This chapter analyses public sector reforms under the Common Sense Revolution (CSR). Its focus is on the reforms in the water sector<sup>20</sup> and the performance management system in the public service. In discussing the reforms, we look at the factors that explain the successes and failures of the two policies. As explained in chapter two, the success or failure of administrative reforms is contingent upon a number of variables. Thus, in this chapter, the basic aim is to explain which of the factors identified in chapter two had significant influence on the success or failure in the adoption, implementation, and success or otherwise of the reforms in the province.

The analysis of the reforms showed significant influence of factors such as the political system, ideology (the belief in one best way), external influence, record of economic development, and independence of action on the implementation of the policies. The chapter is divided into two sections. Section one examines the state's role in the water sector, problems of the sector, and the policies implemented by the Harris government to deal with the problems. The second section looks at the adoption of performance management in the Ontario Public Services (OPS).

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<sup>20</sup> Ontario has a very complex system to deal with issues concerning water. The discussion in this chapter does not cover, but is concerned with the reforms initiated by the Tory government from 1996 with respect to water delivery in the province. For a more detailed analysis of water politics in Ontario and Canada in general, see Mark Sproule-Jones, Carolyn Johns, and B. Timothy Heinmiller (eds.) *Water Governance and Institutions in Canada*, UBC Press (forthcoming).

## **6. 2. The Record: The Provincial Government's Involvement in Water Delivery:**

The history of the provincial government's involvement in the water sector dates back to the latter part of the nineteenth century (Benidickson 2000; OSWCA 2001). Before this period individual communities and citizens had operated their own water systems. In discussing the province's role in water sector management, we must distinguish between two types of water needs in the province. The first is *consumptive*, generally understood as water consumed by people. The second is *non-consumptive water*, which is for purposes such as recreation, agriculture, navigation, etc. (International Joint Commission 2000). Our focus, however, is on consumptive water.

In terms of ownership and management, consumptive water belongs to municipalities, individuals, and public utility commissions, whereas non-consumptive water systems fall directly under provincial jurisdiction (OSWCA 2001). Provincial government ownership of water systems was, therefore, uncommon in the province until the mid 1950s (Ontario 2005). Before this period, households resorted to wells, springs, cisterns, community pumps, private water carriers, and other mechanisms to ensure the availability of water (Benidickson 2002). Over 80 % of water facilities were, therefore, owned and operated by municipalities, communities, and individuals rather than the provincial government. In 2000, approximately 8.9 million people, or 82% of the total population in the province, received their drinking water from municipal water works, with the remaining population obtaining water from individual wells and other private water sources (MOE 2000).

The first piped water supply in Ontario was established in Toronto in 1837, was owned and operated by a private company, and served a small number of households. It was not until 1873 that the city took over the system and expanded its distribution network by building two reservoirs. It was after this that many other communities developed water systems to cater to growing populations and deal with fire issues (MoE 1990). In the mid 1850s, municipalities assumed control of water supplies after the passing of the *Baldwin Act*,<sup>21</sup> which facilitated the creation of water utility companies for municipalities. The Act at the same time provided an avenue for the provincial government to undertake infrastructure development without jeopardising the economic and financial solvency of the province (OSWCA 2001). In spite of this, most communities had problems with their water needs, leading to widespread water-borne diseases that resulted in a number of deaths (Benidickson 1999; 2000; MoE 1990).

As these problems became acute, the provincial government got involved through the creation of a province-wide government agency. The government considered the water situation as a public health issue, and subsequently passed its first act, the *Public Health Act of 1884*, to salvage the situation. The act established a Provincial Board of Health (PBH) with responsibility over water related health issues. The PBH was mandated to collaborate with local health officials “to encourage the implementation of modern water supply and protection systems along with sewage across the province” (Public Health Act 1884). The act also required all cities, towns, and villages

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<sup>21</sup> The *Baldwin Act* (1849) was a comprehensive municipal act that allowed for the incorporation of townships, villages, and cities with a democratically elected council into the governance of the province.

contemplating the establishment of a public water supply or system of sewage to first seek approval from the Board for all plans related to the system (*Public Health Act 1884*).

Until the middle of the twentieth century, water supply and sewage problems continued to be tackled under the PHA. As such, the provincial government did not engage in water delivery in any meaningful way, although it provided funds for the expansion of water systems, making Ontario the leading province in Canada in terms of the amount spent for communal water systems and of length of pipe laid by 1915 (MoE 1990). In spite of this financial assistance, significant improvement in drinking water could not be attained until after 1920, when the government gave the PHB full status as the Department of Health, and invested in research surrounding a number of epidemics, including typhoid, paratyphoid, and tuberculosis (MoE 1990). By the 1930s, some improvements in water supply had been made in the province.

The immediate post-war period witnessed a significant population growth in Ontario. As the population spread, municipalities and individual owners could not meet the water needs of the populace. The expansion of services and facilities that was required during the 1940s and 1950s presented the province with problems that called for special attention. It was determined that the provisions made under the PHA could not fully address these problems. By the mid 1950s, the situation was approaching critical proportions. In response, the government established the Municipal Improvement Corporation to provide money at low interest rates to municipalities for water and sanitary works. Although this financial arrangement helped improve drinking water supply, leading to a reduction in typhoid related deaths to 0.02 per 100,000 people, it did

not address the problem of industrial waste. This caused increases in bacteria levels among other pollutants in the Great Lakes, the main source of water (MoE 1990).

In 1955, in recognition of the growing water problems, the government set up the Ontario Water Resource and Supply Committee to investigate and recommend measures to deal with the problem. In establishing the commission, the government was of the view that adequate supplies of clean, fresh water were indispensable to the well-being of the people of Ontario and to the economic development of the province, and that good management practices in the water sector were imperative (OLA 1954). The committee, in its report to the legislature, recommended the setting up of an independent body with powers to deal with the emerging water problems. Following the recommendation, the government introduced a bill in 1956 that established a commission with responsibility to manage the water sector. In doing so, the government was of the view that the Commission would have a far-reaching effect in dealing with problems affecting water shortages particularly in the south-western part of the province. The result of this bill was the establishment in 1957, of the Ontario Water Resources Commission (OWRC), a Crown corporation to deal with all water related issues: in particular, the efficient supply of water and of waste disposal throughout the province. From this period onwards, the government's involvement in water delivery gradually evolved and, even, expanded until 1995, when the government decided to curtail this involvement.

The purpose of the OWRC was to assist citizens and municipalities in supplying themselves with adequate water of high quality for all their needs. It was also to protect all existing water bodies from all types of pollution. Article 3 (1) described the OWRC

as a corporation without share capital on behalf of Her Majesty in right of Ontario by the *Ontario Water Resources Commission Act*, 1956, and gave it substantial powers to enable it to achieve its objectives. The OWRC also had power to: (a) control and regulate the collection, production, treatment, storage, transmission, distribution, and use of water for public purposes; (b) construct, acquire, provide, operate, and maintain water works and develop and make available supplies of water to municipalities and persons; (c) construct, acquire, provide, operate, and maintain sewage works, and receive, treat, and dispose of sewage delivered by municipalities and persons; (d) make agreements with any one or more municipalities or persons with respect to a supply of water or the reception, treatment, and disposal of sewage; (e) conduct research programmes, and prepare statistics for that purpose; and (f) perform such other functions or discharge such other duties as may be assigned to it from time to time by the Lieutenant Governor in Council (OWRCA 1956).

Consequently, from 1957 onwards, direct responsibility for the regulation of water, sewage, and waste disposal systems shifted from municipal and individual ownership to the OWRC, and, later in 1972, to the Ministry of the Environment. The OWRC was thus made responsible for the development, utilisation, treatment, and management of water resources, including the provision of adequate pollution control measures throughout the province. It also had powers to acquire, construct, operate, and maintain projects as well as undertake any renewals, betterments, enlargements, replacements, and extensions of them (OWRCA 1956). These powers allowed the government, through the OWRC, to nationalise all water bodies in the province, and to

issue licences for consumptive purposes for all but the smallest water wells. Thus, any person or organisation seeking to withdraw more than 50,000 litres of water had to obtain permission from the OWRCt.

The commission had two major assignments: one, to exercise supervision over the water resources of the province, including the equitable distribution and provision of clean water; the other, to finance, build and operate water supply and water pollution control projects. These assignments were executed by the OWRC's eight divisions, *i.e.* construction, industrial waste, laboratories, plant operations, project development, sanitary and engineering, and waste resources.<sup>22</sup> The mandate of the commission to engage in financing, building, and operating of water supply and pollution systems altered the ownership and management systems prevalent in the province.

The creation of the OWRC provided a lifeline for municipalities in terms of financing for infrastructure development in the water sector. Before this period, it had come mainly from local revenue sources, such as property taxes, and borrowing from private sources (OSWCA 2000:4). Indeed, the creation of the OWRC in the 1950s was about encouraging the provision of water-related municipal infrastructure necessary for local economic development. As a result, its powers were substantial in all facets of the development and provision of water and sewage services. Article 39 (1) notes, "any one or more municipalities may apply to the Commission for the provision of and operation by the Commission of water works or sewage works for a municipality or municipalities" (OWRCA 1956).

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<sup>22</sup> All the eight divisions, with the exception of the laboratory division, were dissolved when the OWRC was absorbed by the MOE.

This objective was achieved through a financial arrangement system as well as through the provision of engineering and technical assistance, licences for water use, and information to the various water owners. For instance, in 1969 the government approved a new policy to grant financial assistance to small municipalities, and thus made possible the construction of water and sewage works wherever needed in the province. This new policy was crucial, since most of these municipalities faced problems in constructing essential works, and also because a number of water and sewage facilities could not be constructed because of their cost. The provincial “assistance for high cost water and sewage projects in small municipalities assure[d] the provision of adequate works everywhere in the province” (OWRC 1970). The creation of the OWRC, however, altered the issue of ownership, as well as the existing governance structure of the water sector with a profound effect on the way the sector was managed. In terms of ownership, through its purse the Commission was able to finance a number of water and sewage projects, which became the property of the Crown.

Between 1960 and 1970, there was vast expansion in water infrastructure in the province because of the activities of the OWRC and other initiatives undertaken by the provincial government in relation to the water sector (d’Ombrian 2000). The most significant of these developments was the passing of the *Ontario Water Resources Act* in 1966, and a new financial system arrangement that allowed water suppliers to borrow money as well as enter into contractual arrangements with the OWRC to undertake infrastructure development in the sector. Under this financial arrangement, the OWRC entered into agreements with some municipalities to build and operate water supply and



sewage facilities. In the late 1960s, the government began to subsidise the capital costs of water supply and sewage systems by providing over 75% of the capital costs for small municipalities where costs of communal water services were above the provincial average. In others, it contributed between 45% and 50% of the cost (MoE 1990).

In the early 1970s, the government folded the OWRC and transferred its activities to the newly created Ministry of the Environment (MoE) (Barnes 1997; Meritt & Gore 2002). Sancton and Janik (2000: 15-16) have noted that “one of the effects of this move was to de-emphasise the notion that water supply was a self-financing business, for which the OWRC was merely a facilitator. Having some aspect of the water supply system under the direct control of a minister of the Crown suggested that it was more of a public service.” However, according to an ex-official of the OWRC, the absorption of the OWRC by the MoE was necessitated by the fact that the government assumed that the OWRC was becoming too powerful and independent with the money it was accruing from its investment. The ex-official is of the view that the government dissolved the OWRC and turned it into a department in order to fully control it, since rules governing Crown corporations are different from rules of departments of government. The OWRC reported directly to Parliament instead of to the executive, and this the executive found unacceptable. It is even said that the chief executive officer of the OWRC on numerous occasions had conflicts with the minister who had responsibility for overseeing the agency. Thus, the creation of the MoE and its subsequent absorption of the OWRC, according to the ex-official, “was a ‘punishment’ for an organisation that had asserted its independence from executive control.” The absorption of the responsibilities of the

OWRC by the MoE also marked a turning point in the province's role in the water sector (d'Ombrain 2002).

Since 1972, the MoE has continued to have primary responsibility for regulation, enforcing legislation, and the implementation of policies that apply to the construction and operation of water systems in the province (Merritt & Gore 2001). Furthermore, the MoE, until 1996, continued to conduct routine analysis of water samples from the various municipalities at its laboratories. This had been part of the activities of the OWRC. Thus, through the MoE's monitoring and regulatory programmes, the province demonstrated due diligence in ensuring that drinking water provided by municipal water systems was of good quality and met all health-related objectives and standards as stated in the OWRA.

In spite of the government's commitment to the sector, infrastructure lagged behind development as population and industrial growth continued in the province. Between 1972 and 1985, not much was achieved in this sphere, as "the MoE, with a wide range of responsibilities beyond water and wastewater, could not maintain the technological leadership the OWRC had achieved in the water sector" (Ontario 2005:13). It was against this backdrop that the Liberal government (1985-90) attempted to introduce a system to enhance the government's role in the development of the water sector. The attempt culminated in the decision to create an agency, similar to the OWRC to undertake the infrastructural needs of the water sector. This endeavour did not materialise, as the Liberals lost power in the general election that ushered in the NDP government in 1990.

By the early 1990s, infrastructure in the water sector was in dire need of massive capital funding. To deal with this problem, in 1993 the NDP government passed the *Capital Investment Plan Act* (CIA) as its solution to the infrastructure needs of the province. The act focused on a number of areas in which the government could engage itself. It allowed the government, municipalities, other public bodies, and the private sector to invest in infrastructure and some capital projects including those in the water sector (CIA 1993). Through this act, the government established the Ontario Clean Water Agency (OCWA)—in effect, a replica of the OWRC—as one of three new Crown agencies for the province’s infrastructure needs. The OCWA was expected to take over from the MoE all the operating and ownership responsibilities with respect to water and sewage treatment plants in the province.

In establishing the OCWA, the government asserted that the needed water and sewage infrastructure that had been lacking throughout the province could be addressed (CIA 1993). The government was of the view that this objective could be achieved by way of the returns on all financial investments that the agency would undertake, and this in turn could contribute to the economic renewal in the province, as well as enhance the protection of the environment and human health (CIA 1993). The OCWA was, therefore, supposed to operate on a more commercial basis. However, it was at the same time a means through which the government could assist municipalities in their infrastructure needs. To the government, therefore, OCWA was a new approach to the way government did business. It was supposed to be flexible and quick to react to municipalities’ needs and business opportunities (MoE 1993).

Like the OWRC, the OCWA was expected to finance, build, and operate water and sewage facilities throughout the province and provide services and advice to communities on a cost recovery basis. In other words, under the *Capital Investment Act*, the OCWA played three different roles: owner, financier, and provider of water services to some municipalities. At the same time, it was expected to be competitive in the marketplace with private sector contractors and to operate and manage municipal water and sewage treatment systems in the province. As a result, it was expected that costs incurred by the agency in its operations in the municipalities would be recovered through market pricing of its activities. Section 49 (1), sub-section (b) of the act included “financing, building, and operating water and sewage works and services on behalf of Ontario on a cost recovery basis” (CIA 1993).

With the establishment of the OCWA, the MoE transferred ownership and operation responsibilities for 346 water and sewage facilities, a sum of \$ 410 million, and almost 1,000 operating, technical, and administrative personnel to the agency. Of the 346 water and sewage facilities the province owned 230, and 116 were municipally owned but operated by the MoE (MoE 2000: 5). While the government saw the OCWA as a direct response to the shortfall of investment in the sector, others saw it as a means for the government to get out of the sector and an attempt to introduce private sector participation and privatisation to a product considered a ‘public good’ (Loë 1997; Rhode 2004).

### **6.3: Problems of the Water Sector in Ontario:**

The water sector, in spite of the provincial government's attempt to involve itself in infrastructure development, continued to experience a number of problems. Ontario's water sector had suffered, and continues to suffer from chronic financial and institutional difficulties. These problems are not mutually exclusive, and one triggers another. At the same time of which we are speaking, the water sector had faced, and it continues now to face, financial challenges in the provision of the product (GoG 2005). The entry into the hitherto private system by the government was attributed to the inability of individual owners and municipalities to finance the needed expansions as population and cities expanded.

Generally, owners of water systems, particularly municipalities, fund their systems through the use of various revenue sources, including property taxes, provincial and federal grants, user fees, development charges, and borrowing from private sources (Fortin et al 2002). The financial arrangements discussed above, however, had their shortcomings. For instance, over the years, there were limits in federal and provincial grants to municipalities. Examining the problem of water financing, Fortin et al (2002: 20) noted that, "Ontario grants for water and sewage systems operating expenditures have accounted for less than 1% of water and sewage systems expenditures over the last ten years. Direct water and sewage billings have shown the largest increase over the ten years, dependence on property taxes has fallen dramatically over the same period." Obviously, the economic recession in which the province found itself during the early 1990s affected provincial transfers to municipalities. Thus, throughout this period,

municipal water supply and water treatment systems simultaneously faced budget constraints and an aging infrastructure. The ripple effect of this shortfall in municipal financing was the inability of the municipalities to deal with their infrastructure needs, making it difficult for municipal water managers to operate and maintain their systems. At the same time, other provincial agencies, such as the Ministry of Health, found it difficult to effectively monitor drinking water conditions across the province.

The financial situation was exacerbated by population (including immigration) growth and urbanisation in Ontario. This exerted much stress on the already dilapidated water infrastructure in the province. It is estimated that the life span of a laid pipe ranges between 50 and 60 years. In Ontario, most of the pipes were laid in the 1950s and, are therefore, nearing the end of their usefulness. Replacing them requires a huge financial investment from the owners of the system. The province may need \$30-40 billion in the next 15 years to bring the water infrastructure to an acceptable level (GoO 2005). Thus, the challenge facing the deliverers of the service was, and is, how to provide the service and its associated infrastructure at the lowest possible cost, and how to secure the fiscal resources to pay for it.

Institutional problems continue to bedevil the water sector throughout the province. The institutional quandary concerns mainly the ownership and governance of the water sector: *i.e.*, which level of government should have responsibility for its delivery (Ontario 2005). This dilemma has further compounded the issue of accountability and responsibility. The problem of ownership and governance was not resolved when the MoE absorbed the OWRC, and was further aggravated by the

establishment of OCWA. It was this institutional problem that the Harris government tried to address by enacting the *Better Local Government and Water and Sewage Services Improvement Acts*. Thus, the water sector, especially management, continued to be hamstrung by institutional fragmentation, with responsibilities divided among different levels of government and private ownership.

As already discussed, until the 1950s the provision of water in Ontario was the preserve of municipalities, communities, villages, and individuals. The establishment of the OWRC, the MoE, and the OCWA changed this ownership and governance structure, as these institutions enabled the provincial government to assert itself in the ownership and management of the water sector instead of focusing on regulating it. By 1995, out of 500 water treatment plants and 437 sewage treatment plants serving over 8 million people across the province, the OCWA was holding title to 230 of these facilities and operated services for 243 municipalities. Of the 230 schemes owned by OCWA, 18 were "area schemes" that provided services to several municipalities (MoE 2000).

However, the continuing existence of the OCWA also created a conflict of interest for the government. The government was the owner, financier, and operator of the system and, at the same time the regulator of the sector. "Therefore, there was one body, which we call government, which sometimes owned, although it is no longer true, often operated, and usually financed the system on one hand and was expected to regulate on the other hand. That put the government in a conflict of interest because it could not regulate itself. Every time the government cracked down on a water or sewerage plant for lack of compliance of laws and regulations, it was cracking down on itself," says an

interviewee. With such institutional configuration, the result was “abysmal regulation, no enforcement at all.” It was reckoned, therefore, that privatisation, with strict institutional separation, would enable the regulator (government) to feel much more comfortable, especially in punishing non-compliant companies and municipalities with fines and orders. The institutional realignment was to help government regulate far more vigorously than in the case of public ownership.

#### **6. 4: Water Sector Reforms under the Tory Regime, 1995-2000:**

Attempts at resolving the problems surrounding water and sewage services in Ontario from the mid 1990s dwelt on the philosophy embedded in the NPM theory. These attempts were clearly stated in the Tory platform for the 1995 elections. The provincial government’s policies for disengaging itself from the water sector focused on four key dimensions of the NPM theory: deregulation, downsizing, downloading, and privatisation. Deregulation dealt with the removal of regulations that affected the involvement of the private sector in water delivery, whereas downsizing focused on the retrenching of workers in the sector. Downloading allowed the provincial government to pass responsibility for its activities in the sector on to municipalities, communities, and individuals, while privatisation focused on the sale of public institutions (including closing down of some agencies) and assets to the private sector. These policies were given a push by a government-established “Who Does What Panel.”

The Who Does What Panel was appointed by the government to advise on how best to sort out provincial and municipal roles and responsibilities in order to eliminate



duplication, improve accountability, and make sure decisions were made at the most appropriate level. The goal of the realignment was to enable both the province and municipalities to find efficiencies, save money, and provide quality services to taxpayers.<sup>23</sup> Many of the reforms carried out by the government were based on the recommendations made by the panel to meet the objectives of the CSR.

In the water and sewage sector, the panel's utilities sub-committee was of the view that municipalities should be made fully responsible for the provision of water and sewage services, including ownership and financing, in order to ensure that provincial subsidies neither distorted the cost of services nor encouraged dependency on provincial transfers. The panel, therefore, called for the removal of provincial subsidies for water services delivery for municipalities in order to allow them to assume full responsibility for such services. Furthermore, the panel suggested the transfer of ownership of all facilities under the OCWA's operation, on behalf of the provincial government, to the municipalities.

The sub-committee believed that this transfer was necessary because years of generous provincial subsidies had had some undesirable impacts on the way water and sewage systems were being operated. For instance, it claimed that because of the provision of such subsidies, infrastructure in the sector, in some cases, had been built well beyond the realistic growth needs of some communities, to such an extent that on-going subsidies were necessary to maintain these systems. The sub-committee was also of the opinion that consumers were not paying for the full cost of providing water and

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<sup>23</sup> [http://www.mah.gov.on.ca/scripts/index.asp?action=discussions and recommendations](http://www.mah.gov.on.ca/scripts/index.asp?action=discussions&recommendations) of the panel

sewer services. Consequently, consumers had little incentive to conserve water resources. What is more, many municipalities, in anticipation of provincial financial assistance to cover capital costs of replacement, had neglected to build-in an allowance for depreciation in their costing system, thus, perpetuating their dependency on the province. Uniform standards of service have been encouraged across the province, rather than services adapted to local circumstances. Finally, subsidies had dampened innovation and the pursuit of creative management practices, which could realize better efficiencies, and they appeared to have discouraged full private sector participation.

The government passed a wide range of legislation to change its role in the water sector. The most prominent examples were the *Savings and Restructuring Act* (Bill 26), the *Better Local Government Act* (Bill 86), and the *Municipal and the Water and Sewerage Act* (Bill 107). The government further repealed some sections of the *Environmental Protection Act*, 1990 and the *Ontario Water Resources Act*, particularly sections dealing with tort actions in municipal server plants and appeals on any certificates of approval. Bill 26 focused on employment reduction and budgetary cuts in the public service (downsizing). There was, therefore, a substantial cut to the MoE's budget in the first two years of the government, which led to a reduced capacity of the ministry to undertake its numerous functions. In fact, the MoE became a prime target for Harris budget cuts to the various government agencies. The ministry's budget was reduced by nearly 49% (O'Connor 2002). The budget cut, however, did not begin with the Tories in 1995, but originated in the NDP era. Indeed, between 1991 and 1995, the NDP reduced the MoE's annual budget by an estimated 30%. During the same period,

the MoE's annual expenditure fell by \$210 million (O'Connor 2002). The budget reduction affected the MoE's operational activities in the 1995/96, 1996/97, and 1997/98 fiscal periods. The effect of this policy directive and action was a reduction in staff and activities of the ministry, including the discontinuation of water testing provided to local government by the ministry's laboratories.

An ex-official of the ministry believes that the MoE was a prime target of the government because of Mike Harris' personal distaste for the ministry. According to him, Harris served as a parliamentary assistant to the Minister for the Environment during the previous Tory hegemony, and saw how the government was politically embarrassed by problems with the environment. As a result, he (Harris) was keen to get the government out of the environment business by devolving it to other levels of government, as well as by privatising the services of the ministry. This forced managers to think of how to reorganise the ministry in order to achieve the government's objective.

Bill 86 dwelt on strengthening the various municipalities so that they could take up new challenges being devolved from the provincial level (downloading). The effect of this bill with respect to the water sector was quite overwhelming. It altered the part of the *Public Utilities Act* that had required the assent of the electorate before the establishment of any water commission or joint public utilities commission. Furthermore, it allowed municipalities the freedom to determine the agency (be it public or private) to run such systems without recourse to municipal referenda. The act also added a liability clause that prohibited any action based on nuisance to be taken against a municipality or local board, or their councillors, members, officers, employees or agents over the escape of water or

sewage.<sup>24</sup> The *Municipal Act* thus altered the governance structure in the water sector by passing responsibility for all provincially owned water systems to municipalities, and further provided the power for municipalities to look for alternative mechanisms for delivering the product.

By far the most significant piece of legislation that altered the governance structure of the government in the water sector was Bill 107, passed in December 1997. The objective of the bill was to enable the government, through the Minister for the Environment, to transfer the government's holdings in the water sector to municipalities with the aim of establishing the most efficient and effective ways to run water and sewage systems. This was essential to the government in terms of clarifying the roles of provincial and municipal governments in water and sewage services delivery, thereby improving accountability and management at the municipal level. The bill was expected to alter the province's ambiguous position of being a regulator, owner, operator, and funder of water and sewage services.

Bill 107, however, was not well received by a number of people in the province. Indeed, some people expressed fear over what effect the government's policy of privatising the OCWA and water restructuring was going to have on the sector in general. In a submission to the parliamentary committee that deliberated on the bill, Dr. Neil Freeman of the University of Toronto noted that the OCWA had a dual-function role, as residual and alternative service delivery provider for municipalities. He argued that because of the OCWA's dual function, it had been able to assemble an essential source of

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<sup>24</sup> The liability clause had previously existed under the Environmental Protection Act.

expertise to deal with providing services in weaker municipalities. Hence, if the OCWA was not providing the services in the stronger municipalities on this alternative delivery service model, it might not be able to provide them in the weaker ones. Dr. Freeman acknowledged that if the OCWA was put out of business, there was a danger that the province would end up establishing more costlier programmes to subsidize development in weaker municipalities or to pay for different types of mechanisms to ensure, for public health reasons or economic development reasons, that municipalities are kept up to current and acceptable standards (Freeman 1997).

Another important aspect of the bill was the government's aim to terminate the province's financial obligation to municipalities in the sector. Under the bill, the government committed itself to fulfilling a \$350 million dollar provincial grant that was extended to municipalities in 1993. However, the government was to discontinue providing grants and loans, so that municipalities could access private sector financing for water and sewage infrastructure development. Ending the financial grants and loans was also a means to allow municipalities to embark upon cost recovery through full cost pricing and user fees. A follow up to this desire was that municipalities could introduce new forms of management in the sector without recourse to the provincial government. These new forms of management could be public-private partnership, public-public partnership, contracting out, or full privatisation.

Bill 107 thus provided the government with the impetus to review the activities of the OCWA as part of the government's objective of rendering leaner the state. According to the Minister of the Environment, "our government made a commitment to

review its business operations to explore options to improve service and value to taxpayers. We must look at whether or not the province needs to be in the business of running water and sewage facilities for the municipalities when there are private sector companies and municipal employees currently providing these services” (Office of Privatisation 1998). With the passing of the bill, “virtually all water and wastewater systems in Ontario [were] owned and controlled by the municipality in which they [were] situated” (Ontario 2005:14). However, many municipalities chose to continue to use the OCWA for their operations (Ontario 2005). In 1998, the OCWA was referred to the Office of Privatisation for a review of its activities and to subsequently privatise the services.

#### **6.5: Privatisation of Water Testing Laboratories as Part of Water Reforms:**

As part of the water sector reforms, the government also decided to privatise provincially owned water-testing laboratories.<sup>25</sup> The MoE operated one central laboratory in Toronto and three major regional laboratories at Kingston, London, and Thunder Bay. These laboratories, as already stated, performed routine quality testing of drinking water for municipalities. Privatisation of MoE laboratories was part of the government’s cost reduction measures and alternative forms of public service delivery under the terms of the CSR (Schnyder 1996). The intention to privatise laboratory services, however, did not begin with the Tories. The idea had been on the NDP’s radar screen. Nevertheless, the idea to introduce private sector participation in this area during

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<sup>25</sup> The idea to privatize laboratories did not affect only the MoE and MoH but all other ministries that were part of the Ontario Analytical Laboratories Council.

the NDP era was an expression of the desire to privatise a number of tests performed by MoE laboratories rather than the privatisation of the MoE laboratories themselves (MBS 1989). The Tories, however, fully embraced the idea as part of their ideological obsession with reducing the bureaucracy and saving cost. Consequently, they went well beyond the original idea by closing all the MoE laboratories and encouraging municipalities to look for other alternatives for their water testing needs.

We have already noted that testing laboratories were part of the OWRC. The laboratories collected, analysed, and compiled data from water samples obtained by MoE field staff, public agencies, and corporations. The purpose of the samples included bacteriological, biological, and chemical analyses. These were performed to assist in the overall programmes carried out by the commission's divisions with respect to drinking water quality. Other analytical work carried out by this division included the study of the effects of pollution on fish and wildlife and the issuing of permits for the control of the application of chemicals to water sources to control aquatic nuisances. Mobile laboratories were utilised by this division during concentrated surveys to hasten biological results in order to provide adequate information for the implementation of population abatement programmes. The results of drinking water tests were sent directly to the municipalities. This led to a situation where boil water advisories were issued by the local Medical Officer of Health on any adverse findings (Horsnell 1998). The work of the MoE laboratories was supplemented by MoH laboratories, and by 1996, there were approximately 17 public laboratories in Ontario for analysing water quality. Of these, four belonged to the MoE and 13 to the MoH. Analyses conducted by the laboratories

were used by the MoE in its regulatory oversight for water quality and pollution within the province. Thus, test samples obtained by the MoE laboratories were used to determine if water systems complied with provincial health, safety, and environmental regulations. It must, however, be said that many larger municipalities, including Toronto and Hamilton, had their own municipal laboratories and, as such did not, and do not rely on the province's laboratories for their water quality testing.

Until 1993, laboratory analyses were paid for by the provincial government and at no cost to municipalities. The only cost associated with water testing was for the mailing of bottles for sampling. In 1993, however, the MoE began charging fees for water testing and other activities, thus initiating a full-cost recovery programme for municipal water testing. The effect of this policy was that it paved the way for private laboratories to enter into the business of water testing for municipalities. This created a two-tiered laboratory system for bacteriological analysis of drinking water, leading to the eventual withdrawal by the ministry from such testing. The risk associated with the policy was, however, noted in a memorandum submitted to the Director of Laboratory Services Branch of the ministry. The memo stated:

Full-cost recovery by all laboratories for municipal drinking water testing is possible but very risky. There is no adequate way to establish an equivalent analytical cost that would not be considered collusion, since each laboratory's operating costs are different. Such a cost recovery programme would also put us into competition with other laboratories, which is something we would like to avoid (Brodsky 1993).

Furthermore, it was anticipated that the eventual withdrawal of the MoE from water testing would create major problems for the municipalities that depended on the analytical support of the ministry's laboratories. The MoE noted a number of such



problems including that “time-temperature restrictions are critical to maintain sample integrity and transportation of samples to a laboratory within the restrictive time-frames may not be achievable if the number of laboratories providing this service was limited” (Demshar 1999). It is strange, however, that although these problems were highlighted as far back as 1993, the Tories in 1996 did not pay attention to them in the attempt to devolve and privatise water testing. The ideological stance of the government made it turn a blind eye to concerns over privatisation, although those concerns had been known for sometime. More diligent assessment of the risk involved would have prevented some of the difficulties that emanated from the policy.

The introduction of user fees, however, did not lead to a significant reduction in the number of routine microbiological tests performed by the public laboratories on behalf of the municipalities. By “May 1994, only one municipality had actually switched from the MoE to a private laboratory” (O’Connor 2002). This is because the fee charged by the MoE laboratories was far less than that of private laboratories and “the fee schedule and services [were] very competitive” (Schnyder 1994). Second, municipalities were quite sceptical about the performance of private laboratories because “the private laboratories do not have resources to pursue method development, set method standards or provide performance testing services” (MoE 1995: 20). Furthermore, “... private laboratories do not find dirt samples or do not go from parts of chemical plants to another because that costs a lot of money. In other words, they do not do rigorous analysis because it cost money,” says an ex-official of the MoE. In a nutshell, municipalities, because of this scepticism, found it favourable to use public laboratories, which they

believed had no incentives to cut corners in order to maximise profit. The private laboratories, in view of these difficulties, demanded the full withdrawal of the public laboratories from analytical testing. They claimed that they had the ability to provide adequate analytical services to ensure a healthy environment. They also alleged that public laboratories were being subsidised by the public, resulting in unfair pricing practices by the MoE and, therefore, called for an appropriate fee-for-service structure for the sector (MoEE 1994).

In spite of these difficulties, the public and private laboratories co-habited until early 1996, when the government entreated the MoE to develop alternative service delivery systems that would enable the MoE to search for other mechanisms for water-testing services. This was part of the government's attempt to restructure laboratory services, which had been going on since the late 1980s (MBS 1989). The MoE proposed three options: downsizing, closures, or devolution. The government accepted option two, laboratory closures. The acceptance of this option was in line with the government's belief that the public sector should not be in competition with the private sector, especially in areas where the private sector had shown the capability to deliver the service.

In line with this, the government, in 1996, issued a statement to all municipalities on the closing of its three main laboratories, while the MoE central laboratories also stopped conducting water testing (O'Connor 2001). The implication of this policy was that municipalities were to look elsewhere for water testing, including seeking services from private laboratories, assuming that the funds to support this new task were readily

available. What is more, the closing of public laboratories was not accompanied by any serious regulation concerning how private laboratories were to operate in this new governance environment. Before then, there had been strong urging by experts, including the International Association of Environmental Testing Laboratories (IAETL), representing private laboratories as well as public officials, for the government to institute measures such as accreditation and a dynamic reporting system. The need for such measures was to prevent the use of non-accredited laboratories to find contaminants that may have been potentially harmful to the public.

In spite of the expression of these concerns, there is no evidence that such measures were ever instituted when water testing was finally privatised. For instance, "...there was no assessment of the risks associated with the privatisation of municipal water testing, nor was there a consideration of the need for a regulation requiring testing laboratories to notify the local MoE office or local Medical Officer of Health about adverse results" (O'Connor 2001:377). Thus, when the policy came into effect, no system of mandatory accreditation was in place, and neither were MoE officials made responsible for the operation of the laboratories. Likewise, no effective system of monitoring the effect of privatisation on the notification protocol was established. The reduction in the MoE's capacity to monitor laboratories and embark upon accreditation was due to the speed in which the programme was implemented. The proposal to privatise the MoE laboratories under the NDP was based on a time line of two to three years. However, the Tories, in line with their campaign promise, reduced this period to six months, then to four months, then to two months. Thus, the refusal to institute these

measures was attributed to the “government’s distaste for regulation” (O’Connor 2001:380). This distaste manifested itself in the government quest to remove or reduce bureaucratic “red tape,” and its commitment to not over-govern Ontarians through excessive regulation.

The consequence of the government’s policies in the water sector was manifested in the tragedy witnessed in Walkerton. The policies weakened the MoE’s capacity to perform its assigned functions, such as in-house scientific expertise, standard-setting, monitoring, inspection, and enforcement activity, and policy responses to emergencies and to new or continuing environmental problems. The effect has been well documented by Justice O’Connor in the *Walkerton Report*. The government believed that subjugating the sector to the market was all that was needed to enhance efficiency and effective delivery of the product. This assumption proved false.

Competition in service delivery can bring many benefits, but it must take place in a very strict regulatory framework. Indeed, it is not a question of leaving things to the market, especially in the case of drinking water and sewage treatment. The question of tapping into things that the private sector can provide while maintaining strict public control is very important. The two have to go together. There should be no privatisation of some public functions without some form of regulation, although it is expected that private enterprises that take over public service delivery will be subjected to statutory and Crown liabilities controls. In the case of Ontario water testing, these controls seemed to have either been relaxed or neglected. This was made clear in the O’Connor Report. It noted:

[t]he wholesale exit of all government laboratories from routine testing of municipal water samples in 1996 made it unacceptable to let the notification protocol remain in the form of a legally unenforceable guideline... The government should have enacted a regulation in 1996 to mandate direct reporting by testing laboratories of adverse test results to the MOE and to local Medical Officers of Health. Instead, it enacted such a regulation only after the Walkerton tragedy.

In privatising public service delivery, there is a need to have the right regulatory regime in place. This will ensure that the profit-minded private sector does not cut corners in order to maximise profit. In implementing policies to reform the state, it is essential to remind ourselves that we often need public control, but perhaps not public provision, in all or most aspects of the economy.

#### **6. 6: Public Service Reform, 1995-2001:**

The emergence of the Tories with their agenda to reduce government's role in public services and focus on their core business led the government to direct its attention to what it believed the bureaucracy could do and do better. The Ontario Public Service (OPS) had gained a reputation as an operational and delivery organisation. However, under the Tories, it was asked to change its core business to one of strategic public policy and programme policy setting, spinning off operations to the most cost effective model through new alternative service delivery mechanisms (Barnes 1997). The idea for refocusing the functions of the OPS under the CSR was that 'life in the village of the Civil Service' had become too cosy for the bureaucracy, and that this village life needed a drastic change. For years, the OPS responded to public expectations with more programs and services. However, under the Tories, emphasis was placed on better services at less cost to taxpayers, deficit reduction, and alternative ways of organising and doing public

business. Thus, under the Tories, the traditional ways of conducting public business were clearly challenged.

The Tories assumed that if the OPS was to deliver on the government's policy agenda and meet the objective of balancing the budget by the turn of the century as well as subject it to political control, then the OPS had to undergo a fundamental transformation (GoG 2000). The fourth pillar of the CSR had, in fact, promised sweeping changes with respect to the attitudes of bureaucrats in order to meet the needs of the people and, at the same time, to be the vehicle to achieve the CSR goals. Thus, the idea was to subject the bureaucracy to a new mode of accountability in which objectives were to be achieved through the adoption of business-planning to public business similar to those prevailing in the private sector. The premier believed that it was necessary for the public sector to undergo the same rigorous managerial approach as in the private sector and that such an approach in government was long overdue. He conceded, however, that adopting private sector managerial principles was a tremendous amount of work, and a tremendous challenge to the bureaucracy (Walker 1996).

With this in mind, the government inaugurated a number of commissions, committees, and institutions to examine ways and methods that would lead to attitudinal and structural changes in the OPS. The most significant of these commissions and committees were the Ontario Financial Review Commission (OFRC) and the Ontario Public Services Restructuring Secretariat (OPSRS). The OFRC was to review the province's accounting, reporting, and financial management practices and help restore credibility and confidence in the reporting of the province's financial situation in the

public service and its agencies (OFRC 1995). The OPSRS, on the other hand, was to “coordinate, support, and promote organisational change in the public service, to develop restructuring models, to keep track of where we were heading and how far we had come, to communicate goals and achievements within and outside the OPS, and to link our organisation with others in Canada and around the globe” (GoO 2000: iv).

The OFRC was to unearth new ways for the government to find needed savings while not jeopardising public services in the belief that such savings would support efforts to balance the budget by the 2000/2001 fiscal year. The OFRC was to examine how the province recorded its financial transactions, kept its accounts, managed its finances, and organised its work, and ways to enable the public sector to: adopt the Public Sector Accounting and Auditing Boards Standards used in financial statements in the estimates and budget; develop new reporting practices for crown agencies; create better forecasting systems in terms of revenue and expenditure; find better ways of getting financial information to both the government and the public in an efficient and effective manner; improve the way government managed its finances and reported on financial matters, and develop a prudent planning framework for the budget and medium-term plans.

The OFRC’s report, titled *Beyond the Numbers: A New Financial Management and Accountability Framework for Ontario*, consisted of a number of recommendations in three major areas: planning, financial reporting and accounting, and crown agencies. The commission accepted the government’s view of focusing on deficit and debt reduction, as well as using resources more efficiently in order for it to meet financial

targets while preserving public services. The report called for a new method of planning government business that required organisations to measure their progress towards appropriate goals for more effective and efficient use of public resources, while at the same time allowing for unforeseen events and reducing the risk that government may fail to meet its debt and deficit targets (OFRC 1995). The move to link organisational goals with the efficient and effective use of public resources could have been properly undertaken if government introduced the concept of business plans and performance measurement systems into the public sector. The commission, therefore, recommended “that the government adopt an integrated framework for ministries’ activities that better links planning, monitoring, reporting, and evaluation to improve the management and accountability processes” (OFRC 1995; 7).

The Commission recommended that each ministry’s framework should consist of the preparation of a three-year business plan that reflected government priorities: the maintenance of a three-year outlook plan; provision for the measurement of progress towards stated goals, and reasons for changes to previous plans; and suitable performance measures and targets at the ministry and programme level. The frameworks were also to include detailed spending and, if appropriate, revenue plans for each fiscal year; the delivery structure to be used, including the roles, relationships, and accountability of all entities that provide service on behalf of the ministry, coupled with justification for this structure. In addition, each ministry should provide semi-annual summaries of progress for on-going monitoring and appropriate actions to improve performance (OFRC 1995).



In 1996, the first set of business plans covering 21 ministries was released in a document titled *Doing Better for Less: Introducing Ontario's Business Plans*. The document, which was over 240 pages, carefully laid down the vision, key strategies, and core businesses. Thus, the adoption and implementation of a comprehensive and rigorous business planning process by the government served as the centrepiece of its financial and policy decision-making and for public reporting. Through this process, ministries were made to present business plans to Management Board Secretariat (MBS) and cabinet on an annual basis. These plans were used for determining the level of financial allocations and policy direction. An important aspect of the business plan was a directive on accountability to ministries on quarterly spending through programme reviews, particularly in the fourth quarter of the fiscal year. Ministries could not undertake fourth quarter spending without seeking authorisation from the MBS in order to prevent waste and to allow government to spend money on its own priorities. Fourth quarter spending, thus, depended upon review of programmes by the MBS and the urgency of the programme.

#### **6. 7: Business Planning and Performance Management System:**

The performance management system formed part of the overall business planning approach adopted by the government (Fulford 2001). This approach was developed to enhance public service accountability to the political executives as well as to the recipients of public services. The system was also part of a broader human resource strategy for the Senior Management Group (SMG) of the public service

consisting of the Senior Managers, Directors, and Assistant Deputy Ministers in the various ministries.

The business plan of the government focused on three key elements: core businesses, which defined the primary responsibilities of the ministry; key strategies explaining how the ministry was making changes to its core business; and performance measures (GoO 1996). Each ministry was required to have an annual business plan or corporate plan that set out goals, achievements, and programme directions. The plan was expected to address the ministry's vision and core businesses, service delivery, potential savings, proposals to reinvest to strengthen service delivery, and outcome and performance expectations. The business plan was also to include clearly indicated measures for performance and feedback reports on the achievements of the agencies. These priorities were also to reflect the government's overall policy priorities for the year. The business or corporate plans were developed by the Secretary of Cabinet for the various ministries, and submitted to government through the MBS for approval.

These business plans contained individual performance plans for the members of the SMG. These individual plans also reflected the priorities in the business plans of the ministries for the year. In this way, performance of senior management was assessed against the stated objectives in the plan. The objectives were to be achieved through the development of performance contract between the government, represented by the Chairman of the MBS, and the SMG of each ministry. Within the performance contract were sets of targets for each member of the SMG. Thus, "an integral part of the system [was] the performance measurement process, which consist[ed] of establishing

performance targets, such as 80% or better satisfaction with service, and bench marking the organisation with an expectation of continuous improvement” (Burak 1997; 13). Performance management, therefore, provided a corporate measurement tool on which to base human resource management decisions, and was designed to provide consistent and continuous approach to measurement.

Six main areas were used as benchmarks for performance measurement for the SMG from 1997 to 2002. These benchmarks included corporate leadership, effective customer service, financial strength, people strength, effective delivery of core businesses, and improving business efficiency. These areas were assigned percentage points, and were then measured to ensure that the programmes within the ministry were achieving the needed results or the necessary impact on the beneficiaries of the programmes. This type of performance measuring was obviously a move away from the old system. Under the previous system, measured targets focused on numbers or quantity of programmes under the mandate of a given ministry. In other words, performance measurement dwelt on the assessment of the number of programmes delivered by the ministry, rather than the impact (outcome) on intended beneficiaries. However, in recent years, this approach has given way to a more direct focus on quality (outcomes) and greater accountability to the public. According to an official of a ministry, “the OPS is now focused on ‘third generation of performance measures,’ which centres on returns of investments.” Thus, there is now a focus on outcomes, instead of on outputs as existed under the previous measurement regime.

The performance contract also stipulated a new type of incentives or rewards for the SMG, which was a pay-for-performance system. The government believed that pay-for-performance was necessary because

[i]t is one thing bringing in the rules but how you get people to really buy into it and be part of it was essential. What we did was, we brought in a whole bonus system for the deputies, for the ADMs, and for the directors, based on their performance.... So their particular remuneration was to be affected by how efficient they were in terms of meeting these targets and also meeting the philosophy of trying to not to spend money for spending sake... We had available product of the government trying to encourage more of a corporate approach to government. We sought to blend their altruism with their self-interest... [T]hus, senior civil servants got bonus in terms of their efficiency and not be selfish [sic] in terms of what they are doing as a ministry. It had an impact and I think it was successful as people bought into the programme, says an ex-minister.

The pay-for-performance system was based on corporate, ministerial, and individual performance, and was paid to the SMG as a whole through what was termed “the corporate envelope.” The corporate envelope was, therefore, the total package of compensation paid to the public service by the government based upon its threshold for the year. This threshold was determined annually by the Cabinet based on financial measures and policy priorities of the government. Not only were the individuals to meet or exceed key commitments outlined in their performance contracts: the ministry was expected to achieve a certain threshold of performance before the pay-for-performance was given out. In other words, performance incentives were not weighted on an individual basis at the end of the year, but were weighted at the ministerial level.

Thus, whereas one individual would be able to exceed annual targets within a particular ministry, if the entire ministry was unable to achieve its target, no compensation was paid. “As an individual, my compensation [was] directly tied to what

I accomplish[ed] but also what I accomplish[ed] with my team, with my colleagues, with my senior management team because we [were] all together and our ministry was rated together as one entity,” says an official of Centre for Leadership. Hence, performance was evaluated not just on whether the individual senior managers met their objectives for the year, but how the ministry and the government did as a whole in meeting objectives and priorities (Burak 1997). Under the performance system, teams, not individuals, were rewarded for good performance.

In all, there were four basic criteria for the incentive reward system: corporate performance; ministry performance; individual performance; and corporate control and audit (GoO 1997). To ensure that each ministry achieved its programme results for the year, the performance management system required the SMG to sign performance contracts with unit heads and other employees within their respective ministries, stipulating agreeable targets reflecting the targets of the SMG and linked to the business planning process and government policy priorities. This was called the employee performance development plan (EPDP). Thus, the EPDP was a document for the various employees within a ministry, one that linked individual performance to the business plan along with an annual written performance appraisal. The EPDP included an individual learning and development component that supported ongoing career management and succession planning. Probationary employees were also required to be part of the EPDP within 60 days of appointment.

A number of institutions were involved in ensuring that the objectives of the performance management programme were realised. Some of these institutions were

established under the Liberal government, but were strengthened to play a major role under the new Harris government. Under the new system, the Secretary of Cabinet assumed a significant leadership role in the OPS. For example, Rita Burak, the Secretary of Cabinet for the government developed the performance management programme for the SMG, and became the manager of the programme. The secretary set and communicated annual key corporate goals and performance measures for the OPS, and was also responsible for setting performance plans for deputy ministers, assessing their performance, and retaining performance documentation, reviewing and approving ministries' proposed performance ratings and proposed incentive awards for the senior managers.

There was also the Executive Development Committee (EDC) and the Centre for Leadership. The EDC was charged with monitoring and evaluating the effectiveness of the corporate performance management programme for the SMG to ensure that it was linked to business plans. The EDC also acted "as the human resource committee for the leadership group" (Waterfield 2003:31). The Centre for Leadership was established in 1995 under a deputy minister who reported directly to the Cabinet Secretary. The Centre's role was to ensure that the performance management programme fit the needs of the OPS and linked to other human resources management programmes. It developed policies and tools, and provided support and advice to ministries in the implementation of the human resource programme. At the end of each performance cycle, the centre received ministries' performance ratings for all senior managers, reviewed and analysed

from each of the ministries the performance ratings for all senior managers, and reported the findings to Cabinet (Waterfield 2003).

#### **6.8: Performance Management and Performance in Ontario:**

In this section, our interest is to examine the effect of the performance management programme on the public sector in terms of enhancing policy management, accountability, and effective and efficient delivery of public programmes. The intention is to demonstrate: whether the achievement of these objectives can reasonably be attributed to the performance management system, whether or not the system has been able to achieve its objectives: and if not, the factors that explain the problem. Two basic aims underlined the introduction of the business planning approach and subsequent performance management system in Ontario: (a) a government commitment to public accountability of ministries to their political masters, and (b) implementation of performance standards so that government and the public could judge how effectively ministries did their jobs. A number of areas seem to have been improved because of the business planning system and the PMS adopted by the government.

In terms of policy management and policy making, the results from public servants interviewed indicated some difficulty in pinpointing significant improvements. It is believed that while performance targets might have provided some direction in terms of policy formulation, there was no certainty as to the overall improvement, and most interviewees felt that the PMS did not make any real difference. This, according to one official, is because policy decisions are influenced by the exigencies of the day. He

noted, “Effective policy development is not necessarily underpinned by whether you have a good performance management system or not, but rather the exigencies of the day, the challenges of the day, the media, and what they are saying.” He believed that measures generated by government do not necessarily influence the policies that are made by the government. An official of the Centre for Leadership echoed this view when she said, “I do not think the performance management programme on its own necessarily enhances the policy capacity of government... I think it is a way of measuring what you have accomplished, but the policy capacity and how it is developed, and what is accomplished is something that has to be tackled as a discrete piece.” According to a former minister of the government, the inability of bureaucrats and others to clearly indicate whether there were any improvements in policy management stems from the fact that the government was more concerned with finding efficiencies (savings) in the fiscal areas than with the programme’s effect on policy management. The former minister was of the view that the bureaucracy was doing most of the things that the government expected. He did, however, note that policy coordination was very much enhanced when ministries began to work in clusters, and especially, when the annual compensation package was tied to the ministries as a whole instead of to individual bureaucrats.

Bureaucrats’ difficulty identifying policy improvement arises from the fact that government is selective with or cherry-picks information and targets areas that project its image positively to the public, at the expense of areas that may not be as favourable to the government’s electoral fortunes. In other words, governments select areas that are seen as major improvements within the economy to illustrate or justify certain policy



directions. In this case, they prey on the supposed ignorance of the public in terms of policy formulation, implementation, and outcomes to project an image they feel will solicit strong positive public opinions about the result of their policies and programmes.

In terms of financial accountability and prudence, the bedrock of the positive image of the Tory government, while it was generally agreed that government needs these types of programmes, there were very divergent views over whether the programme really had any impact on the public sector machinery as a whole. It is believed that the new system led to a situation where public servants were more accountable than during the previous regimes. "There is now a relationship between what one commits to do, what is achieved, and the kind of compensation and sanction for achieving or not achieving the set target of the ministry," noted one official. Another official conceded that "in terms of accountability, having a system like that makes the bureaucracy pay more attention to results, and it certainly generates savings in some areas." Another official also said that having performance targets allowed people to hold bureaucrats in the system accountable for their achievements of their purpose, or lack of them. Second, the issue of over spending, especially in the last quarter of the year in order for ministries to maintain their budgets for the following fiscal year, was curtailed, since managers were rewarded for finding savings for the government. There was a freeze on fourth quarter spending and ministries were made to justify spending to the MBS. This prevented ministries from being wasteful, and allowed government to focus its financial resources on its priorities.

#### **6. 9: Explaining the successes and difficulties of Performance Management System:**

There is no doubt that Ontario has been able to sustain its performance management system. Its sustainability as a mechanism for greater accountability has been quite overwhelming. According to one official, there have been various contrivances—that is, different accountability mechanisms—over the years in the public service: however, the 1996/97 programme was the most sustained. For example, the issue of public accountability has assumed greater dimension in government circles because of the need for governments not to fall into public deficit. This consciousness on the part of government has rekindled the efficient and effective use of resources and timely delivery of public services. The need to find efficiency has also led to the application of new public management tools and technology in government circles. The provision by public bureaucrats of numbers deriving from set targets has enabled the government to respond promptly and adequately to citizens' demands through their representatives. Yet there are a number of difficulties, which continue to serve as obstacles to achieving some of the objectives set out in the government programme. How, then, do we account for these successes and failure? What factors explain some of the difficulties that are hindering government's quest for public accountability and policy management?

In Ontario, performance management was seen as an on-going process to ensure accountability and to fulfil government policy priorities. In short, the programme was conceived of as a means to an end and not an end in itself. There has, therefore, been the continuous striving to improve upon the system. For instance, under the Tories, the

business plan with its composite performance management, originally began with annual plans, then moved to two-year rolling plans and, finally, to three-year plans. Under the current Liberal government, the system has evolved to a four-year outlook plan with result-based planning with government activities being reviewed, before the presentation of the government's annual budget.

One of the major factors explaining the sustenance of the Ontario programme is the political and administrative commitment given to it that emerged from the political system operating in the province. Indeed, the genesis of the whole performance management system emerged from the government's pledge to Ontarians of a system of accountability that would ensure that government did not waste tax dollars. In other words, this was an electoral pledge, one that had to be fulfilled, otherwise the Tories could suffer the consequences in the next general election. Fulfilling the pledge also meant a reward in the next election, since government would have built sufficient trust with the public, which was at an all-time low due to the previous NDP government's penchant for spending without significant levels of public accountability.

The acceptance of the programme by the top hierarchy of the bureaucracy also served as an additional incentive for enhancing some of the sustenance of the programme. The bureaucracy readily accepted the performance management programme because it was obvious that such a programme was needed, considering what had transpired under the NDP and its social contract policy in particular. Furthermore, the Tories allowed the bureaucracy to take ownership of the programme through a vigorous consultation process. Indeed, the programme was developed through much consultation between the

bureaucracy and the government. “We worked closely with the public service, you have to,” explained a former minister. Commenting on the influential role of top bureaucrats in developing and implementing the system, an official of the Centre for Leadership conceded, “[W]e have been fortunate in Ontario with three secretaries of cabinet since the programme begun. Rita Burak, Andromache Karakatsanis, and Tony Dean have all been committed not only to all the performance management programmes, but also to the human resources plan and all the other elements. That is how we have been able to sustain the programme.”

The Ontario bureaucracy has evolved over the years as a strong institution for implementing government policies. As a result, it understands its role as adviser to political authority and as a service delivery institution. Its professional competencies and capabilities cannot be questioned in any significant way, at least not as compared to the bureaucracy in many developing countries and more so to the bureaucracy in Ghana. The maturity and professionalism of the province’s public service allowed it to respond quickly to the needed political commitment. “We’ve a lot of good performers already. I served in five different ministries, had all kinds of folks working under me and I cannot remember once that I had a bad deputy minister,” says an ex-minister.

Similarly, the public quest to hold elected officials and bureaucrats accountable created a considerable incentive for the bureaucracy to perform. Thus, the assertiveness of the public and the private sector was an effective motivating factor for the bureaucracy and the political authority to ensure that a high level of accountability was achieved. As observed by one official, “people demanded more accountability, and this made the

public sector demonstrate that it was more accountable through such programmes.” People were generally impatient, frustrated, and angry with the system in place, especially under the NDP, and, hence, became hostile to government.

A major factor that greatly enhanced the performance management system in Ontario was the incentive package, or the pay-for-performance system that was introduced with the programme. It was acknowledged through the research that although bureaucrats performed their duties as expected, the institutionalisation of the incentive package for performance provided the impetus to go above the workplace norm. Indeed, the Tories insisted that it was essential to recognise the immense contribution of civil servants, as well as to attract young and brilliant people to the service. They believed that one means for achieving this objective was to link managers’ remuneration to a system that rewarded them for saving money and being efficient in meeting targets, and also adhering to the philosophy of not spending money in order for a ministry to maintain its annual allocation, as had been the case, says an interviewee.

Maintaining the province’s bond rating on the U. S. financial market served as an additional motivating factor for the programme’s sustenance. Throughout the Tory hegemony and the Liberal period, the province maintained a triple A standard on the bond market. This fact enhanced government ability to borrow money, which helped to vitalise the province’s economic growth. Under the NDP, the province began a gradual decline on the bond market ratings, which made it unattractive to money-lending institutions. According to one official,

[w]hat drove the province more than anything especially in the mid 80s was the rating agencies, the bank rating agencies in the U.S., where the maintenance of a triple A

credit was seen to be a sacred power and something that should never be let go of. That was the mantra of the Conservative government that lasted from 1942-85. Since then other governments that have come could not maintain that mantra, and their deficits increased substantially.

There is no doubt that the credit ratings significantly affected Ontario as the province had to pay millions of dollars in increased interest charges because of the deficit and its trade relationship with the United States.

Ontario's system was affected, however, by the institutionalisation of Crown Employee Collective Bargaining Agreements (CECBAs), which are agreements between the government as an employer and its employees (Rose 2001). The CECBAs contains provisions that specify conditions of services of employment including wages and other compensation and procedures to be used in resolving disputes between the two parties within the term of the agreements. In Ontario, the CECBA regime started in 1972 (Loreto 1997). Since 1995, it has become a battleground between government and labour, especially when the Tories decided to remove certain rights granted to labour by the NDP.

In terms of dealing with performance management, the challenge the CECBAs posed for the government was the quest to monetarily reward public servants who performed beyond the call of duty (*i.e.*, those who had innovative ideas on how to be efficient, rather than just reporting to work and applying sanctions). In this case, paying incentives--performance pay based on compensation to civil servants for work done--was considered outside what had been negotiated in the CECBAs. The government believed that it was wrong paying public servants based only on seniority and not on performance. To overcome this problem, the government attempted to institute measures

that would have allowed for the recognition of such extraordinary individuals in terms of their actions, but the proposals were rejected by the unions as unfair. Thus, whereas the government wanted to operate like a private business by rewarding innovative individual public servants, it found itself restricted by a collective bargaining agreement that did not support such a scheme. It is, therefore, not surprising that the pay for compensation was directed more to senior management at the corporate level.

Another challenge was the issue of job security, which was enshrined in the CECBAs. Under the NDP, labour gained a significant improvement in job security with the collective bargaining agreement. Rose (2001; 76) believed that “the 1992-3 collective agreement provided ironclad job security for permanent employees.” However, to the Tories, there was no such thing as job security in either the public or private sectors. The Tories believed in labour mobility, since employees “have only transferable skills” says an ex-minister. This view held that an employee with good skills at one job or at what he or she does best, could be transferred anywhere, be it from the public sector to the private sector or vice versa. Such an approach to or view of labour-management relations would have enabled the government to institute such measures as merit pay for workers. However, under the CECBA, this is not permitted. Indeed, the government’s quest to use the merit pay system (pay-for-performance) as a mechanism for rewarding good performers hit a snag in its final wage settlement with labour in 1999. Thus, the issue of job security served as a hindrance in the government’s quest to reward workers. With this, the only alternative left for the government was to circumvent the CECBAs, which would otherwise have caused serious legal issues with labour.

#### **6.10: Conclusion:**

The intention of the chapter was to discuss the reform issues in the water sector and in the Ontario Public Services (OPS) and the reforms undertaken by the Harris government to overcome the problems associated with them. The idea was to find out, which of the variables discussed in chapter two led to the adoption and implementation of the reforms, as well as the success or otherwise of the reforms in the province. The first section illustrated the circumstances that enabled the government to intervene in the water sector. It was realised that until 1995, government was compelled to accept the necessity of intervening in an area hitherto considered a private sphere by the repercussions of the problems that plagued the sector (Sproule-Jones et. al. forthcoming). Government believed that it had the responsibility to protect the well being of citizens and, therefore, decided to take an active role in the provision of water. The analysis clearly showed that government intervention may be essential in such important sectors as water because of the cost associated with any attempt to leave it in the hands of less financially endowed levels of government.

The discussion in the chapter indicates that in an attempt to implement neo-liberal reforms, the province was affected by a number of factors, such as the political system, ideology, the external environment, and the nature of state intervention in the economy. These important factors shaped the success or other wise of the reforms.

The political system provided the government with the needed legitimacy to embark upon its agenda of reform, which it had outlined in the run-up to the 1995 general elections. In short, the government was keen to implement the reforms as part of



fulfilling its electoral pledge. The legitimacy of the government also ensured that the bureaucracy readily accepted whatever programme the government brought to it for implementation. In short, the political system was an important catalyst for the adoption and implementation of the reform. The system provided the government with the tool to administer doses of neo-liberalism as part of its mandate.

The nature of economic intervention also played an important role in the adoption and implementation of the reforms. As discussed in chapter four, Ontario in the aftermath of the Second World War began to develop the liberal welfare state with strong state intervention in the economy. The development of the liberal welfare state culminated in the establishment of a number of state institutions that undertook development and service delivery. However, like the federal government, the welfare state in Ontario suffered from a number of problems. The public bureaucracy, in particular, was deemed to be bloated, ineffective, inefficient, and wasteful. In spite of these criticisms, government until 1995 continued to use the bureaucracy as a service delivery agency. Indeed, the continuous reliance on the state bureaucracy played directly into the hands of the new Conservative leaders, who continued to witness the dismantling of the bureaucracy in other parts of the Canadian federation and elsewhere in the developed world. Thus, one is not surprised that the Tories attempted to “shift the goal post” of development from state to private intervention because they considered the former a failed approach to development.

It must also be noted that the external environment also shaped Ontario’s reforms, particularly the bond ratings from the banks and the bond market in the United States. As

already discussed, since the end of the Second World War, the province had maintained a Triple A rating on the bond market, making it a credit worthy province. This credit-worthiness the province was in no mood to let go of. However, the recession the province faced, and its attendant deficit under the NDP, gradually eroded this Triple A status, making it unattractive to the banks and the bond market in terms of money lending.

The bond market recognised that Ontario had become bankrupt and needed to put its house in order. In this situation, the province's credit rating was jeopardised, and its ability to attract foreign investment and financial assistance for financing its development was put in a very precarious situation. The pressure that was brought on the province because of the fiscal calamity made the adoption and implementation of the neo-liberal policies inevitable. Thus, the province's deficit and indebtedness to the major banks allowed the international bond-rating agencies to make pronouncements that influenced the fiscal direction of Ontario. It is not surprising that the Tory platform that promised to perform radical surgery on the province's economy, as had been done in other developed countries became attractive both to business and to a large portion of the population, including the bureaucracy.

An important facet of the reforms in Ontario was the ideological inclination of the Tory party. Especially during their hegemonic period of governance, the party's view of the state and its role in development was more driven or shaped by social, economic, and political pragmatism than by blind adherence to conservative ideology. As illustrated in chapter four, the party believed in the efficacy of the state as an instrument for

development. Therefore, the idea of shifting economic development from the hands of the state to the private sector at the expense of the former never played a significant role in the province's development. Yet, from the early 1990s, the thinking of the new crop of Tory leaders was influenced by the ideology of conservative politicians across the developed world, especially from the United States and Great Britain and, within Canada from Alberta, all of whom had embarked upon reforming the state through the prevailing neo-liberal agenda.

Thus, when Harris and his team decided to treat Ontario as a bankrupt province, and to implement their agenda to resuscitate the economy, they were not introducing anything new, but only following a well-trodden policy path that had been laid by politicians from other jurisdictions who decried the influence and the role of the state in development. It is this ideological disposition that made the Tories declare that Ontarians were perhaps the most governed (in terms of government regulations) people in the world, and also allowed the government to implement its policies of alternative service delivery in the water sector without strict regulations on water treatment and reporting.

The government ideologically accepted the view of allowing the private sector, other levels of government, and community groups to row while it focused on steering. This sort of idea steered the government in its reforms in the water sector in particular. In answer to a question regarding the reforms in the sector and particularly of Bill 107, an ex-official of the government said, "Municipalities have shown they can deliver high quality water and sewage treatment services to their communities. After all, they now own about 75 percent of Ontario's treatment facilities. With the passage of Bill 107, they

would be the sole level of government holding title to water and sewage plants in Ontario.”

Another important ideological facet of the government was discerned in its abhorrence of the Weberian idea of career public service and, for that matter, job security in the public sector. In a conversation with an ex-minister on the issue of career public service and job security, he remarked, “...I guess my conclusion was, there is no such thing as job security in the public or private sector. The only things that you have are your transferable skills. So if you are good at one job or what you are doing, then you can take those skills to anywhere, whether it is from the public sector to the private sector or vice versa.” Thus, the ideological disposition, *i.e.*, the strong belief in neo-liberalism and, therefore, the one best way approach, also shaped the thinking of the government. In short, there was a powerful influence of ideology in the adoption of the reforms in the province.

The research, however, failed to establish any correlation between the policies of reform and culture as explained in chapter two. The bureaucratic environment in Ontario has been able to purge itself of idiosyncrasies that infringe on what is held to be the rational bureaucratic model: more so than in Ghana and other developing countries. Thus, over the years, and as described in chapter four, the province’s bureaucratic environment continually reformed itself by dispensing with elements that affected the functioning of the bureaucracy. Thus, the bureaucratic culture within the province’s administrative environment reflected in what Heady (1991: 244) has described as the “bureaucratic civic culture model,” in which the citizenry regards the bureaucracy as

performing in a service capacity and being properly subjected to firm political control, which continued to be the hallmark of public service delivery. In other words, the bureaucratic apparatus appeared to be in a position to undertake whatever reforms were indicated. This is not surprising since throughout its existence the province's bureaucracy has undergone a number of reforms to enhance its efficiency, effectiveness, and accountability to both political authorities and citizens in general. Thus, the OPS continue to be at the forefront of any reforms that have continued and had been initiated over the years by government.

## **Chapter Seven**

### **Analysing Issues Involved in Water Privatisation and Performance Management in Ghana**

#### **7:1: Introduction:**

As discussed in chapter two, the environment in which policies are implemented varies significantly between the developed and developing worlds, particularly in their cultural and social orientations, the external influences on the economy, the way government intervenes in the economy, especially in redistributive politics, and historical development. There is thus no assurance that policies that have worked in the developed world will do so in the developing ones. The aim of this chapter is to analyse the adoption and implementation of privatisation and performance management systems as instruments for administrative reforms in the urban water sector and in the Civil Service and State Owned Enterprises (SOEs) in Ghana in the 1990s. These reforms constitute the second generation of changes under the adjustment phase of the Ghana bellwether programme. The objective is to illustrate how the success of these reform policies has been constrained by the environment, particularly, the cultural environment, the structure of the economy, past development, and the influence of international organisations.

The discussion that follows emphasises the necessity to understand the local environment when adopting and implementing policies. Indeed, the analysis reveals that the attitude of public officials and the public towards the policies also affected the policy outcomes. Second, the significant involvement of external actors, particularly the World Bank and the IMF, discouraged any sense of domestic policy ownership, which would

have allowed policy makers and implementers to embark upon the policies with the necessary vigour and enthusiasm. Third, it may be said that peoples' perceptions of political leadership also affected the outcome of the policy undertaken. Thus, regime or political legitimacy is a vital component for policy adoption and implementation. Whereas the regime that initiated the reform was democratic in nature, a significant portion of the public perceived it as illegitimate because of the personalities in the government.

The chapter consists of two sections: section one begins by tracing the public's involvement in the water sector, the problems associated with it, and the quest to find solutions to these problems. In section two, efforts to reform the Civil Service and SOEs under the Economic Recovery Programme (ERP) II and subsequent reform initiatives to enhance the efficiency and effectiveness of their operations to improve performance are discussed. We must not lose sight of the fact that the attempt to introduce these reforms fell within the prevailing international wisdom about the efficacy of private, as against public management, as discussed in chapter one.

## **7:2: Public Sector Involvement in the Water Sector:**

Urban water supply in Ghana began in 1928 when the colonial government constructed the first pipe-borne water system at the colonial capital, Cape Coast. Further works were extended to other regional capitals, particularly Accra, Sekondi-Takoradi, and Kumasi, under the control of the water division of the Public Works Department. In 1948, the government set up the Department of Rural Water as an autonomous body with

responsibility for rural water supply, and in 1958, a Water Supply Division was established in the Ministry of Works and Housing, and it assumed responsibility for both rural and urban water supply.

In 1965, the Ghana Water and Sewage Corporation (GWSC) was created as a SOE with the responsibility to provide, distribute, and conserve the supply of water in Ghana for public, domestic, and industrial purposes as well as to establish, operate, and control sewage systems (GoG: *Act 360*). Achievement of these fundamental objectives rested on the assumption that the corporation would be able to charge sufficient tariffs and collect all the revenue due it, and also receive adequate funding from the central government. Like all other SOEs in Ghana during the period, the GWSC was supposed to operate as a corporate entity with the ability to ensure reasonable returns on its investments. Section 7 of *Act 360* states:

The Corporation shall cause its affairs to be managed in accordance with the practices observed in public utility enterprises and in particular shall cause its functions under this Act to be carried out so as to ensure that, taking one year with another, its revenues are equal to or greater than its outgoings.

The GWSC was expected to be financially sound by being able to fix water rates, sewage charges, and other fees necessary in order to make profit to support national development (Killick 1978). It was also empowered to raise loans and other credit facilities from public financial institutions, as well as from any other source, to enhance its operations. Through these activities, it was expected that the Corporation would be self-financed. Unfortunately, the conditions necessary to enhance the efficiency and effectiveness of the corporation were never achieved thus creating problems for the GWSC.



From 1966, the scope of the works of the GWSC expanded greatly in keeping with the government's quest to enhance water supply and provide access to proper sewage systems in all parts of the country. For instance, while the GWSC operated about 35 pipe-borne systems in 1957, by the early 1990s it was operating nearly 208 pipe-borne systems and over 1000 point sources. Despite the attempts to provide pipe-borne water to as many people as possible, water supply remained skewed towards urban centres. By 1992, urban water supply coverage was about 76%, whereas rural coverage was about 46%, thus leaving a significant portion of the population in both urban and rural areas without an adequate supply of drinking water (World Bank 2003).

### **7:3: Problems Affecting Water Supply in Ghana:**

Since 1966, the performance of the GWSC has been hampered by three major problems in the form of institutional, financial, and operational bottlenecks. The government has been trying to resolve these difficulties through a number of reforms.

#### **7. 3. 1: Institutional Problems:**

A number of institutional problems have affected and continue to affect the GWSC. They include political interference, institutional fragmentation, and the general attitude of Ghanaians in relation to water and other public services. For instance, although *Act 360* called for the establishment of the GWSC's own board to run its affairs, the corporation was nevertheless subjected to the powers of political authorities, particularly in terms of appointment, policy direction, increase tariffs, and the ability to

raise loans to finance its operations. With regard to appointments, *Act 360* entrusted the president of the country with the power to appoint or terminate any board member, with the exception of the managing director, if, in the opinion of the president, such appointment or termination was in the “interest of the Corporation”. Similarly, the appointment and termination of the managing director was based on the terms and conditions determined by the president.

Second, the Corporation’s ability to raise loans as well as tariffs commensurate with the delivery of services was subjected to approval by the Minister for Finance. *Act 310*, section 8 (1) stated: “[T]he corporation may obtain loans and other credit facilities on the guarantee of the government from the National Investment Bank or from such other Bank as the Minister responsible for finance may approve.” Likewise, policy directions and works carried on by the Corporation were also subjected to the whims and caprices of the Minister for Works and Housing. The delays in ministerial approval of tariffs and policy direction, as well as the political sensitivity of increases in water rates resulted in the government holding down new water rates that would have enabled the GWSC to raise sufficient funds for the delivery of services. Indeed, political interference had a major effect on the performance of the corporation in later years (Halcrow 1995).

Generally, SOEs have suffered and continue to suffer from such political interference in setting correct prices and fees. It was unacceptable to the political authorities to permit SOEs to charge appropriately increased fees due to perceived political ramifications that would have resulted from such charges. Thus, “before the Public Utilities Regulatory Commission was established as an independent body in 1996,

tariffs set by utility companies were subject to approval by government. This led to a situation where, due to political considerations, consumer interest led to lower tariffs being approved. This had an adverse impact on the utilities” (GoG 1998:45).

In addition to these problems, the Corporation was also highly centralised and overstaffed with an unskilled work force, which affected its management and operations. Furthermore, the water sector was characterised by fragmented institutions operating on a more horizontal level, involving a wide range of sectors, including finance, planning, designing, construction, operations, sales, and regulation. In this regard, responsibility for aspects of the water sector is divided with the Ministry of Finance being responsible for sourcing development funds, while the Ministry of Works and Housing has responsibility for sector policy, and the GWSC responsible for operations. This institutional fragmentation led to conflicts between the two ministries, particularly with regards to the release of funds and policy implementation.

What is more, Ghanaians’ attitude to water also affected the sector. In Ghana, water is considered a gift from God, of which no one should be deprived (GoG 1997:169-173). As a result, Ghanaians expect the state to provide water at an affordable and subsidised rate since it is considered a source of life. Essentially, water is seen as a social, rather than an economic good.<sup>26</sup> This kind of thinking is reflected in services provided by the state. It was not until the adoption of the SAP that a change in attitude and thought surrounding the provision of public goods began to emerge. During this period, it became clear that government alone could not provide appropriate services until

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<sup>26</sup> Governments also took advantage of this attitude for political benefit.

measures to recover costs were implemented. Hence, in the health and education sectors, for example, government introduced user fees to enable the sectors to increase their financial status and performance to their optimal levels.

With the adoption of the market principle, the notion of water being a social commodity was altered to include an economic dimension and the need to place an economic premium on its delivery. The government conceded:

In pricing potable water, account has not been fully taken of the cost of raw water and also the cost after value has been added by abstraction/damming, treatment, transmission, and distribution... Water is an economic resource, in addition to its social value, and it must, therefore, be allocated in such a way that the benefits would be optimised (GoG 2001:8).

Cost recovery, therefore, became necessary after government subsidies were withdrawn as part of the International Financial Institutions' funding condition. Cost recovery was essential because "water [is] increasingly becoming a scarce commodity and the notion of water being regarded as a free gift of nature and therefore a free commodity no longer holds" (GoG 1998: 55). In this view, the notion of super abundance and infinite resource thinking was to be discarded. "Ghanaians need to be made aware that water is no longer a 'free good.' It is a finite resource with supply constraints; it has a scarcity value, and there is a cost to using it" (GoG 2001: 8). This notion of economic pricing also reflected the views of the international community (United Nations 1992).

### **7. 3. 2: Financial Difficulties:**

Financially, the water sector, and particularly the GWSC, was hampered by the difficulty of obtaining sufficient resources from tariffs, while government subsidies,

which formed the bulk of the corporation's finances, fell below expectations. There was the perception that tariff increases would result in a public backlash against the government. Government was, therefore, reluctant to approve adequate tariffs or provide sufficient subsidies that could sustain the corporation. Furthermore, most public institutions failed to pay their water bills. The political sensitivity of increased tariffs related to the impact such increases would have on individual household budgets.

Indeed, the impact of privatisation and private sector profitability on the overall individual household budget led to the fear that most of these households could end up drinking unsafe water, with its attendant effects, and this has been the cause of opposition to the idea of private sector participation (PSP) in the production and delivery of water. It is believed that the full cost recovery measures implemented in the health and education sectors have had a significant impact on the poor. Therefore, any attempt to do likewise in the water sector would also have a major impact on their lives. However, it must be understood that domestic consumption of water accounts for only about 40% of GWSC's sales, while 30% went to each of industry and the public sector. There was no reason identified that water consumption by industry should have been subsidised or that the government should not have paid the full costs of consumption by public institutions.

Thus, a major problem of the GWSC was inadequate funding partly due to failures in cost-recovery and pricing. According to the government, "no utility can deliver water well under such conditions. Nor can the water utilities and governmental sponsors bear the increasing capital and maintenance costs of catering for the projected growth of water requirements" (GoG 1998:60). What compounded the financial

quandary of the GWSC in the 1980s was the withdrawal of central government subsidy, which had served as a source of operational revenue for the Corporation, ranging from 34% to 67% of the corporation's expenditure requirements (Halcrow 1995).

### **7. 3. 3: Operational Bottlenecks:**

While the financial and institutional predicaments of the corporation affected its operations, there was also a drastic decline in the level of water supply between 1970 and 1990. The GWSC was unable to undertake the needed investment, which affected its operations, including billing and collection systems, resulting in a deteriorating infrastructure and the inability to meet growing demands on the water supply. Hence, no major expansion of the water supply systems was undertaken that would have permitted the corporation to provide the desired levels of operation and maintenance. This has resulted in many of the people ostensibly served by the Corporation relying on water vendors, at high cost. In 2003, for example, water vendors were selling water for between ₵500 and ₵1000 per bucket instead of the approved rate of ₵80 (Esuon 2004).<sup>27</sup> The Corporation also could not account for over 50% of its water supply. For example, in the Accra-Tema Metropolitan Area (ATMA), the largest of the areas serviced by the GWSC, the Corporation produced about 84,000,000 gallons of water a day. Over half of this amount could not be accounted for because of leakage and illegal tapping from the main supply lines. Most of the urban supply systems, as well as a large number of the rural systems, completely broke down, with the rest operating below the designed

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<sup>27</sup> Currently, the exchange rate is about ₵9000 (cedis) to \$1 (US) or ₵8000 to \$1 (CDN).

capacity levels. By 1994, nearly 30% of the Corporation's 207 systems were not operational; most had not been working for periods of a year or longer due to inadequate maintenance of the installation and the general economic situation in the country, which led to losses of revenue and customers, increased cost of imported materials, and labour bills (Halcrow 1995).

#### **7:4: Earlier Attempts at Reforming Water Supply:**

The difficulties enumerated above subsequently led to the initiation and implementation of a number of reforms with support from local and foreign agencies.<sup>28</sup> These reforms focused on decentralising of decision-making and the devolution of power to the regions in the 1970s, the strengthening of management at the top regional levels in 1985, retrenching of unskilled staff and recruiting of skilled staff, external and internal training programmes, and the strengthening of the financial, commercial, and operational management of the sector. In 1987, for instance, under a five-year development plan for the sector, \$US 125 million was extended to the government by the World Bank and other donors to rehabilitate, renew, and expand the water supply systems to meet demand across the country.

Between 1990 and 1994, the government, with support from the World Bank, the UK Department of Foreign International Development (DFID), the OECF, the Canadian International Development Agency (CIDA) and Austria, embarked upon a major Water Sector Rehabilitation Project in almost all the urban centres with the intention of

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<sup>28</sup> See the budget statements for 1996, 1998, and 1999.

addressing areas of inefficiencies, including institutional and management capability, as well as operational and maintenance efficiency (WSRS 2002). This financial support was geared towards the expansion and upgrading of existing networks. Other areas that attracted attention included the provision of technical assistance for strengthening the managerial capabilities of the GWSC through the attachment of five expatriate experts to key managerial positions, and improvement of operational and financial skills through training exchange programmes with some institutions abroad. Despite these attempts, little progress was made in terms of water supply increases. Access to pipe-borne water continued to be limited, even in major urban areas (Mensah 1999; PURC 2001).

The *Halcrow Report* (1995) identified a number of factors that affected the success of initial reforms. These factors included the continuous use of seniority and length of service rather than merit in staff promotion, the inability of government to appoint managing directors and other senior positions, the absence of corporate planning, the inability of the GWSC to be commercially oriented, unrealistic tariffs, and the delay in releasing government funds, which affected the cash flow of the corporation. Furthermore, the transfer of the Design Office function of the corporation to the Architectural and Engineering Services Corporation led to the alienation of GWSC Civil Engineers. In addition, the report noted that the inability of the corporation to recruit and retain high calibre staff due to poor conditions of service, the absence of job descriptions for most staff, and the lack of individual work plans seriously hampered the corporation's work. Finally, limits of authority placed on staff in the engineering services, finance and administration sections had a negative effect on the operations of the GWSC. The report



also noted that despite a great deal of capital and institutional investment, the GWSC was not performing well. Its financial performance had failed to match expectations in all aspects, while the organisational structure and management practices were not up to modern standards. Yet, despite these difficulties, there were obvious ways in which internal improvements were possible in an appropriate management context.

In all, the Halcrow Report, while recognising the generic problems of the GWSC, the political reluctance to approve tariff increases, and the unwillingness to pay subsidies by the government, also raised serious concerns about the internal workings of the Corporation. The World Bank also blamed the problems of the corporation on public management. It observed that “...the results of over 25 years of public sector management have been disappointing and the urban water sector remains in a poor condition with the trend in service and sustainability currently worsening” (World Bank 2004:7).

#### **7:5: The Move towards Private Sector Participation (PSP) in the Water Sector:**

The failure of previous reforms to appreciably alter the inefficient and ineffective operations of the GWSC and the pressure from Ghana’s developmental partners (the World Bank, the IMF, and other donors) who had threatened to withhold further financial assistance for the sector led the government to seek new ways to restructure the sector and, at the same time, to satisfy the demands of the developmental partners. In 1995 the government, with assistance from development partners, resolved to reform the water sector. The need for reforms and the introduction of private participation into the sector

fell in line with national policy objectives, where the government had undertaken major steps towards the liberalisation of the economy. A key objective of policy reforms was to explore the viability of private sector management and delivery of water so as to attract needed private sector capital for the expansion and rehabilitation of water networks.

To this end, and with assistance from the World Bank, the government commissioned Halcrow and Partners Limited, a UK based consultancy firm, to assess the water situation and recommend measures that could be taken to enhance the efficient and effective management of the water supply systems through PSP. The study focused on “the need to rationalise the water sector within Ghana in order to promote and improve the delivery of water services in terms of effectiveness, of efficiency, and of economy” (Halcrow 1995:1). In addition to this objective, the Ghana government and the developmental partners developed four perceived strategic objectives, which were included in the Terms of Reference (TOR). These were:

- To improve efficiency in production and distribution through improved O&M, cost-effectiveness and pricing (strategy and structure) guided by commercial principles
- To expand the supply of safe water in urban areas
- To ensure that poor households have access to water
- To ensure sustainability through cost recovery and improved sector management

From the above objectives, it could be inferred that the focus of the reform was to change the perception of the value of water from social to economic, as advocated at the international level (UN 1992). The *Halcrow Report* (1995:2) noted that “the essential factors underpinning each of the listed options in the TOR are those providing value for

money in satisfying the market demands and the optimum utilisation of resources.” The

consultant was asked to examine a number of restructuring options, including:

- Converting the GWSC into one public limited liability company (PLC) with substantial decentralisation and private sector participation (PSP) in selected key functional activities.
- A joint Venture between the GWSC and an external company (or multiple companies) in a new operating company.
- The GWSC produces and sells bulk for private sector distribution.
- Lease arrangement(s).
- Spin off (make into legal entity) ATMA and the largest urban centres and commercialise the remaining regions in a down-sized GWSC.

However, the consultant went beyond these mandated options by including three additional ones including:

- Engaging an international operator to assist in the interim management of all GWSC’s regions with a view to an early transfer of the profitable urban centres to a long-term concession, and a refocusing of objectives of the remaining GWSC regions to facilitate their longer-term transfer to a concession.
- Retaining the GWSC as an existing entity and engaging an operator to undertake the GWSC’s revenue collection and customer services activities.
- Engaging an international operator to assist in the interim management of all of the GWSC’s regions with a view to forming a joint venture between the GWSC and an external company (or multiple companies in a new operating company).

Unfortunately, the restructuring options provided did not include the options of public management of the system and delivery of water. The basic idea was thus to change the existing property right system. The failure to consider the public ownership option has been the cause of disagreement between proponents and opponents of privatisation of urban water supply in Ghana. This opposition, led by the National Coalition Against Privatisation of Water in Ghana (NCAP), with its principal actors

being the Integrated Social Development Centre (ISODEC) and the Trade Union Congress (TUC), argued that privatisation of water is the result of deliberately narrow reform options, inasmuch as they excluded all options based on reforming the public institutions.

This failure to recommend public ownership and delivery is in line with the thinking of the Bretton Wood Institutions that the public sector is an inefficient and ineffective instrument to manage the economy in the developing world. To them, it is necessary to provide the private sector with more room to operate in the economies of the developing countries. The World Bank, for instance, lamented in a 1995 publication, *Bureaucrats in Business* that the bureaucracy was still in the service delivery business in many developing countries despite the privatisation efforts they had helped those countries embarked upon.

The government believed that PSP would lead to efficiency improvement and cost effectiveness in the provision of water supply through improved management and the attraction of private sector entrepreneurial skills and culture into a state agency that had been hindered by managerial inefficiencies. It also had in mind that public management accountability, which had only focused on maintaining and preserving the agency's established status quo, as opposed to the delivery of quality service at the minimal price, would also be changed. The maintenance of the status quo made it difficult for a new public management culture to emerge, particularly with respect to the corporation. This radically affected the general corporate image of the GWSC, described by a customer as a "monolithic, bureaucratic corporation unresponsive to the views of the public or the

needs of its customers” (Halcrow 1995:48). This image, in turn, affected the attractiveness of the GWSC as an investment enterprise.

The government also believed that PSP would provide a strong leverage for instituting the correct pricing policies and, it was hoped, an improved management regime would lead to an increase in efficiency as well as donor confidence, which would lead to increased donor funding for the sector. In addition, it was anticipated that private sector involvement would serve as an important catalyst to encourage competition, improve operating efficiency, and achieve financial viability, and, thereby, enhance institutional viability. Through this approach, the government hoped to achieve urban water supply coverage of 85% within the following 10 years, as compared to the existing coverage of about 60%.

Many, however, have concluded that the involvement of the foreign private sector in the delivery of water is not the solution to the problems faced by the GWSC. Some officials of the GWSC are of the view that the current restructuring of the sector will not be a solution to the problems affecting the sector if the debilitating forces, such as political interference and the pricing of water, continue unchecked. In addition, the administrative design of the system, and in particular the mode of payment, does not take into consideration a greater number of consumers or the appropriate billing methods.

According to one official:

The system, as it exists, has been designed in a way that consumers pay water bills at the end of each month on the assumption that the majority of Ghanaians earn monthly wages. However, in Ghana, over 70% of the population work in the informal sector and do not earn weekly or monthly income. These groups of people earn money on a daily basis and, therefore, find it difficult to pay accumulated bills. For this reason, any

system that does not take into consideration the 70% of people who form the bulk of the country's population is bound to achieve little success.

The NCAP has also debunked what it considers the “myth about efficiency and technological supremacy of the foreign company” (Abugre et al. 2003). The *Halcrow Report* also expressed similar sentiments. However, to Halcrow, the privatisation approach was far better than the prevailing public sector approach, despite the difficulties associated with it. Halcrow assumed that the private sector would change the ethos of public sector management, and introduce a new corporate culture that would improve performance in the sector (Halcrow 1995). As a result of this belief, the consultant recommended the adoption of the lease arrangement as the optimal option for restructuring the urban water system.

The consultant's report was presented at a workshop, organised by the government, with participation by stakeholders in the water sector, to brainstorm on its content and on the future of urban water supply sector in Ghana. The participants accepted the consultant's recommendation, and agreed that the best means for accelerating water supply coverage was to involve the private sector in service delivery through leasing of existing assets. Unfortunately, participation in the stakeholders' workshop was restricted to organisations and individuals who supported the PSP idea (Ohemeng 2005). Groups opposed to it were not invited, primarily because the World Bank and the IMF have perceived them as left-wing entities who still believe in the efficacy of the state as an instrument for development.

To ensure the implementation of the recommendation, the government set up an Advisory Committee, with members from the MWH, the Ministry of Finance, the

GWSC, Domestic and Industrial Consumer Associations, and the Public Utilities Workers Union of the TUC. The Advisory Committee was responsible for the implementation of the government's decision. It was, at the same time, to coordinate the various views and studies for the development of the most appropriate strategies for implementing the recommendation. In essence, the Advisory Committee was charged with coordinating views on investment options and all other matters related to the task. In addition, it was to advise the Minister of Works and Housing on a consistent programme of restructuring the water sector to promote and improve the delivery of water services in terms of effectiveness, efficiency, and economy. To facilitate the work of the Advisory Committee, the government, with assistance from the World Bank, set up a full time Water Sector Restructuring Secretariat (WSRS), consisting of a Coordinator (Director), a financial analyst, a water engineer, and a private secretary to manage the project on a day-to-day basis. In 2001, a two-member communication team was added to the secretariat to be responsible for a Public Awareness Programme.

#### **7. 6: In Pursuit of Private Sector Participation in the Water Sector:**

By late 1996, the idea of involving the private sector in urban water supply had been accepted by government, and took a number of steps to implement it. The most important of these were the examination of the functions of the GWSC and the establishment of new institutions to undertake some of them. Under the terms of *Act 360*, the GWSC performed three main functions: (a) regulatory (the determination of rates, charges or fees and quality of service); (b) system provision, such as investments in

development of new plants and expansion of existing ones (engineering surveys and plans); and (c) service provision, comprising the operation and maintenance of the installed systems and customer service. To implement PSP, the government decided to unbundle these three functions to allow the GWSC to concentrate on service provision, and let other institutions and the private sector involve themselves in areas where their expertise and finances would be more appropriate.

To tackle the regulatory functions, the government established a new regulatory institution, and strengthened a number of existing ones to cover the sector. This was done in three ways: (1) the establishment of the Water Resource Commission (WRC) with the responsibility to oversee the management and use of the nation's water resource (WRCA 1996); (2) established the PURC with the responsibility of regulating the pricing and operations of utility companies (PURCA 1997); and (3) devolving more powers to the Ghana Standard Board and strengthening it to enable it to develop drinking water standards. In 1996, the government set up the Environmental Protection Agency (EPA), with adequate regulatory and enforcement powers regarding water supply operation and pollution by water works (water treatment plant wastes), and to set guidelines for water quality standards (EPPA 1996). With the separation of the three major functions performed by the GWSC, the government moved to the second phase of the reform exercise.

The second phase of the exercise dealt with the commissioning in 1997 of Louis Berger S. A., a French-based consultant firm to develop a Business Framework on the lease option. In developing the Business Framework, Louis Berger examined three



alternative strategies: (i) a Classical Lease Contract with minimal private capital expenditure; (ii) an Enhanced Lease Contract with additional private capital expenditure; and (iii) a Concession Contract. In a discussion with the WSRS and the Advisory Committee, the Enhanced Lease Contract was selected as that most closely matching the objectives of urban water sector, and this was used as the basis for the development of the business framework. This option was found to be acceptable because of some advantages it had over the other strategies. These advantages were identified as (a) permitting as much private capital funding in the sector as possible; (b) permitting a sufficient level of interest and competition among potential private bidders; (c) allowing for shorter term contracts than a concession; (d) permitting a more gradual transition to PSP than a concession, with some flexibility for adapting the approach in accordance with experience gained.

In late 1998, the business framework report was presented to the government. It called for the separation of rural water delivery from that of urban water, and the division of the country into two Business Units for two different operators. The report also recommended the decentralisation of sewage system management to local authorities (without due consideration as to whether these local bodies have the capacity to undertake such ventures) (Louis Berger 1998).

In late 1998, the government established the Community Water and Sanitation Agency (CWSA) to facilitate the provision of safe water and related sanitation to rural communities (CWSAA 1998). The separation of rural water from urban water allowed the GWSC to concentrate on the provision of water for the urban centres. However,

according to Halcrow (1995:7), “the removal of the CWSD does not in itself solve GWSC’s intrinsic problems of cash shortage, financial insolvency, insufficient capital to maintain assets resulting in their accelerating deterioration, lack of funds for development of potentially profitable extensions to the existing systems (particularly in Accra and Tema), adverse exchange rate, and the increasing burden of debt servicing.” The separation of the CWSA from GWSC was, however, considered necessary, as the private sector was not interested in ventures it believed would not ensure returns on its investment.

On July 1 1999, the GWSC was converted into a limited liability company, called Ghana Water Company Limited (GWCL), under *Act 461* and in compliance with the Statutory Corporations (Conversions to Companies-Schedule Amendment) Instrument of 1998 (LI 1648). The GWSC was not mentioned as one of the Statutory Corporations to be converted into a liability company under the *Statutory Corporation (Conversion to Companies) Act of 1993, Act 461*, although to satisfy the demands of IFIs in the water sector, the government relied on this law to change the status of the Corporation. The Louis Berger Report (1998), however, notes that the government had to rely on this law to alter the status of the GWSC because at the time the law was passed, government had not taken any decision on the introduction of PSP into the water sector, which explains why the GWSC was not mentioned as one of the SOEs to be converted.

This explanation is difficult to accept, since the government is vested with powers to change the laws of the country should the need arise. The inability of the government to change *Act 461* indicates its unease at the prospect of subjecting this important sector

to the economic imperatives of market forces and profit-minded private sector. It also indicates the influence of the IFIs in policy making in Ghana. It is, therefore, not surprising that in the haste to succumb to the demands of the IFIs, the law altering the status of the GWSC was passed via Legislative Instrument in a very expeditious manner. With the conversion and the establishment of the CWSA, the GWCL's operation was limited to only the urban centres. The number of water services under the GWSC thus went from 208 to about 108.

The change of the GWSC from a public statutory corporation to a limited liability company also meant a change in the objectives stated in *Act 310*. The GWCL, under *Act 461*, is expected to:

- Plan and develop water supply systems in all urban communities in the country;
- Provide and maintain acceptable levels of service to consumers in respect of quantity and quality of water supplied;
- Prepare long-term plans in consultation with the appropriate coordinating authority established by the President;
- Conduct research relative to water and related subjects;
- Undertake engineering surveys and plans;
- Construct and operate works in the urban areas;
- Submit tariff proposals to the PURC for review and final approval; and
- Conduct other related or incidental activities.

#### **7. 7: Moving the Private Sector Participation in the Sector Forward:**

In undertaking the Enhanced Lease Strategy, the Louis Berger report recommended the division of the country into two business units, named A and B, for

purposes of procurement. The business units were developed based upon financial viability, geographical contiguity, technical and organisational coherence, equivalence of units (particularly in terms of turnover), and the introduction of some level of competition by obtaining the services of two operators.<sup>29</sup> According to the Director of the WSRS, all of the 96 urban water supply systems were included in the packaging, to avoid what he termed 'cherry picking,' such as would have led to the more viable systems being leased and the others left out. This was also undertaken to ensure cross-subsidy within the internal structure of the lease package so as to avoid the situation where the most viable system (particularly the ATMA, which accounts for 60% of the revenue of the GWCL) could be grouped with other, equally viable, systems, like those in Kumasi, Sekondi-Takoradi, and Cape Coast. Weak systems, such those in the three Northern Regions (Northern, Upper East, and West), were also grouped into one system.

There is difficulty in accepting the explanation provided by the government for the development of the business units, especially that of geographical contiguity. If geographical proximity had been paramount in determining the units, then the best method should have been the division of the country into Northern and Southern Zones, with the Northern Zone comprising the Ashanti, Brong Ahafo, Northern, Upper East, and West regions, and the South comprising the Greater Accra, Volta, Eastern, Central, and Western regions. The division was based more upon the financial viability of the areas and the ability to attract foreign private investors to areas considered less profitable. It is not surprising that the largest urban water supply system, the ATMA, was grouped with

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<sup>29</sup> See Appendix D for the description of the two business units.

small and “unprofitable” systems found in the Northern, Upper East, and West regions. By grouping the ATMA and these regions into one unit, the government was providing an incentive to the investor as a counterbalance to whatever cost it may incur in the three regions. The *Halcrow Report* (1995) noted:

In the current global climate of opportunities for private sector participation in water utilities, operators are in a position to be selective. However, given appropriate returns and with suitable packing and marketing, it should be possible to make the opportunity for private sector participation sufficiently attractive to interest prospective international operators.

Under the lease system, there were different years adopted for each unit. While Business Unit A (Greater Accra, Volta, Northern, Upper East, and Upper West Regions) was supposed to be leased for 30 years, Business Unit B (Ashanti, Brong Ahafo, Eastern, Central, and Western Regions) was then leased for 10 years. However, in the course of discussions, the government, in response to a proposal by Azurix, included a Build Own Operate and Transfer (BOOT) scheme for the ATMA system for 30 years, even though the BOOT scheme was not part of the Enhanced Lease Strategy developed in the Business Framework. The BOOT scheme was later dropped in view of the difficulties that the scheme would have caused on the lease and tariff increases, and the fact that Azurix later went bankrupt.

In 1999, bids were invited from both local and foreign companies interested in participating in the delivery of water for the two business units after a pre-qualification exercise had been carried out to obtain eligible bidders. The criteria for pre-qualification included: general experience in successfully managing and operating a water supply of similar scope for at least 10 years; suitably qualified personnel to fill key positions;

financial capability to meet the operating and development cash flow; and not having been frequently involved in litigation. In all, eight foreign-based companies were selected to submit bids for both units, with Northumberlandian (British), Vivendi (French), and SAUR (French) bidding for unit A while Bi-water (British), Nuon (Dutch), General Des' Eaux (French), Suez Lyonnaise (French), and Skanska (Swedish) bid for unit B.

However, due to opposition to the programme by some civil society groups and the difficulty associated with the issue of workers' retrenchment, the final selection of the companies to operate the business units could not be determined before the general election in 2000. Because of the change of government and the delay in implementing the lease system, the WSRS decided to review the pre-qualification of bids carried out in 1998 and 2000. The delay in the implementation of the reform has also been attributed to lobbying by the workers of the GWCL. While the company says it is not opposed to PSP in principle, it did object to the form of contracts under consideration. The GWSC wished to pursue more private funding for resource management, but to retain more of a role for public operators in distribution. However, many involved with the reform opposed this option, as concerns over the GWCL's efficiency had been the primary catalyst for reforms in the first place. In 2002, all the pre-qualified firms updated their information on their bids, while Rand Water of South Africa submitted a new application.<sup>30</sup>

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<sup>30</sup> The British Company Biwater has pulled out of the PSP in Ghana. See "Biwater Pulls out of Urban Water Project", A Joy FM news report at [www.myjoyonline.com](http://www.myjoyonline.com) (Accessed on 22/03/05).

### **7. 8: From Enhanced Lease System to Management Contract:**

In 2001, a change in government took place. The new government, however, has not abandoned the previous government's policy, in spite of its resistance to the idea when in opposition (Dapaah 1999). Indeed, the policy continuity follows the government's pledge to Ghanaians in the run-up to the 2000 general election to continue those of the previous government's policies and projects it considered 'good' for Ghanaians. However, under the World Bank mandated Poverty Reduction Strategy, the project has now been renamed the Urban Water Project. Consequently, the government has changed the enhanced lease strategy to a management contract,<sup>31</sup> with a private operator to operate and manage the urban water systems for a period of five years, has designed a PSP intervention that emphasises input from potential bidders and stakeholders, and will use the PSP contract to help meet the limited, but priority, objectives to extend the distribution network to low income households and restoring financial stability to the GWCL (World Bank 2004: 5).

Whereas the lease strategy was intended to allow private companies to lease, operate, and maintain assets of the GWCL for a fixed period of time, and with the public sector retaining the responsibility for financing any investment in fixed assets, the management contract is intended to allow the government to contract out the operation and maintenance of water delivery to a private consortium without the consortium financing the assets. Thus, under the management contract, the public is expected to

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<sup>31</sup> Under the Management Contract, the systems classified as urban water systems have also been reduced from 109 to 80. No explanation has been given by the Government of Ghana or the World Bank on this reduction. See Appendix E for the new list.

finance both the fixed assets and working capital, and the private sector to manage the system for a contract fee. Opponents of the PSP believe that the change is the handiwork of IFIs and a result of the stranglehold they have over the Ghanaian Government. On the other hand, officials of the WSRS have stressed that the change has been necessitated by events both in Ghana and on the international scene, which have led to an increased risk for private investment in the water sector.<sup>32</sup>

The change from lease arrangement to management contract was also precipitated by the volatility of the international financial market, which has made investment in the sector very difficult to undertake. The government believed that in 1995, the international financial market was in much better shape than in 2004, when the decision to switch to a management contract was taken. As of 2004, the financial market had much less investment money available. There are also the large losses experienced by private operators in countries like Argentina, Brazil, and the Philippines, and the fact that the water sector needs more than US \$50 million from such private sources to fund the urban water project, which made it quite difficult to attract private companies on leasing bases (World Bank 2004). Thus, to the government, the change from lease arrangement to management contract has been necessitated by the fact that

[t]he investments expected under a lease from the operators would not be forthcoming. The situation, nonetheless, did not give cause to abandon the whole PSP programme since the objectives set for it are still relevant. It was in the light of the forgoing that the GoG, on the advice of the country's development partners, including the World Bank,

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<sup>32</sup> However, in a recent report in the *Weekend Agenda Newspaper*, Enimil Ashong, the Communication Director of the WSRS, admitted that the change was due to the government's realisation that the Lease System was flawed, and that is why the government has now adopted the Management Contract. *Weekend Agenda*, "Attempts to dribble Ghanaians into accepting water privatisation," Monday 20 September 2004, [www.ghanaweb.com](http://www.ghanaweb.com) (Accessed 10 August 2005)



opted for a Management Contract with a private operator as an interim measure followed, if the government of Ghana so wishes, by lease of affermage (Internal Memo)

With the management contract, the World Bank has extended an amount of \$103 million for the project (World Bank 2004)<sup>33</sup>. The new project is to be implemented in phases lasting five years, with the first phase, involving an amount of \$15 million expected to start at the end of 2005.<sup>34</sup> This phase is earmarked for the replacement and extension of pipes to enable water to reach an estimated 250,000 more people and to connect water to 25,000 additional houses. It is estimated that at the end of the project, there will be an installation of 350 stand-pipes in areas without house connections. The government believes that once this is done, Ghanaians will be experiencing the benefits of uninterrupted and regular flow of water by the end of 2005, while at the same time reducing the need for many Ghanaians to rely on water vendors who have been charging unapproved rates. The NCAP has challenged this view. They believe that the private operator will ask the PURC to charge for water in a way that will ensure profit on their investment. Whether the management contract will succeed also depends on the socio-economic and political environment in the country. Furthermore, the idea of two business units has been discarded under the new management contract proposal.

#### **7. 9: Performance Management as Part of the New Reform Programme:**

As mentioned in chapter five, the issue of public sector performance management took on more significant dimensions with the implementation of the CSPIP. Under the

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<sup>33</sup> On January 6, 2005, the Government of Ghana and the World Bank signed an agreement that converted the loan money into a grant, which means that Ghana is not required to pay back the money to the Bank.

<sup>34</sup> The project has yet to take off. The management contract was signed with two foreign companies in the third week of November 2005 and they were expected to begin operations in January 2006.

CSPIP, a performance management system (PMS) “involves the use of the appropriate combination of operating rules (targets) and enforcement rules (sanctions and rewards) by standards setting and enforcement officers (SSEO) to elicit the desired behaviour from an accountability officer (AO) for the attainment of set goals” (GoG: 2002: 3). The introduction of a PMS was necessitated by the fact that managers were not recognised as powerful agents of change, as they are usually expected to be in an organisation or institution. The system under which these managers operated had totally emasculated them without the authority to carry through significant changes and achieve results. In short, managers of public sector institutions did not have the power to manage their own assets freely and to dispose of allocated budgeted resources. Assets, authorities, staff, and resources were doled out to these managers on terms they could not influence, and in a way that made them unmanageable by and unresponsive to the managers, by a system of central allocation and control that was not really under any explicit direction. The PMS was also intended to move the service away from the traditional style of management and encourage them to take more initiatives and develop new decision-making and managerial skills.

Under the system, ministries and agencies, as well as SOEs, were to be brought under a self-imposed discipline by which they were to commit or contract themselves to deliver certain results with measurable efficiency. If they could or would not do so, they would receive no resources. By making their own performances measurable, they would in turn make it possible to measure the performance of their staff and, thus, enhance overall organisational performance.

#### **7.10: The Performance Management Framework in Public Sector Institutions:**

The performance management framework for the Civil Service is structured around strategic planning at the ministerial level. The system is designed to enhance organisational and individual performance in meeting set goals and targets in furtherance of broad national development agenda. It is categorised into institutional and individual levels, and is centrally coordinated by the Office of the Head of the Civil Service, which has the overall responsibility for the service. This division was necessitated by the fact that the ultimate responsibility for effective management and performance improvement rested with the civil service institutions and the individual public servants within the organisations.

At the institutional level, the focus is on operational issues. In other words, the idea is to make these institutions focus on results, outputs rather than inputs, that are customer or client sensitive, and to address the needs of recipients of public services. At the individual level, attention is paid to individual managers and front line workers to enable them achieve the objectives and targets of their organisations as contained in government policy directives. The institutional level consists of three major components: the ministerial component; local government; and sub-vented agencies. At the ministerial level are institutions considered to be the implementing arm of the government, particularly the Civil Service. The local government level comprises organisations that do not fall directly within the Civil Service. This level comprises two components, the Regional Coordinating Councils and the District Assemblies. On the sub-vented level are fully and partially sub-vented and self-financing agencies. A fully sub-vented

organisation is compensated for all the operational expenses of the organisation including salaries by central government. On the other hand, partially sub-vented institutions take only salaries from the central government. The operational costs of these institutions are borne by an Internally Generated Fund (IGF). The self-financing institutions were formerly partially sub-vented, but have been reformed and made commercially viable, and, are generating their own income and, even, paying dividends to the government.

At the ministerial level, the system involves the determination of broad policy objectives of the government as derived from the existing national development policy thrust, such as Ghana Vision 2002 (1992-2000) and, currently, the Ghana Poverty Reduction Strategy (GPRS). The broad policies culminate in strategic plans, as well as other initiatives that are linked to the annual budget presented to Parliament by the Minister for Finance and at the annual State of the Nation address by the President. To achieve the policy goals within this framework there are a number of processes for performance reporting as well as reviews to enhance coordination and control.

The process begins with the budget, where objectives of the institutions are prioritised into action plans. These objectives are then developed into a three to five year rolling strategic plan or corporate plans by the various organisations. The strategic or corporate plans articulate the mission and key result areas for each policy priority for the organisation, with performance indicators and measures for the goals and objectives that have been stipulated. This process is followed by the development of service delivery standards or charters. These charters are in the form of pamphlets that lay down the activities of the organisations, and are expected to aid the citizens in knowing and

understanding the service delivery process. According to one official, the Office of the Head of the Civil Service has “insisted that all civil service institutions that deal directly with the general public produce brochures defining their standards of service delivery and setting out the procedures that the public should follow when availing themselves of the services.” Under the charters are the complaints or client service units that are expected to deal with public dissatisfaction with the quality and timeliness of the service delivered and the attitude of officials. There are also the performance improvement plans (PIP), aimed at detailing strategies that an organisation may adopt to improve its performance. The programme is based on internal self-audit and beneficiary surveys that are conducted by the institutions to ascertain the impact of services and outputs that the agencies deliver to the citizens (customers).

Another aspect of the framework is the performance-reporting system (PRS). Indeed, the PRS is one of the bases for the whole PMS (Carroll 2006). Without a system for reporting and reviewing programmes, improvement would not be obvious. The PRS involves a process that enables the various agencies and departments to submit quarterly/half and annual reports of their activities to the Office of the Head of the Civil Service. When these reports have been submitted, the Performance Management Unit of the Office of the Head of the Civil Service analyses the reports to determine progress of achievements, outstanding activities that need to be covered, and constraints (if any) that served as stumbling blocks to the achievement of the objectives set by the organisation. Then there is the feedback system, in the form of comments to these institutions to notify them of their progress and of the areas that need attention. With the feedback system,

meetings are organised for the heads of the various agencies to give them a broad sense of their mandates and what is expected from them to achieve their objectives.

The performance review process constitutes the last aspect of the programme at the institutional level. Embedded in this process is the monitoring of performance of the various institutions and agencies under the Civil Service. The reviews are undertaken periodically at different levels, including the central management unit and supervising agencies, and at the institutional level.

Performance management at the individual level consists of a number of steps. The first step begins with the office of the President. The President, through the office of the Policy Management Unit, sets standards for ministers. This is the code that ministers are made to sign, committing them to performing the duties entrusted to them by the President in accordance with his constitutional mandate. The president is, therefore, supposed to monitor the activities of these ministers through the Policy Management Unit in his office. The next step concerns the ministers moving down the ladder to set standards for Chief Directors at the Ministries. These Chief Directors are the highest bureaucratic officers within the ministries, and are responsible for the running of the ministries and departments, apart from the SOEs, which have their own managers. The Chief Directors are, therefore, the chief policy entrepreneurs, and expected to facilitate the formulation and implementation of policies of central government. The Chief Directors then set standards for directors, the terms of which are disseminated among the lower levels of the organisation.

Concerning SOEs, the PMS is embedded in a corporate planning system, called Corporate Development Plans (CDPs), and was incorporated as part of the World Bank and IMF conditions for revamping these enterprises, as stipulated in Structural Adjustment Credits II & III. These CDPs contain the basic information about the enterprise, including recent performance, mission statement, objectives, strategies, assumptions, and obligations to government. The plans have annual targets as steps towards the realisation of the objectives of enterprises and which managers or chief executives are expected to achieve.

The key mechanism for implementing performance management in both the Civil Service and the SOEs is the performance contract or agreement. The performance contract links individual performance targets to corporate or organisational goals. In the civil service, the performance contract is signed between sector ministers and Chief Directors, and is witnessed and endorsed by the Head of the Civil Service. In the case of SOEs, the agreement is signed between the Managers or CEOs of the enterprises, the sector ministry, and the Minister for Finance, and is witnessed by the SEC.

The performance contract differs in terms of deliverables between the civil service and SOEs. This is because the outputs of a ministry, unlike an enterprise, are not usually measured as commercial operations are measured. The differences in measurement techniques emanate from the fact that the ministries are more focused on policy making (formulation and implementation), monitoring, and evaluation. On the other hand, SOEs are commercial entities, and are supposed to behave just like private sector business organisations. For this reason, the performance contract in SOEs

incorporates variables such as sales targets, production levels, time of delivery, and profit projections. Through the performance contract, Chief Directors are empowered to set targets for their subordinates, including functional line directors, heads of sector departments and agencies, and district administrators.

These heads are required to deliver outputs that will contribute to the realisation of the deliverables of the performance contract of the Chief Directors as they relate to the overall policy goals of the government. In the SOEs, performance contracts are intended to define the intentions, obligations, and responsibilities of, respectively, government (the owner) and the enterprises. The contract does not stipulate a set of policy directives that can be found in contracts or agreements of Chief Directors. It does, however, spell out the obligations and limitations of government and the SOE by defining what management can and cannot do.

An essential component of the performance contract is the staff appraisal and performance evaluation systems. Performance appraisal has been given high priority in the reforms because of the need to change the culture of the service, as well as to build morale, which is essential to sustain the change. Before 1992, the mechanism for evaluating the performance of staff was through the Annual Confidential Reporting System (ACRS), which had many shortcomings. In a New Year Message to Ghanaians on January 1, 1991, the Head of State and Chairman of the Provisional National Defence Council (PNDC) noted the short-comings of the ACRS when he remarked on “the sad fact that in our civil service bureaucracy, confidential reports on individual performance are just a matter of routine -- almost everybody -- that is, hardworking and the lazy -- gets



a good confidential report” (quoted in Nkrumah 1991: 30). Other problems identified included the lack of a provision for agreeing on objectives and tasks to be performed, and the absence of a formal objective basis for assessing the performance of workers, and the failure of the ACRS to identify workers’ weaknesses and to determine their training needs, as well as to support promotion decisions (Nkrumah 1991). Under such circumstances, Nkrumah (1991: 30) notes, “[T]he ACRS has lacked confidence, no one being certain of its uses and benefits. It is this general lack of confidence in the ACR that has led to renewed interest in a different performance appraisal system in the Civil Service.” A performance contract can be signed within the different levels of the organisations involved; however, without performance evaluation, not much can be derived from the targets set in those contracts, and neither will the individuals charged with the implementation realise that they are achieving what they set for themselves. Evaluation of performance follows three major steps. It begins with the Chief Directors and heads of regional administration. Under this system, an independent central panel formed by the Office of the Head of the Civil Service assesses the performance of these officials at the end of the year. The evaluation report with the necessary recommendations is then submitted to the Head of the Civil Service, who then forwards it to the President for his recommendations.

#### **7:11: Performance Management and Performance of Public Sector Institutions:**

After more than a decade in existence, the PMS seems not to have enhanced the performance of public sector institutions to any appreciable degree (Adei & Boachie-

Danquah 2003). Although quantitative indicators to measure the effectiveness of the performance management programmes could not be obtained, a general consensus among interviewees indicated that the performance management programme has not led to any significant improvement in attitudinal change, organisational efficiency, or service delivery.<sup>35</sup> In a study on the impact of the CSPIP on attitudinal change in the civil service and customer satisfaction, Adei and Boachie-Danquah (2003:21-22) observed that

The CSPIP assumed that the instruments of Performance Contract, Brochures on Work Ethic etc. would in themselves result in better performance. Unfortunately, they did not. This must not surprise anyone versed in change management. Perhaps the most difficult part of any change process is attitudinal change. This needs a lot of careful management. Here, the change agent becomes almost a psychologist, going into the fundamental questions dealing with why people behave the way they do. This was not seriously addressed. The contracts were signed but the managers remained typically Ghanaian... Furthermore, in a country like Ghana where consumer associations are not developed and where illiteracy is high, it will be naïve to assume that the population at large will, as a matter of right and principle, insist on customer care and customer satisfaction from civil servants...

Thus, whereas the PMS has improved the policy making process because of the adoption of new methods in policy making, the conditions of financial accountability and prudence and service delivery, and the overall performance of these institutions, leave much to be desired. Indeed, most of them are still embroiled in the so-called “bureaucratic procedures and norms” that the new reform was expected to change. What, then, accounts for this state of affairs?

A number of factors have affected the success of the PMS in the public sector. These are institutional fragmentation and weakness, culture, a lack of political commitment and seriousness, the lack of an institutionalised system of incentives and

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<sup>35</sup> Currently, two of the organisations interviewed, The New Times Corporation and Ghana Telecom, are in serious administrative and financial predicaments, and are on the verge of declaring bankruptcy.

sanctions, and the influence of international organisations. These factors, however, are not mutually exclusive; they are linked to each other to make a whole, which itself in turn affects the performance of the institutions.

Institutional fragmentation and weaknesses have sometimes led to despondency among officials of the public sector. This problem affects the institutions in two major ways: policy direction and recruitment. Not having answers to the questions of who takes charge over what, and who has accountability and responsibility, has seriously affected the setting of performance targets and performance evaluation in general. This was much evident with respect to the SOEs. A good example is the public media houses. Structurally, media houses, both print and electronic, are under the control of the Ministry of Information. However, administratively, the National Media Commission (NMC) also has some form of control over their operations, as stipulated in the 1992 Republican Constitution. The NMC appoints the members of the boards, managing directors, and editors of these organisations. The NMC, therefore, believes that it should, in consultation with the boards, set standards of performance for these organisations so that they will be able to monitor and evaluate their performance.

On the other hand, since these media houses are SOEs, they also fall under the purview of the SEC, the agency charged with monitoring the activities of SOEs on behalf of the government. The questions are who develops and implements performance management in these organisations? Who evaluates their performance? These are among many questions being asked. This problem of identifying the organisation in charge of these institutions not only affects lower ranking officials, but senior ones as well. In

other words, senior officials who are expected to enforce performance targets are themselves affected by these organisational diffusions. “As far as we are concerned, we fall under the SEC; however, the board believes that we should not report to the SEC. This is because it is the governing body and, therefore, should have the responsibility over our performance and, for that matter, set the targets for us, and not the SEC,” says a senior official in one of the media houses. Hence, the inability to determine who is in charge of these organisations has contributed to some of their poor performance. According to one official,

[w]ith the media, the fact that we did not and do not know who to report to affected our performance. It got to a point when we did not know where to go for policy direction. You go to the SEC, then the NMC will tell you are under them, you go to the NMC, SEC will tell you they are managing the affairs of SOEs, so you are under them...

Thus, these organisations are left in administrative limbo, and without performance plans to work with.

Furthermore, the frequency with which boards are changed continued to be another institutional disincentive for the performance of SOEs. Boards of SOEs are appointed for two years. Policy directives of SOEs are the prerogative of the boards. However, the term of office for the boards makes it difficult for them to function appropriately. For instance, it may take a new board over six months to study and understand the function of the organisation. In this case, formulating the needed policies to enhance operation of the organisation is curtailed due to time constraints. According to one official, “the boards are appointed for two years, so even before they have time to settle, they are on their way out.” Similarly, the turnover rate of management in some of these organisations has also affected their performance. In most SOEs, a change of

management occurs every two years, and with every change of management comes a change in policy direction. The lack of continuity in terms of management appointment has not helped matters, despite the existence of performance management frameworks for these organisations.

The institutional fragmentation has also affected the recruitment and postings of officials, especially in the civil service. This problem has largely affected the management of human resources within the various ministries, departments, and agencies. In the civil service, administrative officers are not under the direct control of the Chief Directors. The Office of the Head of the Civil Service manages the human resources of the civil service, and may decide to transfer staff who might have been trained by a specific Chief Director to perform specific duties that are relevant to a particular ministry. In addition, the Office of the Head of the Civil Service does the recruiting and posting of staff in the service. Therefore, the question is, how does one use the person given to you effectively, even if such a person is not the best material for the policies one is implementing? With this sort of recruiting and posting policy, it is difficult for Chief Directors, for instance, to apply the needed sanction(s) to non-performing officials. In all, the ill-defined institutional framework has generally affected the operation of these organisations.

Culture and other traditional practices were identified as the most fundamental problems that have hindered and continue to hinder the successful implementation of the performance management system. As noted by Debrah (2001: 196):

In Ghana, society, traditional practices, and culture permeate management of modern organisations. Hence, a complex situation has emerged whereby traditional Ghanaian

behaviour, beliefs, practices, and attitudes, which often militate against Western modern management systems and practices, seriously undermine organisational performance.

Indeed, these traditional practices are in conflict with economic and administrative rationality, which is the fundamental basis of modern organisational management, and have undermined the effective and efficient performance of public organisations. Furthermore, these traditional practices have “compromise[d] the integrity and efficiency of the formal bureaucratic system by introducing an element of subjectivity in management practices, such as recruitment, performance appraisal, and compensation” (Debrah 2001: 196-7).

One cultural issue that seems to have impacted negatively on the success of performance management is the Ghanaian high degree of respect for the elderly, *i.e.*, respect for age. According to one author, “age, to all intents and purposes, is synonymous with organisational status” (Gardiner 1996: 500). In Ghana, the concept of age is an important factor in the public sector, although this should have nothing to do with job performance. However, because officials in the public sector come from an environment that says that one should not reprimand an elderly person, or talk to or look at them in a certain manner, it is difficult to really question and appraise these officials, especially when the appraiser is younger. Thus, “the concept, for instance, of the respect for elders is eating into our system. Therefore, if you are relatively younger and a senior officer, it is a bit difficult for you to look at an elderly person, who is a junior, and then reprimand him,” says one official. In a nutshell, the issue of respect for the elderly makes it difficult for a young manager to discipline older subordinates. This cultural factor has, therefore, created a power distance between bosses and subordinates, making it difficult

to have a public sector with an environment in which subordinates are not allowed to initiate or come out with innovative ideas on how to deliver service. Thus, socialisation, especially the relationship between the bosses and subordinates, has affected the way people behave and work in the organisation.

Furthermore, objectively appraising officials has also been compromised and jeopardised because of this social relationship. In the Ghanaian cultural environment, one simply cannot be critical of a person in his or her presence. As a result, giving negative or critical feedback, *i e.*, face-to-face appraisal, is difficult for managers.

We are not able to look at people's faces and tell them they are not performing. We are trained to keep certain things in mind. We are not outspoken and so one can see so many things going wrong and yet feel you do not have the duty to challenge them because the person is older than you or is your boss, says one official.

In short, because of some cultural practices, public officials do not have the courage to challenge policies and practices in the work place. Additionally, as a result of this cultural attitude, objectivity in appraising public sector employees has been greatly compromised.

People are not objective enough in appraising others. I do not know whether they are scared of their subordinates or what. People are given high scores... [E]verybody gets above the 70 marks, meanwhile there are persistent problems in the very areas that people are being appraised in. There are lots of complaints concerning people not doing their work well, and yet these are people obtaining high marks on their appraisal forms, noted an official of an SOE.

Thus, because of the lack of objectivity, appraisal information is not reliable, and this makes it difficult to ascertain whether people are performing as expected or not. The lack of objectivity in appraising people may also be linked with the social structure of Ghanaian society. The social welfare regime or system has, for instance, affected the way organisations and, for that matter, individual officials perform at the work place. In

Ghana, the social welfare system involves a high degree of collectivism. Ghanaians are born into extended families, which take care of their members. In other words, family members (both extended and nuclear) expect their relatives to look after them. This kind of social welfare system affects the attitude to applying sanctions that are associated with the lack of performance and the effective and efficient functioning of the public organisation. Unlike the developed world, where at the age of 18 one is supposed to be independent and can have one's own home, is guaranteed a job, etc., developing countries have a different welfare system or regime, whereby one is supposed to take responsibility for others, especially one's elderly parents. Such a person may be the sole breadwinner for the entire family. In such a case, it becomes difficult to sanction the person in any form, especially when the effects of the sanction may reverberate throughout the entire family. Indeed, the traditional idea of "eating from the same bowl," says one official, affects the appraisal system. He contended, "When someone does wrong and merits dismissal, the problem that comes with it is that it will affect his wife, children, the entire family, etc. Therefore, the cultural concept of eating from the same bowl, which is good at the societal level, has been transferred into our offices." In other words, in public sector institutions the effect of sanctions is linked to the problem that may arise in the family and not the impact on organisational efficiency and effectiveness.

The lack of incentives, as well as enforced sanctions, have contributed to the lackadaisical performance of officials in public institutions that has affected the overall performance of such institutions. Performance Contracts signed by institutions stipulate some form of rewards (bonuses) and sanctions to officials who dutifully perform their



assigned functions that raise the image of the organisations in terms of the service provisions and those who fail to achieve set targets. However, bonuses for instance, are supposed to be paid only after the organisations have paid dividends to their shareholder, *i.e.*, the government, in the case of SOEs. Unfortunately, the general economic conditions prevailing in the country have so affected the performance of some organisations that, breaking even, is still a problem.

One of the major problems that have led to this state of affairs is the inability of the shareholder, *i.e.*, government, to re-train and re-capitalise organisations in order for them to acquire the necessary skills and machinery to perform their functions after years of decline. In some organisations, the use of obsolete equipment and its frequent breakdown have significantly prevented them from achieving targets set in their annual performance management plans. When these machines break down, work automatically comes to a halt. This affects performance by preventing achieving the day's target.

In the Civil Service, a performance bonus or reward is to be paid from the budget of the ministry to officials who perform beyond a certain threshold (the 70% mark). However, the budget system in place has still not recognised this form of incentive or reward. Consequently, performing ministries and departments are not given any incentive for making savings or for being more innovative and efficient in service delivery. An official of the service vividly described this problem. He recalled:

My honest view is that until we have a system for rewarding better performers, the PMS will not work. It does not make sense for me to be innovative if at the end of three years, we (all the Chief Directors and Directors) will attend the same interview and everybody passes. We are supposed to have a merit pay system, a system where people are paid according to what they do, but nobody has taken it upon himself to do that. We

need a good incentive and a sanction system in place. This is the best way to begin this whole process.

On the other hand, public officials are sanctioned for violating bureaucratic rules and procedures. In this sense, the flexibility demanded under the reform models, which calls for managers to manage, has been non-existent. Consequently, people are now more conscious in following rules, especially those related to financial management, but are not as effective and innovative in service delivery to save the ministry or department money. Furthermore, the inability to consistently utilise the product of the evaluation as a tool for either rewarding, or sanctioning, officials renders the whole system futile. Thus, the failure of government to establish an institutionalised system of sanctions enforcement and a reward system seems to be a contributory factor in the poor performance of the PMS. One official was of the view that if there is an institutionalised mechanism for sanction enforcement and reward, officials of public institutions will become more aggressive and alive to their responsibilities to the state. He pointed out, “people’s livelihood is not linked to performance. The only way to come out of this problem is to have a system where if one does not perform, they are out, and if you perform, there is an incentive for you. This is the only way we can make it.”

In the Civil Service, the inability of the government to provide the needed resources has further compounded the problems faced by Chief Directors. In furtherance of the government’s economic plan and of financial prudence as demanded by the Bretton Woods institutions, a new budgetary system, the Medium Term Expenditure Framework (MTEF), was developed. Each year, ministries go through a planning process linked to a budget to implement their strategic plans. The planning process and

the budget stipulate the activities to be undertaken and the financial resources needed to implement those activities. Implementation depends on the timely release of the necessary financial resources. However, this has not been the case. Unfortunately, the untimely release of funds after the completion of this process affects the implementation of the strategic plans and, sometimes, throws the plans overboard. “Strategic planning is time-bound,” says one official. He pointed out, “There are various activities that need to be implemented at a particular time. Some are contingent upon the implementation of an activity that precedes it, but the delay in releasing funds affects the whole plan of activities.” In other words, this process follows a sequential coupling approach, in which a workflow takes place in long linked chains, and one activity cannot occur before the preceding ones. Most programmes, therefore, fall behind schedule because of the inability to complete programmes that precede them due to the unavailability of resources. Indeed, some ministries may be in the second quarter of the fiscal year, and yet may not have received funds for first quarter programmes. This means that the sector ministry’s activities are behind time. “How, therefore, do you deal with a Chief Director who is not able to achieve their targets when they have no control over resources to implement their programmes?” complained the official.

With these difficulties, applying the necessary sanction becomes problematic. Public officials cannot be blamed when the tools to work with are not provided. Indeed, as observed by an official with the Ministry of Employment and Manpower Development:

If you have the right calibre of people, you’ve got the funding in the right amount and at the right time, then I think they (Chief Directors) have no excuse for non-delivery or

performance. Nevertheless, when these resources are not there, then how do you objectively evaluate such a person? With these difficulties, it becomes extremely difficult to apply sanctions associated with non-performance.

The lack of political will or political commitment from the highest level, *i.e.*, from the presidential through to the ministerial level, in endorsing and enforcing the performance agreements that are set in the system has been identified as an obstacle to the success of the PMS. Under the system, there is supposed to be a mandated paper from the president to ministers outlining their performance targets. However, this performance schedule is shrouded in secrecy, which makes it difficult for the public to know what ministers and, for that matter, public institutions are expected to do. As a result, there is no pressure from the public on ministers to sign performance agreements with managers and Chief Directors on time. Performance contracts that are to be signed in December or January tend to take at least three months. Thus, most Chief Directors and CEOs do not get their performance contracts until well after the first quarter of the year. Hence, these Directors/CEOs work without any performance contract that stipulates targets, incentives, and sanctions for performance. It is assumed that as long as there is no such a system, which is actually flowing from the top, the objectives of the system may not be realised.

The lack of seriousness on the part of the political authority has been attributed to what is perceived as a World Bank idea that is being implemented to please that institution. The whole idea of performance management, as found in the CSPIP and the SOE reform has been donor-driven projects although these reforms were perceived by the World Bank and the donor community as home grown initiatives. It is, therefore, not

surprising that those who were to implement the programmes including the central government lacked the enthusiasm to do so. “The Ghana government, I think doesn’t take performance contracts seriously. You submit a report to them, and they will not provide you with feedback, but the World Bank is always on us to submit reports. If you do not submit a report in a year, the ratings they give you falls,” noted an official of the SEC. In all, the PMS has not been given attention because of the influence of the Bretton Woods Institutions and the donor community at large. The only group of people who seem to be interested in the programme and, therefore, have devoted significant attention are the Head of the Civil Service and a few other officials directly responsible for the execution of the programme.

Public indifference to and ignorance about the role of the bureaucracy and other governmental agencies have also affected the performance of public officials. In Ghana, citizens view state organisations as instruments for extracting taxes and other government revenue. For this reason, people are apprehensive about the functions of these organisations. They are viewed as corrupt in any form. As a result, people are apathetic about the work they do. This view of state agencies has led to some cynicism. As a result, the vast majority of people are unaware of the existence of most of the programmes of the government, knowledge of which would have enabled them to challenge public officials in the execution of their work and enhance performance. A study of public knowledge about the CSPIP, for instance, revealed that 72.6% of those interviewed (citizen or clients or customers) knew nothing about the programme (Adei & Boachie-Danquah 2003). The alarming effect of this is that demand for performance

improvement is weak, as there is no pressure on public officials to perform. As the Head of the Performance Management Unit of the Office of the Head of the Civil Service conceded: “I think for the system to work, we need the public to be more aware... When the public is demanding, then the civil service is under pressure to deliver.” This attitude of the public to state organisations evolved out of the colonial period, and therefore, has led to lack of assertiveness on the part of the citizenry towards government.

#### **7. 12: Conclusion:**

We began the chapter by analysing the water sector in Ghana, and ended it with the introduction of performance management in the public sector; particularly, in the Civil Service and SOEs. The analysis was to ascertain which of the six variables (political system, ideology, culture, past development, resources availability and independence of action) that developed in the theoretical framework significantly impacted the adoption and implementation of the reforms.

The discussion in this chapter indicates that the reforms in Ghana were affected by the culture of the people, external influences, particularly the World Bank and the IMF, and the political system. Indeed, from the discussions it is evident that culture, the political system, past development, resource availability, independence of action, and the external environment in no small way contributed to the problems the reforms encountered.

At the beginning of the reforms, we noted that the Ghanaian economy had almost collapsed due to a number of debilitating factors. It had stagnated so much that the

Ghanaian government had to accept external assistance to resuscitate, it and was asked to go to the Bretton Wood institutions. Conscious of what the Acheampong regime had done after it overthrew the PP government and repudiated money owed to them, and fearing the financial assistance being sought would not be used as expected, these institutions sought to be major policy actors and, indeed, did become major actors in the Ghanaian policy making environment. As a result, they almost took over the policy process, determining the ones that needed to be implemented, and at what pace. Thus, even today these institutions influence what is done in Ghana. They continue to have a strong presence in the country. Both have offices situated at the Ministry of Finance and continue to monitor the activities of the government.

In the water sector, for instance, the Water Sector Restructuring Secretariat continued to be funded by the World Bank. Furthermore, the Bank funded all the studies that were conducted as part of the search for the solution to the problems of the sector. In addition, it was revealed during the research that officials of the Bank in Washington prepared the current management contract, and have been very much involved in the process of selecting private firms to manage the system. Furthermore, as discussed in the context of the Civil Service and SOEs reform, while the Ghanaian government continued to show indifference towards the programme, the World Bank, in particular, was very keen on it. The corollary of this influence was that the Ghanaian government could not take its own action on programmes and projects it wanted to implement. Furthermore, the ownership of the programmes was questioned in no uncertain terms, especially at the implementation stage. This, in no small way, contributed to the lackadaisical attitude

displayed by the bureaucracy, leading to invariably shallow implementation of reforms. The effect of this was that “reform became a faddish, cynical, but high-stakes game, the ultimate form of rent seeking behaviour” Hutchful (2002:240).

Furthermore, the ability of the government to undertake its own policies and be committed to the reforms was constrained by the conditions imposed on it by the World Bank and the IMF. The multiple effects on the policy process have been succinctly described by Hutchful. According to Hutchful (2002:241),

Conditionality promoted ‘eye service’ by co-opting the policy process and overloading the policy agenda with multiple, short term targets, which could at best be satisfied only superficially but on which a lot of money nevertheless rested, motivating client countries to make prodigious efforts to ‘pass the test,’ less to achieve genuine reform than to justify continued access to money. Conditionality also deterred principled dissent... Rigid reform paradigms and imbalances in power... reduced negotiation to a façade, and eroded any possibility of consensus and internalisation

With regard to the water sector, we tried to explain the governance structure that had been in place since the early 1930s, and the crisis of that system. In the attempt to discover a new governance model for the sector, the government seems to have been highly influenced by the neo-liberal (ideology) approach of the World Bank and the IMF. However, the model seems to be at variance with the thinking and the general socio-economic and political environment (culture) of the country, leading us to an explanation that the water sector reform is likely to fail. Although only aspects of the policy have been implemented, its impact has been quite overwhelming, as is discussed in the concluding chapter. Furthermore, it was discovered that the lack of resources on the part of the government and the reliance on the World Bank and the IMF for financial resources have led to a policy capture by these institutions where the reforms are concerned. In fact, as noted in the discussions, the World Bank pays the personnel at the



Water Sector Restructuring Secretariat, and these personnel have been at the forefront of policy implementation. In essence, the influence of the World Bank and the IMF has led to what Eboe Hutchful (1989: 112) has described as “a parallel government controlled (if not created) by the international lender agencies.”

Another aspect of neo-liberalism that has taken root in Ghana is the introduction of performance management in public organisations. The discussion so far indicates that the reforms seem to target ‘customers’ or ‘clients’; but this has had little effect in public organisations due to a number of institutional constraints, such as the inability of the government to recapitalise these organisations, the culture prevailing in the society, the influence of the International Financial Institutions, and the capacity constraints of the organisations in general. Each of these factors played, and continues to play, a major role in administrative reforms in Ghana. For instance, the prevalence of the IFIs, with offices at the various ministries and institutions, and the fact that officials of these institutions have become policy ‘watchdogs’ have created in the minds of the people the idea that the reforms were and are being undertaken to please these institutions.

The research also revealed the importance of culture for Ghana’s reform. The reform was premised on the model with a legal-rational environment that prevails in the Western developed world, devoid of ‘bureaucratic irrationality.’ In short, the environment out of which the reforms arose was more bureaucratic in nature than the one in which they were implemented. The proponents of the reforms assumed that they had a universal relevance and application. Unfortunately, the Ghanaian bureaucratic environment, similar to that in other developing countries, has been overwhelmingly

adulterated by indigenous culture, which is at variance with the ideals of a Western developed bureaucratic environment or culture, and is in short, at variance with the Weberian bureaucratic model (Peet 1999, 73-76). Thus, “traditional Ghanaian behaviours, beliefs, practices, and attitudes exist alongside the modern Western-oriented society” (Gardiner 1996: 490). These traditional beliefs have found root in Ghanaian society because managers of organisations have imbued themselves with these societal values, and understand the meanings of situations and events as they occur. The effect of this attitude is that rules that guide the bureaucratic organisations have been subverted, especially when they conflict with the norms and values of the society.

Another important facet of this cultural effect is the power structure or distance, uncertainty avoidance, and individualism/collectivism among public employees. As already noted, power distance has created two important scenarios in the public domain. For instance, managers of public institutions are able to use public or organisational resources, including sending subordinates on errands that are unrelated to their work. Furthermore, subordinates are also unable to question or make suggestions to their superiors on matters they perceive as detrimental to the work of their organisations. Another important aspect of culture that was identified was collectivism. Collectivism plays an important role in determining whether a non-performer in a public institution should be retained or discarded by the organisation. This is because any action taken against such persons, it is assumed, will have a “trickle down effect,” perhaps not only on the immediate family, but on the extended family as well.

The research could not establish any correlation between party ideology and the adoption and implementation of the reforms. It may be said that the reforms were undertaken as a result of Rawlings' pragmatic efforts to resolve the dire economic situation, which were compounded by the deportation of over a million Ghanaians from Nigeria, and natural disasters, and his ambition to right the wrong that he believed had been unleashed by people who had benefited from *kalabule* and officialdom. The SAP was undertaken by a military government that had, at the onset, denounced Western governments and institutions for their roles in Ghana's development.

Many of the regime members saw themselves as Neo-Marxists, who viewed any dealings with the West as unacceptable. Others felt that given the dire economic situation, Ghana needed Western assistance, especially after the leftist group had failed to secure assistance from the Eastern Bloc countries. In the end, Rawlings, the pragmatist, accepted the proposals of those who believed that assistance from the West was inevitable. In short, Rawlings' personality, his "missionary and prophetic" attitude rather than blind faith in ideology, had a significant impact in the adoption of the reform.

One may say, however, that it was the regime's inability to establish its economic path on firm ideological grounds that prompted it to accept the neo-liberal 'one best way' as the best option to alleviate Ghana's economic woes. The lack of ideology and the need to obtain the needed financial resources, which had been made available contingent on the adoption of the SAP, paved the way for the World Bank and the IMF to capture the policy process without understanding the environment in which they were imposing their ideas (Hauss 2005).

## **Chapter Eight:**

### **Conclusion: Ghana and Ontario in Comparative Perspective**

#### **8.1: Introduction:**

This chapter provides a summary of the dissertation, its findings, and the significance of the research. The chapter begins with a summary of the dissertation. We revisit the political and administrative trajectories of the state through to its current development. We then discuss the issue of contingency theory and its relevance to the dissertation. The next section examines in comparative perspective some of the contingencies that support the hypothesis of the dissertation. The last section is a short discussion of some of the effects of the reforms in Ghana and Ontario. We then provide some suggestions on what should be done in regard to administrative reforms.

The central argument of the research was that the environment in which reforms are implemented matters, and that that environment should be of prime concern to international and local policy makers. We defined the environment as the general sources of inputs and outputs including persons, the groups, the organisations, the culture and the value systems, with which the state interacts. The material collected for the research supported this hypothesis.

In chapter one, we posed four questions, which the dissertation then endeavoured to answer. These questions were: (1) Is neo-liberalism and, consequently, the one size fits all approach to administrative reforms a cure for the ills of the administrative state in both developed and developing nations? (2) What accounts for the success or failure of the neo-liberal approach to achieving its goal of improving the effectiveness, efficiency,

accountability, and responsiveness of the administrative state in different environmental settings? (3) Were there different institutional and capacity constraints in various countries that should have been considered in developing policies to change the state? (4) Was the service delivery mechanism of the model appropriate to all countries? These questions are answered and elaborated on in this concluding chapter.

## **8.2: Summary of the Study:**

The dissertation began with a look at the internationalisation of public sector management (IPSM), which seems to have reached a high point in the 1990s as a result of the problems associated with Keynesianism. In this chapter, we argued that countries should adapt, and not adopt, reforms in reshaping the administrative state. It was hypothesised that the environment in which administrative reforms take place is an important element in determining the success or failure of the reforms. The dissertation, thus, stressed the need for indigenous reform models that will take into consideration local environmental factors, such as culture, history, political systems, and independence of action, which will be readily acceptable to policy makers and implementers. This is the main concern of the dissertation. In short, it made the case that one size does not fit all, and that administrative reform policies should be modelled to suit predominantly local circumstances in each country.

In chapter two, we discussed the literature that has provided the philosophical guidance surrounding current reforms in both the developed and the developing countries. Through the analysis of the literature, we were able to develop a number of

variables that affect the behaviour of the administrative state and influence the process of choosing right and appropriate policies for reforming the administrative state. The next chapter explained the methodology used in data collection and the essential aspects of the process of adopting such techniques. In general, the techniques used in obtaining the information strengthened our understanding of the constraints each political system has faced, and helped justify the use of contingency theory as a better explanatory tool than other theories that have been utilised.

In chapters four and five, we traced the system of governance that served as the dominant development paradigm, the role of the state in development, and attempts at restructuring the state in Ontario and Ghana. In each case, the understanding derived from the discussions made clear the respective paths of development in terms of their historical trajectories. This helped us to appreciate the circumstances that led to the adoption and implementation of neo-liberalism as a paradigm for change in each of the two cases. The discussion also showed the difficulty of applying the same reform approach to both cases in view of the differences that were unearthed in these two chapters.

The subsequent two chapters examined the application of privatisation and performance management as policy instruments in the water sector and public service institutions, and the issues involved in their application. In both cases, we tried to examine the problems that arose as a result of how the sectors were governed and the reforms that took place. We were able to discuss some of the problems associated with the models developed for reforming the sectors as they pertained to each case and the

limitations associated with the models, which make the universal application of the models ineffective. In this last chapter, we intend to look at the some of the effects of the policies, and then to do a comparative analysis of the constraints of each case.

It may, upon review, be noticed that while questions one, two, and three were answered, question four was not fully answered. For example, we determined that the internationalisation of public sector management, with its universal principles, does not fit all cultures, especially when one takes into account the various contextual factors. In each of the cases studied, it was discovered that different factors influenced the direction taken. Furthermore, there were also a number of institutional and capacity constraints that should have been assessed on their own. For instance, in Ghana, at the time of the reforms, the economy was stagnant. There were no proper functioning public institutions that could assist in developing and implementing public policies. Neither was the private sector in a position to assist in development, because it had been neglected for years as a result of the government's use of the bureaucracy as an instrument of development.

Question four was not fully answered because the research could not make any meaningful comparison between Ontario and Ghana. This question was intended to address the issue of privatisation as a delivery mechanism in the water sector. While privatisation in the water sector in Ontario had been completed at the time of the research (with some disastrous consequences, *i.e.*, the Walkerton tragedy), the same could not be said with respect to Ghana, because the policy is not in operation there. Thus, no meaningful assessment of the effect of the policy could be undertaken. However, one can conveniently say that looking at what the World Bank is proposing for the sector, and at

the fact that a number of the problems the GWSC faced as well as other institutional weaknesses in the water sector, the policy is bound to hit a snag. The research, however, uncovered the impact of the implementation of cost-recovery in the sector. Cost-recovery is not part of privatisation, but it was seen as a way of opening up the public sector to the private sector.

### **8:3: Contingency Theory: An Overview:**

This section examines contingency theory as an explanatory tool in understanding the outcomes of administrative reforms in different countries. It may be acknowledged that until recently, many scholars who employed contingency theory in their research concentrated on private sector organisations. These early contingency theorists focused their analysis on organisations in the search for organisational effectiveness and efficiency. These analysts examined and explained how organisations may be structured to achieve these goals. The past few years, however, have witnessed an increase in the use of contingency theory to examine and explain the outcome of policies pertaining to administrative reforms in developing countries (Hulme and Turner 1997; McCourt and Minogue 2001). Similarly, other scholars have used the theory to analyse the success or failure of democratic reforms in developing countries (Bratton and van de Walle 1997).

The expansion of the theory to cover these areas is not surprising, since it has some advantages over other theories that scholars have tried to use to explain the outcome of administrative reform policies, and other issues that compare developed and developing nations. The theory provides researchers with more room in developing and



using different variables that tend to help in explaining policy outcomes than do other theories in the search for explanations for the success or failure of current reform policies. It also helps researchers, particularly those from the developed world, “to demonstrate an awareness of the roots of many public management innovations in private sector practice, and of the political context in which those innovations are applied and at the same time be sensitive to conditions in developing countries” (McCourt 2001: 244).

As discussed earlier, focusing on the environment in which reforms are implemented enables researchers to understand the different circumstances that may account for the success or failure of reforms. For instance, environmental (political) stability is a key variable to be noted in determining which policies are to be implemented. As conceded by Pennings (1975: 394), “if the environment is highly unstable, the same events may have different consequences, if the environment is highly differentiated or complex, uncertainty can result from the information processing requirements arising from the number of stimuli as well as their interrelationships.” The comparison between Ontario and Ghana clearly depicted this point. While Ontario had a stable political environment that helped to shape whatever reforms government embarked upon, Ghana’s political environment continued to be punctuated by military coups and counter coups over the years, thus creating an unstable political environment for any meaningful reforms to take place.

In spite of the importance of using contingency theory to explain the outcome issues, some scholars have criticised it as not being able to empirically support research (Mohr 1971; Schoonhoven 1981; Tosi & Slocum 1984). Tosi and Slocum (1984) have

argued that two major problems exist with the theory. These problems are that (a) concepts in contingency theory are not clearly defined, and (b) the relationships between the concepts are also not adequately specified. They contended that, without clearly defined concepts, the relationships among variables would not be discoverable by empirical research.

One of the fiercest critics of contingency theory is Schoonhoven (1981). Indeed, Schoonhoven does not even consider contingency theory a theory. He claims that “contingency theory is not a theory at all, in the conventional sense of theory as a well-developed set of interrelated propositions. It is more an orienting strategy or metatheory, suggesting ways in which a phenomenon ought to be conceptualised or an approach to the phenomenon ought to be explained” (350). He goes on to argue that contingency theory suffers from five major problems: (a) lack of clarity; (b) the relations as interactions; (c) functional forms of interaction; (d) the analytic model used; and, (d) assumptions about contingency relationships.

Longenecker and Pringle (1978) have also criticised contingency theory on its basic assumption as a general theory. They seem to share Schoonhoven’s view that it is not a theory in view of its lack of clarity: particularly, in relation to its definition of variables. The two contend that “theory construction requires careful---not chaotic---selection of variables, in which the selection process is based upon well-defined, clearly-specified criteria. The basic building blocks of the General Contingency Theory... are, therefore, an almost infinite set of ill-defined variables which are posited to “interact” or “intersect” to produce system performance” (680-681).

While we do not doubt some of the shortcomings of the theory, we believe that it is vital for comparing administrative reforms in developed and developing nations. The discussions in the dissertation have shown that without a careful understanding of the environment in which reform is taking place, policy makers may continue to fall victim to the idea of one best way. The framework developed in chapter two indicates the advantages of using contingency theory. For instance, in the careful selection of variables, such as political system, past development, culture, external influence, and a good definition of the environment, the dissertation has been able to overcome some of the criticisms levelled against the theory by its critics.

#### **8:4: Internationalisation of Public Sector Management: Does One-Size-Fits-All?**

Ideas concerning the role of the state have changed significantly over the years. While the post-war period projected Keynesianism as a developmental discourse, with the state as the central agency for development, the current discourse has given rise to a situation where the state is being limited in what it traditionally used to do, thus creating a new governance system that calls for other policy actors to play major roles in its development. The new developmental challenges have also given way to the influence of international administrative norms that are being pursued widely in the name of 'globalisation,' thus creating the Internationalisation of Public Sector Management (IPSM). The IPSM has also enhanced the role and influence of international organisations in local policy development, especially in Third World nations. It is this influence, of international administrative norms being pursued by international

organisations, that has led to a ‘one-size-fits-all’ approach to administrative reforms. Yet, as the dissertation has demonstrated, there is no “one best way” for changing the state, and that what may work in one particular country may not work in another because of different institutional and capacity constraints. In short, factors that may influence or enhance the successful implementation of administrative reforms in one country may not lead to a successful implementation of reforms in another.

Throughout the study, we attempted to illustrate the importance of understanding the local environment in which administrative reform takes place. The analysis indicates that the socio-economic and political environment, including a country’s history, past development, system of governance, and relationship with the outside world (particularly, International Financial Institutions), the bureaucracy, and the culture in which the reforms are being implemented should all be of serious concern in determining the policies for reforms. In this sense, policies being transferred from one environment to another should be adapted to meet the environmental circumstances of the recipient country. In other words, such policies should be refined to accommodate a country’s specific exigencies if they are to achieve their intended purposes.

Indeed, all those interviewed in the two cases rejected the idea of a “one-size-fits-all” approach to administrative reforms. In fact, one interviewee described the promotion of this idea by the World Bank and the IMF as naïve. He conceded,

...[W]hen you move across cultures, then you have to have a whole bunch of cultural sensitivity. When you adopt a tool from another society, from another culture, it may not work in every society... You have to study the structure of the society, the norms, the expectations of the society, the history, the economy, the influence between religion and culture and the economy and those interfaces in order to be able to say, yes, it makes sense to adopt this tool or another etc.

Another interviewee was of the view that in administrative reforms,

...[O]bviously there are people involved... [Y]ou need to adapt and include the cultural factor, the philosophy of the organisations, etc into the reform policies and implementation. So, I will disagree with anyone who will tell you that if you take the system we have in Ontario and move it to Ghana, it will work. I think you need to take into consideration the cultural element, the philosophy of the organisation, and the people, they are not the same. The approach may be similar, but the way you do change management and the selling of the position etc. should be totally different.

Contingency theory, therefore, enforces the idea that differences in states or local contingencies are of paramount importance in developing models or policies for administrative reforms. In a nutshell, local contingencies explain the success or failure of reform, even in different policy fields within the same country. The theory provides scholars with a holistic approach to examining all available factors or conditions in order to tailor reform policies for their successful adaptation and implementation.

### **8.5: Local Contingencies: A Comparative Analysis of Ontario and Ghana:**

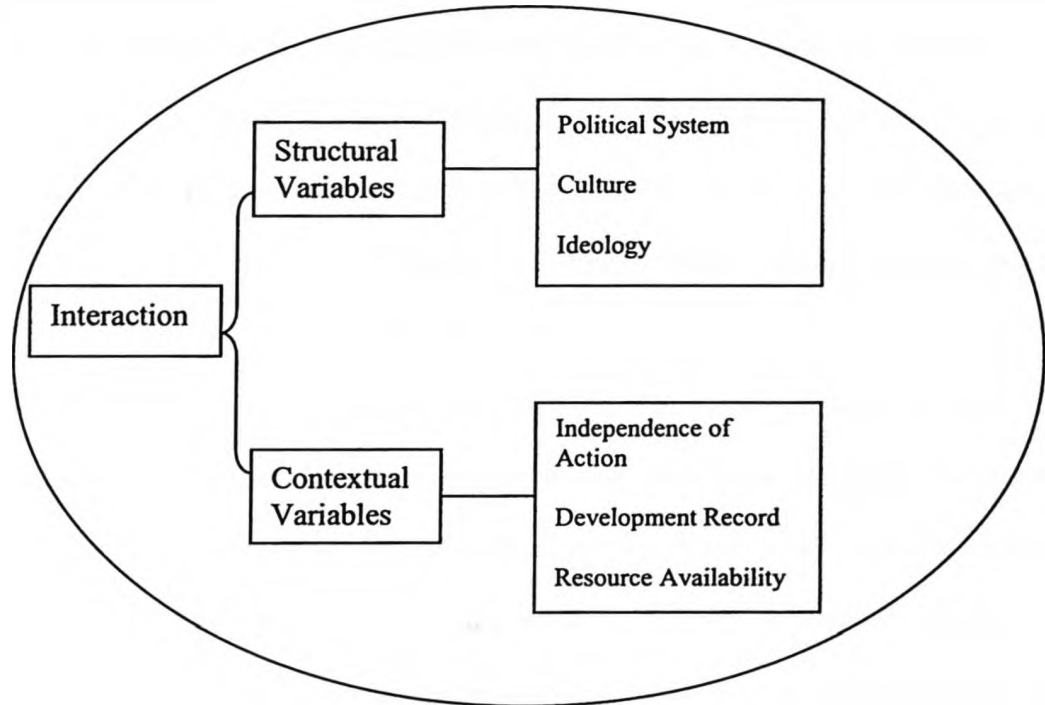
In chapter two, we identified a number of structural and contextual contingency variables on the assumption that they affect policies meant to reform the state. These contingencies were the political system, culture, ideology, independence of action, record of development, and resource availability. In this section, we will undertake a comparative analysis to establish how these contingency variables played out in determining the success or failure of neo-liberalism in Ghana and Ontario.

In terms of the political system, it was realised that it induces political legitimacy and commitment, which affect governments undertaking administrative reforms. The essence of legitimacy is that the bureaucracy and the public readily accept the reforms,

**Figure 8:1: Model: The Independent Variables**

External Environment

External Environment



despite some shortcomings the policies may face. In Ghana, a government considered ‘illegitimate’ by some bureaucrats and the populace undertook the reforms. As a result, the bureaucracy, according to one official, showed much indifference towards them. The regime’s relationship with the bureaucracy at the onset of the “revolution” was also bad. The regime partly blamed the bureaucracy for the economic problems Ghana faced. It accused the bureaucracy of being a pawn of neo-colonialism that needed to be purged. The regime subsequently allowed the establishment of Workers’ Defence Committees (WDCs) with powers to ‘check’ senior management. Furthermore, the rhetoric of the regime towards the senior management and the activities of the WDCs affected the

morale of senior management. Hence, many of them left the country in fear of their lives, while others moved to the private sector. Those who remained in the service also decided to 'sit on the fence,' and showed much indifference towards the government's policies. There was, therefore, a lack of commitment on the part of the bureaucracy and other organisations in the implementation of the reforms. In fact, it was made clear throughout the discussions that the Ghanaian state suffered from this crisis of legitimacy because of the long periods of military rule.

On the other hand, in Ontario, the legitimacy and the resilience of political institutions and of political parties upholding liberal democratic principles helped to shape the reforms. Indeed, the history of administrative reforms in the province showed that administrative reform had always been a means to enhance democratic practices in the governance of the province. These reforms were a means to strengthen the system of accountability to elected officials and the public.

Political commitment is understood as an essential factor in determining the success and failure of reforms. The Ontario government showed tremendous political commitment to the programme for reforms. This commitment can be linked to the political system in the province. Ontario has experienced long term liberal democracy, which allows political parties to present their programmes to the electorate. A party that wins political power, therefore, gains legitimacy in the eyes of the electorate, and this serves as a conduit for accountability. In this case, political commitment and implementation of the agenda on which a governing party is elected becomes paramount

to the government so as not to lose the trust, or incur the wrath, of the electorate in the next election.

It was realised from the discussions that for administrative reform to achieve its objective, a strong bureaucracy capable of implementing the reforms is necessary. Strong bureaucracy refers to any bureaucracy that has purged itself of 'peculiarities' within the environment in which it operates, and has the human and financial resources to formulate and implement public policies. In other words, this is a bureaucracy that has purged itself of external influences that may affect its functioning at an optimal level. A bureaucracy that exhibits significant institutional weakness in terms of policy formulation and policy implementation may be a stumbling block to the success of reforms.

The bureaucracy in Ghana suffered, and continues to suffer, from long-term deterioration due to political and economic mismanagement and the rapid migration of qualified personnel to the private sector and abroad. Thus, the dearth of experienced staff, inadequate remuneration, poor morale of the public service, and unwieldy administrative systems weakened the capacity of the institution to carry out any meaningful reform agenda. The government recognised this problem when it noted:

Severe administrative and manpower constraints have created additional bottlenecks for the implementation of the ERP. In the wake of a generally deteriorating economic situation in Ghana and a mass exodus of qualified personnel over the past decade, development administration has become progressively weak. The shortage of qualified personnel, extremely low remuneration for those who remain... and absence of key personnel from their jobs in pursuit of outside activities create an unproductive work environment... In the interim, until our human resources are fully mobilised, technical assistance accompanied by appropriate training components is critical to the timely achievement of the objective of the ERP (1984:7)

As a result of these constraints, the government had to rely on expatriates for its administrative and policy needs. The difficulties faced by the bureaucracy were,



therefore, used by the World Bank to also justify its heavy involvement in the policy making process (Loxley 1988). The problem with this is that most of these expatriates used by the bank in the reform process did not, and do not, understand the socio-economic and political environment in Ghana. The mindset of these expatriates and their expertise are embedded in Western administrative notions, values, and structures, with strict demarcation between what is private and what is public. This attitude affected the way they conceptualised public organisations in the Ghanaian environment. The consequence is that policies being implemented in their countries of origin were transferred to the Ghanaian environment without much adaptation. The problem with such an approach was that implementation was weakened, while some of these policies were halted altogether as soon as such expatriates left the country. Ghana's bureaucracy has been undermined by these factors, affecting its ability to function as expected.

In Ontario, this was not the case. As noted in chapter six, the province has had a strong bureaucracy committed to implementing government policies. In this case, the bureaucracy was ready to accept the challenges posed by the reforms. Furthermore, the bureaucracy was able to anticipate its new challenges, since it was conscious of a change in government, and what that changes meant for it. Throughout the 1980s, Ontario introduced a series of reforms, such as Management by Results, Management by Objectives, and many other programmes aimed at getting better performance from the bureaucracy for less money. Government was, therefore, heading towards the 'efficient and effective' direction on an incremental basis. Due to these initiatives, the bureaucracy was already positioned to undertake the reforms.

In Ontario, the fiscal calamity that befell the NDP, and its penchant for continuing the path of development based on the party's ideology, made the bureaucracy conscious of the ultimate change in government. The bureaucracy was well aware that any change in government would lead to new reforms. According to one officer,

[p]eople in this province knew 18 months before the election that the incumbent government would be voted out of power. People were hostile to the government and they knew change was going to happen. They did not know who would be coming in but knew that change was imminent. The incumbent government itself knew that change was going to happen. We had ministers making comments on how long they were going to be around.

In this scenario, the bureaucracy prepared itself for the challenges that come with change, and anticipated these challenges even before the elections were held in 1995.

In Ghana, with the water sector, the issue of institutional weakness continues to be an obstacle to the sector's reform, and this needs to be addressed before any reforms can achieve the desired results. In addition to this institutional weakness, there is also a weak (local) private sector unable to step into the vacuum created by the departure of the state. Thus, it is imperative for the World Bank to pay heed to its own advice in pushing for the reforms that "the capacity of the private sector to fill the gap created by liberalisation and the dismantling of some state distribution mechanisms cannot be presumed, particularly in the short-run" (quoted in Loxley 1988: 73).

In Ontario, water reforms were premised on the idea that municipalities are the owners of the systems, and were in a position to serve the needs of the citizenry, since they are the first point of contact in service delivery. In short, the governance structure or system found in the political system provided an incentive for the provincial government to download provincial activities to the local level. However, in downloading such

activities to the municipal level, analysis of the capacity of the municipalities to meaningfully carry out the additional load should have been undertaken. Yet there is no evidence that this was carried out by the provincial government. The intention of the government, as illustrated in the dissertation, was that such a move would have provided the opportunity for the municipalities to undertake alternative forms of service delivery in the sector. This would have absolved the government from any blame should there be problems with service delivery.

A major factor that distinguished Ghana from Ontario is the influence of societal norms: *i.e.*, cultural effect. The cultural effect is analysed on the basis of Hofstede's four factors identified in chapter two. It was realised that in Ghana socio-cultural norms had an unfortunate influence on the bureaucratic environment. These socio-economic norms continue to influence public management practices and organisational decision-making. These practices, however, conflict with the economic and administrative rationality embedded in the current neo-liberal management practices. The socio-cultural factors identified that distinguished Ghana from Ontario included respect for the elder (respect for age) status and people in authority: *i.e.*, power distance, collectivism, masculinity, and uncertainty avoidance.

The power distance between superiors and subordinates in public organisations is sharply distinguished, as are status differences between management and lower-level employees of organisations. In this situation, lower level employees are expected to be passive recipients of instructions and directives from management. Thus, there is no opportunity or room for such subordinates to share their opinions on matters affecting the

running of the organisation. The consequence of such an attitude is that the ideas of empowerment and teamwork are not made essential components of the work environment. Furthermore, the respect for age also affects the relationship between young managers and elderly subordinates. Managers of public organisations treat elderly but subordinate females and males as “mothers” and “fathers.” This situation puts public managers in a very difficult position when sanctioning such subordinates on the basis of non-performance.

The role of government in the economy is also vital in the examination of the success or failure of administrative reforms. Here, the difference between Ghana and Ontario was evident in the role or type of intervention in the economy. In Ghana, the government had, and continues to have, a predominant role in the economy. Indeed, the essence of adopting neo-liberalism was generally to reduce the government’s role and allow market forces to determine economic intervention. The discussions in chapter five clearly demonstrated how the government’s role in the economy negatively affected economic and political development over the years. The economic role of the state in Ghana has created an expectation in both public sector workers and the entire population. Citizens still believe in the efficacy of the state, thus making change management difficult in the Ghanaian administrative environment. In Ontario, government and market have existed, and continue to exist, in tandem. They have played, and continue to play, complementary roles. In this case, neither has ever assumed dominant control over the other.

Another significant factor noted in the dissertation is the extent of external influence in the reform process in both Ghana and Ontario. In Ghana, the influence of the International Financial Institutions was quite strong. This was well noted by Loxley (1988: 19) as far back as 1998, when he observed, “Nevertheless, it is true that over the period, the influence of the World Bank in policy formulation had become much greater...” Their influence emerged as a result of lack of resources, especially financial resources, and the fact that they funded, and continue to fund, programmes for reforms. The effect of this influence was that the independence of action, *i.e.*, the ability of sovereign governments to independently formulate and implement their own policies, was severely compromised.

Thus, in Ghana, the reform process was deeply penetrated by these external institutions and by the donor community in general. Ghana, therefore, became a passive recipient of policy ideas from these institutions, and could not challenge them, although some officials expressed frustration about these organisations and the policies they were forcing on the government. It was revealed by an official of the Office of the Head of the Civil Service that the World Bank, for instance, refused to fund the Civil Service Performance Improvement Programme when it realised that the programme did not focus on bureaucratic retrenchment. Thus, in Ghana, as a result of this external influence, the reforms did not in any way empower the agents of the reforms, *i.e.*, the bureaucracy that was supposed to have been in the forefront of the reforms, especially at the micro-level.

In Ontario, bureaucrats became the main agents for the reforms. It is not surprising that the reforms seem to have been sustained, although there appear to have

been some modifications to what is being implemented now, and this may be attributed to the exigencies of the day and the new government's own policy agenda. With regards to Ontario, its North American setting, and the influence of the bond ratings, which gave it a Triple A standard (this was considered sacred, and had to be maintained) over several decades, stimulated the reforms. Ontario's rating had declined, so that its position with regard to deficit financing affected government's capacity to borrow. Nevertheless, the International Financial Institutions could not penetrate the province's policy arena. In fact, through the interviews, consensus emerged that the reforms were internally driven, and that if there had been any external influence, it might have amounted to no more than what was going on in other parts of the developed world. It is, therefore, not surprising that, in Ontario, the bureaucracy, despite its perceived shortcomings, played an important role in the formulation and implementation of the reforms.

In course of the study, the degree of influence of neo-liberalism and the influence of the one-best-way ideology on public management became apparent in both cases. The evidence of the extent of the neo-liberal influence was in the discourse on policies being implemented to 'get the state right'. For instance, the use of the private sector managerial lexicon like 'customers' and 'clients,' instead of 'citizens,' to refer to recipients of public services was noticed in government documents and throughout the interviews.

In both cases, the use of the private sector managerial lexicon reflected the change in policy and managerial direction for the bureaucracy in the way it served its purpose. It reflected attitudinal change according to which the state was to focus more on service recipients than on political authorities or the needs of the bureaucracy. The change also

showed the emphasis on service delivery to citizens by the bureaucracy instead of focusing more on providing policy advice to government. Thus, the adoption and usage of the new managerial lexicon was a means to change the relationship between the political authorities and public organisations and their needs.

#### **8.6: Impact and Implications of the Reforms in Ghana and Ontario:**

Throughout the study, we noticed some impact of the reforms on the beneficiaries of the public service. In the water sector in Ghana, it was observed that although the actual reforms, *i.e.*, the introduction of private sector participation, had been stalled due to strong opposition from civil society and, to some extent, changes in the international financial market, the introduction of ‘user fees’ or ‘cost recovery’ has had a negative effect on the poor in society. Since the idea of privatising the sector and embarking on cost recovery was first discussed in the early 1990s, there have been high tariff increases, out of reach of a large portion of the population. Since 1996, water tariffs have increased more than 600 percent. For example, in March 1998, the average water tariff was raised by 140%. In May 2001, there was a further increase of 95%, beyond the means of most people, especially the urban poor, who earn less than a dollar a day (Ohemeng 2005). A bucket of clean water became more expensive than in the UK, where GDP per capita is over US\$14,000, compared to US\$350 in Ghana. Currently the PURC is considering another upward adjustment of tariffs (Ohemeng 2005). The obvious corollary of the policy has been that the majority of the poor have resorted to the use of contaminated

water because of their inability to afford pipe-borne water. The result has been the resurgence of water-borne diseases, which had been eradicated.

Furthermore, the water sector still exhibits some institutional weaknesses despite the government's effort to develop and strengthen the various institutions within it. A good case in this situation is the regulatory regime instituted to monitor the performance and tariff structures, water quality, and environmental issues within the sector. For instance, since the establishment of the PURC, it has been encumbered by the inability to develop a time-tested regulatory framework in determining the tariff structure, as well as the overall performance of the GWCL. This forces the GWCL to determine its own new tariff structure and only submit it to the PURC for approval. Indeed, in approving new tariffs, greater attention is paid to the political ramifications of such upward adjustments than to the real needs of the GWCL. Political authorities continue to exercise significant influence over tariff adjustment, as exemplified in the president's call for the suspension of a new tariff structure in 2003.

The PURC's limited capacity makes it difficult for it to consult civil society groups across the country and perform its functions as mandated in *Act 538*. Furthermore, its record of resolving customer complaints has been very unsatisfactory. For example, between January and June 2004, the PURC received 29 complaints concerning issues of quality of service, billing, disconnection, and metering. Of this number, only six were resolved to the satisfaction of the complainants (PURC 2005:21). Similarly, the Ghana Standards Board and the Environmental Protection Agency have also been found wanting in their performance due to the agencies' limited capacity and



the general despondency that has affected such institutions. In fact, these institutions are currently undergoing their own reforms/restructuring, which makes it difficult for them to embark upon any meaningful assessment of the water needs of the country.

To introduce private sector participation in such a weak and fragile institutional setting is not only dangerous but will definitely be a disaster. This is because the private sector (especially foreign firms) with extensive financial resources can hold the government captive by cutting corners in service delivery in order to enhance profit, and can show blatant disregard for regulations. Such a situation can only be rectified by a strong and dynamic institutional regime that will be able to regulate and withstand any pressures from the executive and private sector machinations. Such a regime is, however, lacking in the prevailing Ghanaian socio-economic and political environment.

In Ontario, the policy led to the retrenchment of the ministry's monitoring officials, which affected the human resource needs of the ministry and in turn affected its monitoring and regulatory capacity. The effect of the policy was a weakening of the regulatory framework and the MoE's capacity to monitor activities of water deliverers. Second, the reforms failed to provide accreditation for private labs in their water analysis, or mechanisms for reporting their findings to the Director of Health Services. The failure of government to implement such measures contributed to the Walkerton tragedy, which involved seven deaths and made a number of the inhabitants sick.

The impact of the policies in the water sector reveals that the models were not the best for changing the state's role in the sector. The deficiencies of the models have prompted current governments in both cases to take another look at the reforms. They

have come to the conclusion that the public sector is a vital element in delivering services, especially in an area where competition is difficult to undertake because of the monopoly of the product. In Ghana, as already noted, government has now realised the problems associated with the lease system, and has replaced it with a management contract with a private contractor, although this has also raised issues with the NCAP. In Ontario, the current Liberal government is proposing a new model of governance for the water sector. This model calls for strong public sector participation in the water sector, rather than rolling it back from the public (Ontario 2005).

In terms of performance management, there has, as already discussed, been mixed impact. There was no clear effect on the public sector as a whole, although it is unlikely that the idea of undertaking performance management with performance measurement will become unpopular in the near future. In other words, this idea will continue to be used as system for measuring the efficiency and effectiveness of public organisations and individuals. In spite of its shortcomings, this system for measuring organisational and individual efficiency has come to stay in the public sector.

There are, however, some disadvantages to the programme. For instance, a predisposition to allow managers to manage, the risk-averse nature of the bureaucracy, notwithstanding, seems rather to have unexpectedly become more pronounced. Some managers believe that their inability to come up with 'politically acceptable figures' to indicate the impact of their programmes may lead government (politicians) to expose them to public ridicule. It is believed that some managers exaggerate or fabricate figures to make the outcome of their programmes justify the financial resources given to them.

Another problem is that of competition among front-line workers, in terms of who did what and achieved what and who, therefore, deserves better compensation. In other words, who are the best and worst performers, and who are the in-betweens? The system has inevitably created a situation where public servants who achieve their annual targets in some ways consider themselves excellent performers and, therefore, must be paid more. The idea that people are hired in the public service to do not just a good job, but an excellent job, seems to have given way to the idea that 'I am doing this in order to be well compensated.' According to a manager in the OPS,

[W]hen you start implementing the pay-for-performance part of the system, people begin to expect that they are one of the best, so they must get more. Public servants need to understand that they are paid to deliver excellence. So in this case, when we work, we are paid to deliver. We are not here just to have coffee and enjoy time, but we are all here to work. That is how it is and that is the difficulty with performance management.

In general, people have now tied the performance management system to compensation, and wonder why performance management exists if workers are not going to be paid performance bonuses. "I think that is a hard message for some people that they are being paid to do their jobs and, therefore, must be accountable, whether there is pay for performance or not," declared another official.

### **8.7: Significance of the Research**

The research has significance in a number of ways. It re-inforces the idea that in administrative reforms, not only do policies matter, but also the environment in which such reforms are to be implemented needs to be studied and understood, and the reforms detailed to suit it. In this case, the idea that policies that have worked somewhere may

work in another country should be revised or discarded. For this reason, the key issue in administrative reforms should be the issue of adaptability, not adoptability. Thus, the significance of the research is that policies for administrative reforms must be refined to meet the exigencies of the environment in which the reforms are taking place. Without such refinement, administrative reforms policies are bound to achieve little success, and their impact will be felt less.

The research highlighted some important factors that must be considered in administrative reforms, especially in developing countries. While developed countries have had well-functioning public and private sectors over the years, this has not been the case in developing countries. Continuous political instability in many developing countries contributed to this scenario. In Ghana, it was realised that at the time the reforms were being carried out, the public sector was in a very precarious situation. It had neither the financial nor the human capacity to formulate and implement policies that would have changed the outlook of the state. Moreover, there had never been a thriving private sector to assist the state in development. In such a case, administrative reforms, including the introduction of alternative service delivery, should pay significant attention to the development and enhancement of the institutional capacity of the public sector before proceeding to implement further reforms. When the public sector is weak, reform implementation suffers, but when it is strong, it will be able to advise government on what is feasible and what is not. The public sector may also recognise the need for such reforms. As a result, it will serve as the instrument of change.

The research highlighted the role of foreign consultants. While the dissertation did not argue against the use of such consultants, it is believed that their presence creates despondency among local bureaucrats. Furthermore, the inability of such consultants to understand the environment in which they work predisposes them to the false notion of a one best approach to public sector reforms. While this problem was highlighted in some interviews in Ghana, it is obvious that further research needs to be done to ascertain the background of such consultants and their impact on the overall success or otherwise of the reforms in Ghana.

An important aspect of the dissertation is the theoretical framework and the methodology. The theoretical framework highlighted some factors, such as culture, the political system, and record of development that have been ignored by scholars who have studied administrative reforms through the lens of contingency theory. The dissertation thus provides a comprehensive framework, one that others scholars can use as they examine administrative reforms in different countries. In addition, the methodology approaches used helped to authenticate the central idea of the dissertation. As was illustrated, while policy implementers dismissed the notion of a one best way approach to administrative reforms, many policy entrepreneurs argued for such an approach. We believe that through this research, this problem could be resolved. Policy implementers should also be part of the policy making process with respect to administrative reforms in order to highlight problems of policy implementation. By so doing, the gap that exists between these two groups can be closed. This will enhance the successful implementation of reforms.

A further contribution of the dissertation is the comparative analysis of Ontario and Ghana as a case study. While a number of scholars have studied the implications of policy transfer, especially from developed to developing nations, they have done so by focusing on crossing national analysis with a number of cases involved (McCourt & Minogue 2001; McCourt 1998; Willis 2004). These studies did not go through a rigorous, case-by-case, analysis highlighting different policy areas. By focusing on two cases, the dissertation provided an in-depth analysis of the issues pertinent to administrative reforms. Furthermore, focusing on privatisation and performance management policies, both considered policy instruments, helped in understanding the fallacies in the assumptions of the neo-liberal agenda. Thus, it is the conviction of the dissertation that scholars trying to study and understand administrative reforms will see the significance of including case studies, as well as particular policy instruments, in their work if they are to reach an appropriate conclusion.

## **Appendix A: Sample Questionnaire**

### **Privatisation Questionnaire**

#### **1. Background Information of Personnel:**

- (a) How long have you been working with this organisation?
- (b) Can you tell me a little about your educational background
- (c) Have you ever worked in government?
- (d) Do you have a good knowledge about how government functions? Can you elaborate on this?

#### **2. Questions about the organisation:**

- (a) When was your organisation formed?
- (b) What is the main purpose of the organisation?
- (c) Can you tell me how you organise your activities?
- (d) Is your organisation in anyway connected to the Ontario government or to any other government in Canada? If yes, can you explain your answer?
- (e) Did your organisation in anyway influence the government's policy of privatisation? If yes, can you elaborate on this?

#### **3. The Issue of Privatisation**

- (a) What do you conceive as privatisation?
- (b) Why has privatisation become a major policy instrument of governments all over the world?
- (c) Do you think government should privatise public services especially to private-for-profit organisations? Explain your answer.
- (d) In what ways have the government's policy on privatisation change the way the ministry of environment operate?

**4. The Issue of Water in Ontario (Ghana):**

- (a) What are the main issue(s) or (problems) affecting the water sector in Ontario?
- (b) In your view, what is/are the solution(s) to the problems you have identified as affecting the water sector in Ontario?

**5. Water Privatisation in Ontario (Ghana)**

- (a) Do you think that there is a relationship between water quality and water safety and who owns or who operates the water system?
- (b) Does it make any difference whether a private organisation or a public body owns all or part of the water system?
- (c) Does it matter whether the water system is operated by for-profit company or by a public agency?
- (d) When did the issue of privatisation of “water testing” become a key policy issue for the Ontario government?
- (e) Do you believe that privatising water testing was the solution to the problems that had bedevilled the water sector?
- (f) Do you think there was any other alternative to the issue of privatising water testing in Ontario? Can you please explain?
- (g) Do you think the closure of government testing laboratories was in the best interest of Ontarians?
- (h) Do you accept the view that the privatisation of water testing was a causal factor that led to the Walkerton tragedy? Please explain your answer.
- (i) Do you think that the Ontario government privatised its water treatment system out of pragmatism or due to sheer ideological inclination?
- (j) Do you think that the action(s) of the government was influenced by the external environment, i.e. from the federal government, supra-national organisations like the IMF, World Bank etc? In other words,
- (k) Do you think that the Ontario political system any point in time affected the government in the adoption and the implementation of privatisation as policy solution to the problems it was facing in the water sector?



**6. Questions relating to the neo-liberal assumption:**

- (a) Are you aware of the neo-liberal agenda for reforming the administrative state?
- (b) What is your view about the general proposition of the neo-liberal ideas?
- (c) Do you believe that the neo-liberal philosophy or idea is the essential for changing the way(s) the state functions? Explain your answer
- (d) You argued in your book that Ontario had not gone far in privatising government or public services, especially in the area of water. What do you think accounts for this attitude of the government, taking into consideration that this was a Conservative government that believed in the privatisation of public services?
- (e) Some scholars have argued that culture in a particular society significantly determines the ability of governments to implement public policies. Do you accept this view? Can you please explain your answer?
- (f) Do you believe that Ontario has a culture that somewhat affects the way government conducts business? Can you please explain your answer?
- (g) Do you believe that the political system, i.e. whether the system is authoritarian or democratic, influences the way government conducts business? Can you explain your answer?
- (h) Do you accept the notion being propagated by neo-liberalists that there is “one best way” for modern governments in changing the delivery of public services and that this one best way is to hollow out government and enhance the private sector?

**Performance Management Questions:**

**A. Personal Background and General Questions:**

How long have you been working in government and what is your current position?

**B. Common Sense Revolution (SAP) and Performance Management System:**

One of the important aspects of the Common Sense Revolution was the introduction of business principles or business approach to enhance service delivery and financial accountability of government.

In what ways have the business principles adopted by the government changed the way the public sector functions?

A key to the business approach to government is performance management. What do you perceive as a 'performance management system'?

Why do you think this system has become such a focal point to assess public service delivery?

Before the introduction of the 'business-principle' by the government, what was the system for allocating government financial resources to the various ministries and departments?

What were some of the difficulties associated with this system?

Do you view the performance management system as a new tool introduced by the government to enhance public service?

Did the government consult the management of the organisation before introducing the performance management system? If yes, can you explain the consultation process?

What do you conceive as the most unique aspect of the performance management system introduced by the government?

**C. Questions about Organisation and Performance Management System**

Would you explain senior management performance system in your organisation?

Why did your organisation adopt the performance management system you have?

What is/are the key components of this system?

How were these components devised?

Can you explain these components? Example what is performance measurement?

What was the 'model' used in developing the system? Did you adopt the "model" from somewhere or develop your own?

What are some of the major impediments, if any, to implementing the PMS?

What action(s) or measures have the organisation taken to overcome these impediments in order to achieve your objectives?

What in your view is/are the major achievement(s) of the PMS since it was introduced in Ontario (Ghana) under the CSR (SAP)?

In developing and implementing PMS, the government believed that it would enhance accountability and financial prudence. Do you think these goals have been achieved after more than ten years of the system in place? Can you explain your answer?

What improvement in policy and management systems has been achieved with the adoption and implementation of performance management system?

What performance standard(s) do you use to measure the effectiveness of the programme?

Do you believe that the public sector was generally prepared for the performance management system adopted by the government?

How do you generally determine the measures or indicators for assessing the performance of the organisation?

How do you relate the performance management system, especially the aspect of performance measurement to policy making in Ontario?

Do you think Ontario has a distinctive culture that significantly affects the way you organisation behaves or delivers services? If, yes can you describe this culture and how it affects the public sector?

Do you think the PMS in Ontario is an effective programme that can be adopted and applied by other countries, especially developing countries?

Do you think international organisations particularly the World Bank, the WTO, and the IMF significantly influenced the adoption and implementation of the performance management system in your organisation? If yes, can you explain?

## **Appendix B: Sample Letter**

I am a Ph.D. candidate in Political Science at McMaster University currently working on my dissertation. The dissertation is a comparative study of administrative reforms in Ghana and Ontario. Specifically, the dissertation examines some of the policies that have been developed to reform the administrative state. I am essentially interested in two policies: the deregulation and privatisation of water supply and testing; and performance management systems as instruments for enhancing the effective and efficient delivery of public services as well as accountability.

Much of what I am working on has been documented by scholars and in reports by public commissions. I am, however, interested in talking to people who were/are involved in the development and implementation of these policies. The essence is to ascertain from such people the reason for the adoption and application of these policies, what has been done, and if necessary and what needs to be done to ensure their success in Ghana. This research is being undertaken because Ghana has been at the forefront for public service reforms in Africa and is therefore considered as a “star pupil” of reforms. I have been told that you would be a valuable person for me to consult due to your experience and knowledge of administrative reforms.

The interview requires approximately 30 minutes of your time. The questions being asked are general in nature. They do not concern the confidential aspects of your work but will still be considered anonymous and confidential. The information you provide will help me answer some of the pertinent questions, which have been overlooked in the development of policies designed to change the administrative state, particularly in developing countries.

If you have any questions, please feel free to contact me at (0244) 031952 (e-mail at [ohemenfl@mcmaster.ca](mailto:ohemenfl@mcmaster.ca)), my supervisor, Dr. Barbara Wake Carroll at (905) 525- 9140 ext: 23700 (e-mail at [carrollb@mcmaster.ca](mailto:carrollb@mcmaster.ca)) or other members of my thesis committee, Dr. Mark Sproule-Jones at (905) 525-9140 ext.23898 (e-mail [sproulem@mcmaster.ca](mailto:sproulem@mcmaster.ca)), or Dr. Kenneth Kernaghan at (905) 688-5550 ext. 3437 (e-mail [kkernagh@spartan.ac.brocku.ca](mailto:kkernagh@spartan.ac.brocku.ca)).

I look forward to meeting you.

Frank Ohemeng, B.A (Hons.), M.A  
(PhD Candidate)

**Appendix C:**  
**An Agenda for Reform: Proposals For a Minority Parliament:**  
**The Liberal-NDP Accord**

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On May 28, 1985, Liberal party leader David Peterson and NDP leader Bob Rae signed An Agenda for Reform: Proposals for Minority Parliament, which came to be known popularly as the "Accord". This is the complete text of that agreement

**An Agreement for a Reform Minority Parliament:**

On May 2, 1985, the people of Ontario created an opportunity for change after 42 years of Conservative government. We are determined to accept responsibility for bringing about that change.

During the election campaign, both the Liberal and the New Democratic Parties advanced significant public policy and legislative reform proposals. These proposals contained many elements in common, which are outlined in the attached documents.

In the interests of making minority governments work, we are committed to a program of public policy reforms which will improve the quality of life for everyone in this province. We are also committed to legislative reforms designed to improve public access to and information about the legislative process in Ontario.

It will take time to achieve these objectives. We have agreed on the need for a period of stability during which this programme can proceed.

Should the Lieutenant-Governor invite the leader of the Liberal Party to form a Government, this agreement will be for two years from the day that the Leader of the Liberal Party assumes the office of Premier.

It is understood that the traditions, practices, and precedents of the Ontario Legislature are that individual bills are not consolidated matters of confidence unless so designated by the Government.

We undertake the following:

1. The Leader of the Liberal party will not request a dissolution of the Legislature during the term of this agreement, except following the defeat on a specifically-framed motion of non-confidence.
2. The New Democratic Party will neither move nor vote non-confidence during the term of this agreement

3. While individual bills, including budget bills, will not be treated or designated as matters of confidence, the overall budgetary policy of the Government, including the votes on supply, will be treated as a matter of confidence.

(Signed by David Peterson and Bob Rae)

**Document 1**

**Legislative Reform:**

Legislation on freedom of information and protection of privacy.

Reform of the House by strengthening and broadening the role of committees and individual members and increasing public involvement in the legislative process. Select Committees will be established to investigate the commercialisation of health and social services in Ontario and to study and report on bilateral environmental issues affecting Ontario.

Changes to broaden the powers of the Public Accounts Committee and the Provincial Auditor to cover current and proposed expenditures and to reiterate the authority of the Committee to direct investigation of all aspects of public spending.

Establishment of a Standing Committee on Energy to oversee Ontario hydro and other energy matters.

Establishment of a Standing Committee on procedures for appointments in the public sector to recommend changes in the system of recruitment and selection of public appointees

Election financing reform to cover spending limits and rebates, at both the central and local campaign level

Redefinition and broadening of the rights of public service workers to participation in political activity

Electronic Hansard (television in the legislature)

**Document 2:**

**Proposals for action in first session from common campaign proposals, to be implemented within a fiscal responsibility**

Begin implementation of separate school funding.

- Release present draft legislation immediately
- Introduce legislation upon a Liberal government meeting the legislature and refer to Committee for public hearings

Introduce programmes to create employment and training opportunities for young people

Ban extra billing by medical doctors

Proclaim the sections of the Environmental Protection Act dealing with spills

Reform Ontario's tenant protection laws, including:

- Establishment of a rent registry
- Establishment of a four per cent rent review guideline
- Inclusion of the provisions of Bill 198 as a permanent part of the residential tenancies Act
- Extension of rent review to cover post-1976 buildings
- An end to the 4750 a month exemption from rent review
- Introduction of a rent review procedure to deal with costs no longer borne by landlords
- Introduction of enabling legislation to permit demolition control by municipalities

Introduce legislation for equal pay for work of equal value in both the public and private sector

Include a first contract law in Ontario Labour legislation

Introduce reforms to the Occupational Health and Safety Act including toxic substances designation and regulations to give workers the rights to know about workplace hazards

Continue the pre-budget freeze on ad valorem gasoline tax and establish an inquiry into gas differentials between Northern and Southern Ontario

Wind up the Royal Commission on the Northern Environment and obtain release of all working papers and reports

Provide full coverage of medically necessary travel under OHIP for residents of Northern Ontario

### **Document 3**

**Programme for action from common campaign proposals, to be implemented within a framework of fiscal responsibility**

Affirmative action and employment equity for women, minorities, and give the handicapped and expansion of the role and budget of Human Rights Commission to deal with workplace and housing discrimination.

Establishment of an Ontario housing programme to fund immediately 10,000 co-op and non-profit housing units, in addition to those provided for under federal funding arrangements

New enforceable mechanism for the control of pollution to enable Ontario to deal effectively with acid rain and to establish the principle that the polluter pays

Reform services for the elderly to provide alternatives to institutional care and a reform of the present nursing home licensing and inspection systems.

Reform of job security legislation, including notice and justification of lay-offs and plant shutdowns and improved severance legislation

Farm financing reform, including low interest loans for farmers.

Worker's compensation reform

Private pension reform based on the recommendations of the Ontario Select Committee on Pensions

Reform of day care policy and funding to recognise childcare as a basic public service and not a form of welfare

An independent audit of Ontario's forest resources, and additional programmes to provide for on-going regeneration of Ontario's forests

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**Appendix D**  
Business Units under the Lease Arrangement System

Upper East	Upper West	Northern	Greater Accra	Volta
Bwaku	Tumu	Gambaga	Accra	Nkwanta
Navrongo Bongo	Lawra	Walewale	Amasaman	Kete Krachi
Zebila	Jirapa	Gashiegu	Tema	Kadjebi
Bolgatanga	Nadawli	Saboba	Ada	Jasikan
Sandema	Wa	Savelugu		Hohoe
		Tolon		Kpandu
		Tamale		Ho
		Yendi		Akasti
		Zabzugu		Adedom
		Bimbilla		Sogakope
		Damongo		Denu
		Bolo		Keta
		Salaga		
5	5	13	4	12

Western	Central	Eastern	Brong Ahafo	Ashanti
Juabeso	Dunkwa	Donkokrom	Kintampo	Ejura
Wiawso	Fosu	Mpraeso	Wenchi	Mampong
Enchi	Twifo Praso	New Abirim	Atebubu	Offinso
Asankragwa	Asikuma	Begro	Kwame Danso	Anona
Tarkwa	Swedru	Kibi	Kete Krachi	Effiduase
Daboase	Ejumako	Kade	Techiman	Mankranso
Half Assini	Abura	Suhum	Nkoranza	Kumasi
Axim	Dunkwa	Akim Oda	Drobo	Ejisu
Agona	Apam	Asamankese	Berekum	Nkawie
Nkwanta	Saltpond	Nsawam	Domaa Ahenkro	Kuntanse
Takoradi	Cape Coast	Dodowa	Sunyani	Juaso
	Elmina	Akropong	Bechem	Bekwai
		Somanya	Kenyasi No.1	Nkwanta
		Atemposu	Tepa	Manso
			Goaso	Obuasi
				New Edubiase
				On Offin
				Bibiani
11	12	13	15	18

**Appendix E:**  
List of Urban Water Systems under the Management Contract

Item	System	Region	Installed Capacity M3/d
1a	Kpong New	Tema	181818.18
b	Kpong Old	Tema	45454.55
2a	Weija-Adam Clark	Accra	136363.64
b	Weija-Candy	Accra	36363.64
c	Weija-Bamag	Accra	27272.73
3	Keseve	Tema	1363.2
4	Ofoase-Akim	E/Region	144
5	Aboabo	E/Region	224
6	Asene	E/Region	160
7	Oda-Akim	E/Region	960
8	Swedru-Akim	E/Region	432
9	Asoum	E/Region	192
10	Kade	E/Region	520
11	Koforidua	E/Region	5430
12	Suhyen	E/Region	144
13	Anum-Boso	E/Region	432
14	Kwahu-Tafo	E/Region	3548
15	Nkawkaw	E/Region	960
16	Asamankese	E/Region	864
17	Nsawam	E/Region	4008
18	Osenase	E/Region	216
19	Suhum	E/Region	960
20	Anyinam	E/Region	216
21	Apedwa-Asafo	E/Region	432
22	Begoro	E/Region	432
23	Bunso	E/Region	1080
24	Kibi	E/Region	440
25	Kwabeng	E/Region	216
26	New Tafo	E/region	2280
27	Osino	E/Region	216
28	Dalun/Nawuni	N/Region	19550
29	Yendi	N/Region	3240
30	Damango	N/Region	1320
31	Kpeve	V/Region	18181

32	Kpedze	V/Region	72.64
33	Tsito	V/region	180
34	Kpando	V/Region	2121.6
35	Sovie	V/Region	775.3
36	Anfoega	V/Region	80
37	Nkonya	V/Region	04.4
38	Hohoe	V/Region	2280
39	Agordome	V/region	7272
40	Aflao/Denu	V/Region	640
41	Agbozume	V/Region	411.2
42	Abor	V/region	368
43	Avenopeme	V/Region	272
44	Jasikan	V/Region	320
45	Worawora	V/Region	124.8
46	Kadjebi	V/region	164.8
47	Abesim	Brong Ahafo	6799.92
48	Berekum	Brong Ahafo	1822.24
49	Biaso	Brong Ahafo	3600
50	Dwomo	Brong Ahafo	1080
51	Acherensua	Brong Ahafo	1080
52	Tanoso	Brong Ahafo	220
53	Wa	Upper West	1672
54	Brimsu	Central	1231.06
55	Baifikrom	Central	2272.8
56	Winneba	Central	12636.8
57	Kwayanku	Central	17726.4
58	Breman Asikuma	Central	720
59	Denkyira on Ofin	Central	912
60	Twifo Praso	Central	144
61	Bolgatanga	Upper East	7200
62	Bawku	Upper East	1648
63	Navrongo	Upper East	1764
64	Daboase	Western	27000
65	Inchaban	Western	18000
66	Tarkwa	Western	5450
67	Prestea	Western	620
68	Bogoso	Western	160

69	Aboso	Western	432
70	Axim	Western	500
71	Elubo	Western	180
72	Barekese	Ashanti	81816
73	Owabi	Ashanti	13632
74	Mampong	Ashanti	2700
75	Konongo	Ashanti	4500
76	Effiduase/Asokore	Ashanti	700
77	Odaso	Ashanti	18000
78	New Edubiase	Ashanti	50
79	Tepa	Ashanti	710
80	Agona	Ashanti	90

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