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Towards Effective State Institutions: The Case of Semi-Autonomous Organizations in the Public Service of Ghana

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1. Purpose of the Dissertation

This dissertation explores the effectiveness factors of semi-autonomous public organizations in the developing-country context. Governments of developing countries face constraining fiscal conditions and rising citizen demand for quality and accountable public services, and have strong incentives to sustain or enhance the implementation of agencification. Notwithstanding the potential benefits of agencification for the improvement of effectiveness and democratic governance, there is growing concern over mixed outcomes of the reform. However, the existing literature is silent on how policymakers can harness the benefits of agencification and avert its negative outcomes. This study attempts a comparative analysis of effective and ineffective agencies in Ghana to identify the causes of variability in the effectiveness of agencies.

Acclaimed as “the biggest reformer in Africa”, Ghana is selected as the case country not just because it has a rich history of administrative reform but even more importantly because it was among the first countries in sub-Saharan Africa that embarked upon ‘agencification’ in the civil service. The country has both successful and unsuccessful cases of agency-type organizations. Moreover, besides the effects of the global financial crises, Ghana currently faces the problem of dwindling donor supports following the reclassification of the country as a lower middle-income country in 2011. The heightened fiscal constraints have led to increasing pressures for improvement of agencies’ financial viability and general effectiveness.

The dissertation is composed of eight chapters. Chapter 1 provides the background of the study and lays the foundation for the main analysis. In Chapter 2, I integrate the main arguments in the literature dealing with general organizational effectiveness into a comprehensive analytical framework applicable to semipublic agencies. Based on a review of the literature, this dissertation defines agency effectiveness as the extent to which an agency displays the capability of financial mobilization and delivers satisfactory products and services that match the expectations of its strategic constituencies/stakeholders. This definition captures agencies’ purposes of private business-like revenue generation and public policy objectives simultaneously. The chapter also identifies four main explanatory variables for agency effectiveness: two external factors (nature of agencies’ self-generated income and agencies’ relations with their parent ministries), and two internal factors (performance/personnel management practices and leadership strategy/skill).

My analytical framework starts from the assumption that, in order to understand the effectiveness of agencies, it is necessary to first examine the effects of external factors on operations of the agencies. Agencies with viable sources of self-generated income can mobilize greater financial resources to boost their financial performance and provide timely and quality services to the satisfaction of stakeholders. Moreover, since the powers of agencies are curtailed by their parent ministries which are responsible for checking irresponsible insularity of the

agencies, these organizations inevitably rely on their parent ministries for support (political or otherwise) to ensure continued success in meeting policy goals. Agencies that lack supportive relations with their parent ministries will face difficulties surviving in a politically charged public administration environment full of powerful interest groups.

Notwithstanding the strong impacts of external factors, agencies can leverage internal capacity to defuse and counteract environmental uncertainties to ensure effectiveness. Skillful and stable leadership that guarantees policy continuity and consistency can enhance the technical and financial capabilities of an agency to achieve policy goals irrespective of the nature of external constraints. In the same way, continuous renewal and improvement of the capacity of agency staff through prudent performance management systems can boost the internal coherence and robustness of the agency to ensure the attainment of policy goals. However, it is noteworthy that the four effectiveness factors are not always independent of each other. For instance, cordial and appropriate relations with the parent ministry help strengthen the revenue-raising capability and the performance/personnel management system of an agency. Conversely, good performance of an agency based on sound financial standing and performance/personnel management systems contribute to tightening its relations with the parent ministry.

Chapter 3 assesses the relative effectiveness of agencies in Ghana and selects three agencies assessed as effective and three as ineffective for a comparative analysis. Our working definition of agency effectiveness, which serves as the basis for categorizing the case agencies, takes into consideration agencies' dual objectives of satisfying stakeholder needs and improving financial sustainability. Based on a combination of stakeholder evaluations and a review of agencies' financial performance, I chose the following six agencies (three effective and three ineffective) as the targets of my analysis.

Table 1 Case agencies

	Effective	Ineffective
1	National Communications Authority (NCA-E)	Ghana Irrigation Development Authority (GIDA-IE)
2	Ghana Shippers' Authority (GSA-E)	Ghana Meteorological Agency (GMET-IE)
3	Environmental Protection Agency (EPA-E)	Community Water and Sanitation Agency (CWSA-IE)

Generally, the effective agencies demonstrate continuous improvement in their services and products, with a steady increase in their internally generated revenue over the years. Moreover, some of the effective agencies (e.g. NCA-E) were able to consolidate their capacity during the inception years to become vibrant and viable agencies. The ineffective agencies, in contrast, are characterized by a lack of the capacity to improve services and to enhance self-generated incomes. For instance, although GIDA-IE exhibited an impressive performance at the early years of the agency, it failed to sustain its gains. Moreover, a major part of the total incomes of the ineffective agencies is consumed under personnel emoluments, which undermines the ability to improve or embark on service innovation.

2. Explanation of Effectiveness

Given a general account of the effectiveness of the case agencies, the four explanatory variables for agency effectiveness are analyzed individually in Chapters 4, 5, 6 and 7 by comparing the external and internal characteristics of the effective and ineffective agencies.

Nature of self-generated income

With the exception of the CWSA-IE, all the case agencies have viable sources of self-generated income (SGI) with vibrant private and public sector clients. The GSA-E generates SGI from service charges on shipping lines; the EPA-E, from fees on environmental permits; the NCA-E, mainly from regulatory fees on telecommunication, TV and radio operators. In the same way, the GMET-IE has its main SGI from meteorological services rendered to airlines, while GIDA-IE is entitled to irrigation service charges from commercial and non-commercial farmers benefitting from publicly owned irrigation schemes. The source of SGI of the CWSA-IE is exceptionally weak because the agency mainly provides water and sanitation-related services to deprived rural communities whose residents have genuine difficulty paying the stipulated water charges.

However, the existence of vibrant sources of fees and charges does not contribute to income increase without appropriately secured means of collecting them. Unlike the effective agencies, the ineffective agencies have considerable constraints on their access to their income sources due to weak legal frameworks and ambiguously defined roles assigned to various actors. The constraints on the GIDA-IE stem mainly from the fact that the agency lacks control over decisions regarding the allocation of farmlands under the irrigation schemes. Such decisions are the preserve of the Chief Executive (political head) of the District Assembly where an irrigation scheme is located. This generates a situation in which the efficiency of irrigation management (including the enforcement of service charges) is sacrificed for political imperatives of the Chief Executives.

Likewise, the GMET-IE depends on other agencies in the aviation sector such as the Ghana Civil Aviation Authority (GCAA) and Ghana Airports Company (GACL) for its 10 percent share of landing fees collected from airlines. There is no legislation endorsing the agreement between the GMET-IE and GCAA/GACL. These aviation-sector organizations have exploited the situation: in the last 10 years they have consistently defaulted in remitting funds to the GMET-IE. This suggests that although GMET-IE and GIDA-IE have viable sources of revenues, they have not been able to harness those resources. The same problem applies to the CWSA-IE. The weakness of its revenue sources (poor clients) is compounded by the fact that it has to rely on Water and Sanitation Management Teams, whom it has little control over, to collect tariffs on water supply systems. To address these constraints, the ineffective agencies need to make changes to the existing legal frameworks and restructure the roles of the various actors in the respective sector. These initiatives, however, require the intervention of the parent ministries as these reforms are beyond the agencies' authority. To the disappointment of the agencies, the parent ministries have failed to initiate any concrete measures to address the problems of the agencies in spite of the wide recognition of the problems.

Relations with parent ministries

As shown by the above-mentioned examples, the support of the parent ministry is not guaranteed. Such support is largely dependent on the nature of institutional connections between

agencies and their parent ministries. The parent ministry is more likely to commit to the success of its agencies when the performance of these organizations has a direct impact on the performance of the ministry.

For example, the current focus of the GMET-IE is to provide forecasting services to the aviation sector where it generates much of its revenues. This notwithstanding, the GMET-IE is aligned with the Ministry of Communications whose policy focus is increasingly ICT-related matters. The only veritable communication function of the agency is its responsibility to report weather updates. This function, however, has declined due to the recent upsurge in online weather applications. Due to the functional mismatch between the agency and the ministry, the latter has not been keen to intervene in resolving the revenue mobilization problems of the GMET-IE and push for enabling legislations for the agency.

Likewise, the decision to place the infrastructure-oriented GIDA-IE under the supervision of the Ministry of Food and Agriculture creates problems for the agency. The ministry mainly provides routine and politically sensitive goods such as fertilizers and related inputs to farmers. Successive ministers of MOFA have frequently jeopardized long-term irrigation investments of the GIDA-IE by prioritizing the immediate demands of farmers. Moreover, the ministry has condoned or failed to intervene to avert the creation of parallel irrigation management units that currently threaten the continuous relevance of the GIDA-IE.

The problems of the CWSA-IE are less severe because it maintains intimate relations with its parent ministry i.e. Ministry of Water Resources, Works and Housing (MWRWH) although the relations are confined to the water-sector objectives of the agency as the MWRWH has jurisdiction only over the water sector. The agency has to rely on another ministry, the Ministry of Local Government and Rural Development (MLGRD), for support in relation to its sanitation-related objectives. The agency's relations with the MLGRD, however, have been rather antagonistic. The alignment problem of the CWSA was a reason for the eventual merger of the sanitation and water sub-sectors under the direction of the newly created Ministry of Sanitation and Water Resources in 2017. Impacts of this merger are yet unclear.

In contrast, the effective agencies have cordial relations with their parent ministries. The NCA-E has the most impressive support from its parent ministry, the Ministry of Communications. The agency and the ministry have strong historical ties, as they were created to complement each other in championing government's agenda to deregulate the communication/telecommunication market. Among other things, the ministry has consistently intervened to secure various legislations for the agency and to help it against fierce resistance from powerful interests groups. But for the committed support of the Ministry of Communications, the NCA-E would have been unable to enforce sanctions on some 130 FM stations that failed to acquire or renew their operating licenses for several years. Reciprocally, in addition to being a main implementing agency of the ministry, the NCA-E has provided generous financial resources to support the operations of the ministry.

Unlike the NCA-E, the EPA-E and the GSA-E initially had difficulties in their ministerial alignment. The EPA-E was briefly placed under the MLGRD, which showed no interest in the operation of the agency, as it had no locus on environmental issues. Likewise, the transport-oriented GSA-E was at some point aligned with the Ministry of Trade. These mismatches were later corrected. Currently, the EPA-E and GSA-E are key implementing agencies of the Ministry of Environment, Science Technology and Innovation (MESTI), and the Ministry of Transport respectively. These ministries give substantial supports to the agencies.

Performance and personnel management

The analysis of the internal factors supports the argument that, with internal strength, agencies can counteract external constraints to a certain degree to achieve their policy goals. The system of performance and personnel management practices has had telling impacts on the internal capability of the agencies. Two effective agencies (i.e. GSA-E and NCA-E) have superior performance and personnel management systems that ensure the selection and retention of a team of competent and highly professional staff to handle both technical and commercial functions of the agencies. With a team of competent and professional staff, the NCA-E was able to mitigate the problems of rapid leadership turnover in the agency to sustain its internal coherence. In contrast, two ineffective agencies (i.e. GIDA-IE and the CWSA-IE) have poor performance management practices. These agencies have failed to develop the capacity of their staff due to poor training and performance management practices.

Nature of leadership

However, it is found that the superior performance and personnel management systems in the two effective agencies mentioned above are not wholly explained by institutional settings. They are partly the result of deliberate policy actions by the agency leadership. For instance, a critical component of the strategic plans instituted at the GSA-E by Dr. Mbiah was a human resource management strategy that guided the continuous development of the capacity of the agency staff. In contrast, the poor performance management at the GIDA-IE is mainly due to the failure of its leaders to introduce a coherent policy to guide key career management issues such as performance evaluation, training, and promotion. Likewise, the leaders of the GMET-IE have not been committed to the career development of non-meteorological class officers.

The effective and ineffective agencies clearly differ in quality of leadership. Whereas the effective agencies have displayed a combination of skilful and relatively stable leadership that ensures policy continuity and consistency, leadership in the ineffective agencies has been weak due to a combination of poor strategies and rapid turnover. The effective agencies had pioneer leaders who consolidated the technical capabilities of the agencies, and thus asserted the relevance of the agencies in their respective sectors and consequently guaranteed continuous support from key stakeholders. The effective agencies also saw seamless transition from technical-capability consolidation to financial mobilization and modernization.

The GSA-E and the EPA-E displayed exceptionally good leadership with a combination of stable leadership tenure and CEOs who skillfully pursued the dual (technical and commercial) objectives of the agencies. With regard to the experience of the NCA-E and CWSA-IE, it is intriguing to note that, notwithstanding the similarities in leadership patterns (i.e. skillful pioneer CEOs were succeeded by financially oriented CEOs after a few years of interval), the former is more effective than the latter. The NCA-E got the right leaders at the right time. The technically oriented CEO of the NCA-E succeeded in redeeming the credibility of the agency as a neutral and transparent regulator in the communication landscape. This paved way for the financially oriented CEO to embark on modernization and expansion of the services and financial streams of the agency. Contrastingly, the leadership in the CWSA-IE failed to consolidate the technical capabilities of the agency while taking financial initiatives only recently.

The GMET-IE has the worst leadership, lacking both tenure stability and skillful leaders. The GIDA-IE had a skillful pioneer CEO and a financially oriented new-generation CEO. However, in between these two impressive leaders, the agency witnessed a long period of poor

leadership fraught with mismanagement, bringing the gradual erosion of the agency’s technical capabilities. Moreover, financial initiatives in the agency came only in recent times.

Summary of the effectiveness factors

The results of the examination of the four effectiveness factors in Chapters 4 through 7 are summarized in Table 2. The effective agencies generally score higher than the ineffective agencies on all four factors. However, a closer examination reveals that leadership quality most consistently separates the effective and ineffective agencies. The second most important factor is agencies’ relations with parent ministries. These relations are judged to be the second most important because agency-ministry relations at two of the three effective agencies (GSA-E and EPA-E) have not been as good as those at the NCA-E whereas those at the CWSA-IE have not been as poor as those at the other two ineffective agencies (GMET-IE and GIDA-IE).

The nature of self-generated revenues and the internal mechanism for performance and personnel management have more nuanced impacts on the effectiveness of the agencies. Two agencies (GMET-IE and GIDA-IE) are ineffective despite having fairly good (not poor) sources of self-generated revenues. The EPA-E and the GMET-IE have demonstrated a similarly good practice in performance and personnel management but only the former is effective.

Table 2 Summary of effectiveness factors

Effectiveness Factors		Case Agencies					
		NCA-E	GSA-E	EPA-E	GMET-IE	GIDA-IE	CWSA-IE
External Factors	Nature of self-generated revenue/nature of clients	Good	Good	Good	Fairly good	Fairly good	Poor
	Relations with parent ministry	Good	Fairly good	Fairly good	Poor	Poor	Fairly poor
Internal Factors	Personnel/Performance management practices	Good	Good	Fairly good	Fairly good	Poor	Poor
	Leadership	Good	Good	Good	Poor	Poor	Fairly poor

The important role of the leadership is worth repeating here. Skillful and astute leadership counteracted institutional inadequacies to make the agencies effective. Poor leadership failed to do so. The EPA-E and GSA-E are telling examples of the situation in which prudent leadership mitigated the effects of institutional constraints. Although the two agencies experienced a mismatch of their ministerial alignment at some point of their history, coherent policymaking and program implementation by skillful leaders contributed to sustaining the agencies’ relevance domestically and internationally. The two agencies were successful in gaining the supports of external stakeholders in the realignment of the agencies with more appropriate ministries, which helped improve agency effectiveness.

The EPA-E and the GMET-IE share a similar level of performance/personnel management. What divides them is leadership quality. The EPA-E was weak in its remuneration

and performance-appraisal systems. However, visionary leaders firmly inherited the 5-year strategic plans instituted right at the inception years of the agency and remained focused on the staff training and capacity-building component of the plans. In contrast, the leaders at the GMET-IE failed in taking advantage of fairly good performance management systems to improve agency effectiveness. Due to the agency's close collaboration with the WMO, it has some of the finest meteorologists in the sub-region. However, the skills of the meteorologists have not been sufficiently harnessed due to a lack of clear sense of policy direction in the agency and weak leadership. Moreover, the GMET-IE leaders have neglected the career development needs of non-meteorological staff, which negatively impacts the general capacity of the agency to pursue its revenue mobilization objectives.

The GMET-IE and the GIDA-IE also failed to take advantage of fairly good sources of self-generated income due to poor leadership. As noted in the leadership history of the GIDA-IE, most of the CEOs before Dr. Nyamadi, commonly referred to as CEOs with "engineering bias", neglected the revenue mobilization objective and mostly focused on supervising and renovating the dilapidated irrigation infrastructure. Likewise, the decision of the GMET-IE leadership to intermittently withdraw meteorological services at the main airports to protest the lack of fee remittance brought untold problems to the aviation sector agencies and disrupted aviation services for the public in general. This worsened the already strained relations between the agency and its counterparts in the aviation sector and made efforts at securing fee collection even more difficult.

3. Main Findings and Policy Implications

The concluding Chapter 8 summarizes the findings of the dissertation and identifies four principal policy implications for persons and organizations engaged in institution building, governance and public sector reform in developing countries.

Generally the results of the analysis of the four effectiveness factors indicate that although there are certain institutional constraints arising from agencies' revenue sources, their relations with the parent ministries and institutionalized practices of performance and personnel management, there remains avenue for leadership action. The CEOs of the three effective agencies skillfully enhanced the revenues and successfully pursued the technical objectives of the agencies. The effective agencies also have stable leadership tenures. The combined effects of high-quality leadership and tenure stability have led to coherent and consistent policymaking that enhances the internal capacity of the agencies to successfully exploit existing opportunities and counteract institutional constraints thus ensuring the effectiveness of the agencies. Conversely, leadership in the ineffective agencies has been inept and unstable. The CEOs of these agencies failed to leverage existing opportunities such as promising sources of income and talented staff to improve agency effectiveness. Low-quality leadership also failed to defuse institutional constraints or even worsened the impact of those constraints on agency operations. The results of this study also reveal that, as well as the crucial role of leadership, supportive actions by agencies' parent ministries have been integral to enhancing the effectiveness of agencies.

Reaping the benefits of agencification requires considerable effort beyond merely establishing or transforming traditional government bureaucracies into agencies. My study identifies the following four principal policy implications.

First, when agencies are created or transformed by the government, they are sometimes placed under "inappropriate" ministries that they do not technically belong to or have weak

institutional connections with. This mismatch jeopardizes the agencies' prospects of obtaining committed support from their parent ministries. However, since increased numbers of sector agencies bring bigger budgets, power and recognition to the parent ministries, it is unlikely that parent ministries would by themselves institute measures to transfer agencies to new ministries whose functions are closer to those of the agencies. Efforts for realignment are more likely to be initiated by the agency itself. To be successful, the agency will need intervention by a higher level of authority, which prioritizes national, not ministerial, interests.

Second, as recognized by Moe (1989), the process of determining the structure of public organizations entails compromises among various actors who are influential in policymaking. The institutional constraints that limit the effective performance of agencies may therefore be a product of such compromises during the legislation process. As the problems may only be identified during the implementation process or during the actual operations of the agencies, there is the need for periodic institutional reappraisal in order to identify and address institutional constraints. The parent ministries poised to ensure effective performance of their respective agencies should lead the reassessment process and pay particular attention to easing constraints on the efficient mobilization of the self-generated revenues of the agencies by securing more enabling frameworks for the agencies.

Third, as the continuous support of the parent ministry is not guaranteed, greater emphasis should be placed on enhancing the internal capacity of the agencies through effective leadership. The focus should be on ensuring a combination of skillful leadership and tenure stability in order to avoid problems of uneven leadership and policy vacillations. The process of selecting agency CEOs needs to be robust and competitive. There must be a roll back on the practice of unilateral national executive appointment of CEOs without recourse to legal procedures governing public appointments. The terms of appointment of CEOs should include tenure guarantees such as the traditional 5-year tenure to allow CEOs adequate time to successfully implement their visions. In addition, to avoid the leadership void resulting from frequent appointment of top leaders in acting status, the appointing authority should institute a succession-planning mechanism that ensures the timely replacement of CEOs.

Fourth, CEOs should maintain a balanced focus on both technical and revenue-mobilization objectives of the agencies. This might require proven knowledge in both the technical aspects of the agency and a strong background of business/revenue generation. However, this study found that effective leaders who successfully pursued the dual objectives of their agencies—Dr. Mbiah (GSA-E), Mr. Amlalo (EPA-E) and Mr. VanPercy (NCA-E)—did not necessarily have knowledge in both fields. Instead, they adopted consultative and participatory leadership styles that allowed them to tap into the institutional knowledge of the agency and galvanize the support of staff officials towards pursuing the dual objectives of the agencies.